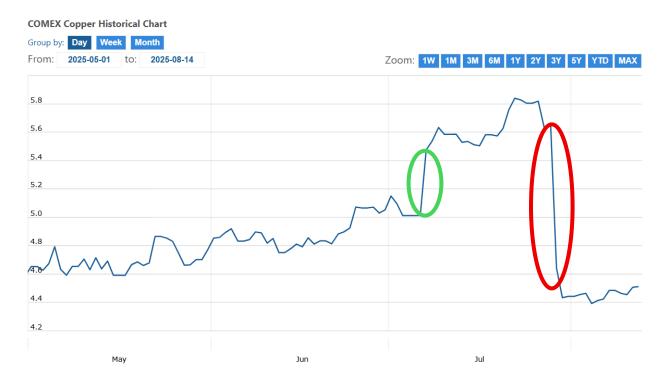
Inside Freeport McMoRan: Last Quarter's Progress

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Freeport's solid 14% revenue growth last quarter was driven by higher sales volumes and prices for copper and gold. Copper averaged \$4.50 per pound, 8% higher than the average for 2024, while gold averaged nearly \$3,300 per ounce, 38% higher than 2024's average! It met its sales targets and exceeded the targets for gold sales especially, reducing some built up inventory from when it had to wait on export permits from the Indonesian government in the first quarter. Freeport also lowered its costs to \$1.13 per pound of copper, down from \$1.56 in 2024. These higher volumes of sales and lower costs are expected to continue in 2026 and 2027, creating more cash flow for Freeport, from which the company distributes 50% to us investors.

Copper has been in the news lately as the government investigates its potential as a critical mineral for national security. In early July, a 50% tariff on copper imports was announced, with an effective date of August 1st. The US copper index, the COMEX, soared (green circle in the below chart). Copper reached almost \$6/pound and hit the highest premium over international copper prices in recent history at 30% as domestic players began stockpiling US copper. This premium, if kept up for a longer period of time, would bring Freeport an additional \$1.7 billion in US sales. However, as management said on the call, the exact tariff schedule and list of specific copper products affected had not been announced yet. On July 31, the administration excluded refined copper from the 50% tariff, and the premium all but disappeared (red circle). As the tariff situation continues to play out, it is still unclear how Freeport's operations will be affected, but with full operations (production and refining) in the US and internationally, Freeport is set up exceptionally well to only gain from tariffs.



Management slightly lowered its 2025 expectations for gold sales specifically after finding out that its drilling plan model for its deep undergound mine in Indonesia had to be tweaked. However, they were

careful to state that it was just a near-term reduction in gold sales as the new planning model is implemented. This sort of thing is common in mining, especially underground mining, and Freeport's quick resolution of the problem is admirable. Higher sales are still expected in the second half of the year versus the first half, with further improvement in the following years. Despite some political uncertainties looming, Freeport's business is solid and it is executing its plan for growth remarkably well.