

USA Rare Earth

Second Quarter 2026 Conference Call

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CORPORATE PARTICIPANTS

Barbara Humpton--*Chief Executive Officer*

Rob Steele--*Chief Financial Officer*

J.B. Lowe--*Vice President and Head, Investor Relations*

PRESENTATION

Operator

Good afternoon, and welcome to the USA Rare Earth Second Quarter 2026 Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to J.B. Lowe, Vice President and Head of Investor Relations. Please go ahead.

J.B. Lowe

Thank you, Gary. Good afternoon, and welcome to USA Rare Earth's 2026 second quarter earnings conference call. With me today are Barbara Humpton, Chief Executive Officer; and Rob Steele, Chief Financial Officer. Following Barbara and Rob's updates across our business and quarterly results, we will open the lines for Q&A.

I would like to remind participants that today's discussion may contain forward-looking statements. Please refer to the press release and our SEC filings for a discussion of risk factors. Listeners who do not have a copy of the press release or associated presentation may access these documents by visiting the Investor Relations section of the company's website.

With that, I'll turn the call over to Barbara.

Barbara Humpton

Thank you, J.B. Let me start with the progress we made this quarter as a company and the vision we have going forward. USA Rare Earth is building the global leader in rare earths. Every link from the rock in the ground to the finished magnet and beyond across 3 continents. These materials sit inside the motors, servos, semiconductors, aircraft, robotics, medical devices and defense systems, a modern economy runs on. For a generation, the capability to produce them has been consolidated almost entirely into 1 country. We're putting it back into allied hands, and we're doing it now.

This ranks among the most vital industrial projects underway today, and I want to be clear about our ambition. We intend to lead it. For decades, price governed this industry because availability was assumed. Availability or lack thereof is what governs the rare earth industry now. Once the company understands what an interruption will do to its production line, its commitments and its business model, availability drives every decision that follows.

The consequence of being wrong is existential. The Chinese government's recent export restrictions on Western companies, including USA Rare Earth crystallized that risk. For us, they reinforce why this company exists. For the rest of the industry, they are a wake-up call. More and more companies have now concluded that single-source dependency on a strategic competitor, one that has become a geostrategic adversary is a risk they can no longer tolerate. That conclusion is driving companies to rebuild their supply chains around long-term, reliable and trustworthy sources. And a 2-tier market is emerging, a China tier and a new non-China tier.

The 2 price differently, contract differently and behave differently. We're building USA Rare Earth to anchor the non-China tier and to be its partner of choice. Outside of China, heavy rare earths used in magnets are scarcer today than at any point in recent memory, and pricing reflects this reality. Western prices for dysprosium oxide, for example, are up over 90% in 2026 alone as measured by Benchmark Minerals intelligence, reaching nearly \$2,000 per kilogram in August, over 9x the price of the product in China.

This same tightness runs across other rare earths and critical minerals, such as lutetium, gallium, gadolinium, hafnium and zirconium and yttrium. Western prices for yttrium oxide which has only started to be tracked within the last year since it essentially does not exist outside in the West has risen over 60% since March and is over 200x the price in China. Scarcity is the defining condition of this industry today.

Availability is the lens I would ask you to apply to our strategy, which is to supply these scarce materials responsibly at scale. Scaling requires capabilities that are themselves significant barriers to entry as very few companies outside of China can do this work because it's largely a lost art in the West. That is what makes the integrated value chain we are building so valuable.

A mine without processing is a stranded asset. Processing without metal and alloy making capability is a science project. A magnet manufacturing facility without a secure heavy rare earth feedstock in a zombie and tolling any of these steps through an adversary is a bottleneck. That is why we have to link this chain together and why we moved so urgently to build capability at each link. This quarter is when that architecture snapped together.

In the second quarter, we announced 3 significant events. First, our intent to acquire Serra Verde, which will give us the only scaled operating source of both light and heavy magnetic rare earths outside Asia. Second, we announced our investment in Carester bringing world-class heavy rare earth processing capability and intellectual property into the platform. And third, we selected Blacksburg, South Carolina, for our second U.S. magnet and metals facility, where we've already broken ground and ordered long lead time equipment.

Underpinning all of this was our signing definitive documentation with the Department of Commerce, following an exceptionally rigorous due diligence process that included site visits, multiple RFPs and coordination across numerous agencies. Beyond the capital already appropriated to reimburse us for our expenses, we view these agreements as a validation of our asset base, our business model and our growth plans, and they significantly derisk our path to full scale production. Even as we assemble these pieces, we advanced our capabilities at each link in our platform.

At Serra Verde, the optimization and growth project, which aims to increase efficiency and production capacity is in the process of recommissioning. The project is developing as expected toward the restart of commercial production and ramp-up at the mine and processing operation on time and within budget. In April, we announced our first commercial production of yttrium metal at LCM, one of very few producers outside China of a metal essential to high-temperature aerospace applications and high-performance semiconductors.

In May, we announced grants from the Texas Semiconductor Innovation Fund and the U.S. Department of Energy to advance our platform, providing further external validation that our platform is essential national infrastructure. In June, we commissioned our hydrometallurgical facility in Wheat Ridge, Colorado and just last month in July, we produced our first commercial grade dysprosium and NdPr oxide samples from our own recycled magnet manufacturing swarf, one of the few western producers able to execute this technically demanding process outside Asia.

Lastly, just last week, we closed on the acquisition of TMRC which consolidates our ownership interest in Round Top and allows for streamlined operations, governance and decision-making. The new paradigm is evident in the commercial pool we are seeing. An underappreciated

feature of this market is that only half of rare earths demand comes from permanent magnets. The other half is demand for the elements themselves; in catalysts, phosphorus, polishing compounds, etcetera.

Nowhere is this more evident than in the work we are advancing at Round Top. We've already engaged over 30 potential customers, many of the large multinationals on offtake for the nonmagnetic oxides and other products Round Top will produce. We're working closely with several of them on MOUs, joint development agreements and other avenues of innovation. This deep engagement extends to our midstream and downstream businesses. More and more customers are no longer asking whether they need a non-China supply but are now asking how quickly we can deliver one.

Many are sourcing outside China for the first time in decades, if not ever, and are still learning where these capabilities exist. So we engineer alongside them. In some cases, we've been working with customer engineering teams for 6 months or more on specifications, tolerances and qualification protocols. We see this customer intimacy as a competitive differentiator. These are often multi-decade decisions for our clients, designing our material into platforms that will exist for years, and the length of our sales cycle respects the commitment this represents.

So let me close with where we're going. On August 28, there will be a shareholder vote to approve the acquisition of Serra Verde. Upon closing, we'll have mining, processing, metal and alloy making and magnet manufacturing spanning 3 continents. Our work from here is to move material through every link at scale to convert qualification into contracts and to become the supplier of the West builds around. My proudest accomplishment is that we've built a company that attracts the most capable people in our industry.

Over the past year, world-class experts have chosen to join us. Entire organizations chose to join us, too. The teams at LCM, Carester and Serra Verde each had a choice about their future and each chose this platform. In an industry where capabilities outside China are limited, this may be our most durable advantage. It is also why I have such confidence in this next chapter. This is the last quarterly call I will host as CEO as Thras Moraitis takes over on October 1.

The Board of Directors has had a bold vision for this company, and I'm proud to have been part of it. Thras shares this vision for scaling and expanding our platform. I could not be more confident handing him the baton, and I intend to run part straight through the handoff. There's a great deal to accomplish between now and October 1. It's been a privilege to help build and lead this company. I'm proud of what the team has accomplished, and I'm even more excited about what it will accomplish next.

With that, let me hand it to Rob.

Rob Steele

Thank you, Barbara. Before I begin, I'd like to say on behalf of the more than 325 employees of USA Rare Earth, thank you for your vision, your leadership and your belief in what we could accomplish together. Since you joined us last October, that conviction has helped transform our ambition into reality.

As you described, we are helping to define a new industry paradigm, building an integrated rare earth platform outside of China takes capital, technical debt, government relationships and the ability to execute multiple complex work streams at once. What matters is relentless

commitment, character and operational excellence. The steps Barbara described are evidence of all 3. We said what we would do, and then we went out and did it and more.

This past year also demonstrated that our team can get things done at extraordinary speed, which is essential given the critical nature of our mission. We will continue to move at pace, and we will not sacrifice our values to do it. Turning to our Q2 results. Revenues for the quarter, which represents sales to third parties were approximately \$6 million derived from our metal and alloy making business at LCM.

Gross margins were impacted by higher raw material input costs, which are associated with the supply challenges that the entire industry is facing. This issue is most acute in heavy rare earths, and we are actively engaging with alternative supply sources ahead of our anticipated access to feedstock from Serra Verde and Carester.

As a result, our position in the supply-constrained market conditions provides the opportunity to establish appropriate non-China pricing, and because of what we've been building here at USA Rare Earth, we have considerable market insight. Therefore, we believe there is an opportunity for positive momentum in pricing to develop going forward.

Operating expenses in the quarter were approximately \$45 million, including higher M&A legal and consulting costs related to our highly strategic global transactions. This was partially offset by lower R&D costs compared to the first quarter as our magnet business moved into production in the second quarter and associated costs are now reflected in inventory rather than R&D.

We reported a net loss attributable to common stockholders of \$10.3 million or \$0.05 per share. This includes a noncash fair value adjustment of approximately \$22.4 million related to our warrant and earn-out liabilities. Excluding this, our adjusted net loss was \$33.5 million or \$0.15 per share.

Turning to the balance sheet. We ended the quarter with approximately \$1.5 billion in cash and cash equivalents. This position gives us the flexibility in the near term to execute and accelerate our mine to magnet strategy as we pursue both organic and inorganic growth. Capital expenditures for the quarter were \$66 million.

During the quarter, we signed definitive agreements with the Department of Commerce, one of the 2026 targets we laid out in our Q1 earnings release. This financing is a milestone-based CapEx reimbursement program, meaning, we are reimbursed only after we achieve specific milestones. In our view, this protects the U.S. taxpayer and aligns private capital with government investment. We expect to apply for our first reimbursement distribution in the coming months.

At the same time, we continue to build out our platform in line with the long-term schedule we laid out in January to all stakeholders, with Round Top targeting commercial operations in late 2028 and 10,000 tons of both metal and alloy and magnet manufacturing capacity in the United States by 2029.

Now to operations. This quarter at Round Top, we began the resource upgrade drilling program, drilling over 10,000 feet of additional core across the 3-rig campaign. Early assay results are in line with our expectations for resource grade and confirm heavy rare distribution above 70%.

The definitive feasibility study remains on track for year-end completion and publication of the S-K 1300 in early 2027.

At our Wheat Ridge R&D headquarters, the hydrometallurgical facility is now offering all 3 demonstration circuits, the Round Top flow sheet, third-party MREC separation, and magnet swarf recycling. Data from these circuits will feed both our definitive feasibility study for Round Top and the design and engineering of our consolidated separation plan.

Wheat Ridge is also where we plan to do forward-looking materials work using quantum computing, AI and digital twins to help develop new processing capabilities. We are doing this in partnership with the Colorado School of Mines, the Department of Energy as well as to enhance our own proprietary capabilities.

In metal and alloy making, third-party demand for LCM specialized capabilities remain strong from both magnet manufacturers and specialty alloy customers. However, as I mentioned, raw material shortages have impacted the entire industry, including LCM. Our supply chain team is working to secure feedstock ahead of our access to both Carester and Serra Verde.

In magnets, our Stillwater team now stands at 140 people, and we are targeting 200 by year-end, a measure of how quickly this facility is scaling. Commercially, the pipeline continues to build. We are an active commercial dialogue with over 100 potential customers with many in negotiation and more than 20 already in qualification discussions.

To date, we have secured MOUs and LOIs covering 2,500 metric tons with large multinationals across the aerospace and defense, industrial automation, industrial motors and automotive sectors. We have also received production purchase orders from customers in the industrial motion control sector and the aerospace and defense sector.

We have received additional prototype purchase orders for finished parts from customers across aerospace and defense, industrial automation, and industrial motor sectors and have received semifinished block purchase orders from accounts across these same industries. With production purchase orders already in hand, we expect these efforts to translate into our first magnet sales by the end of the year.

On the technology side, our R&D team is developing new grades and formulations driven directly by customer requirements, including grain boundary diffusion or GBD and heavy rare earth free formulations can be suitable for a portion of the magnet market. These R&D efforts can help lower our cost base.

In addition, developing new products within the customer specification puts our engineers alongside theirs, which shortens qualification and positions us to be the designer of choice. That is what turns the purchase order into a multiyear relationship, and it is the most durable form of customer intimacy that we can build.

On quality, Stillwater is ISO 9001 supplied today, and we are working toward the more demanding AS9100, the quality management standard for Aviation Space and Defense Industries in 2027.

Finally, on integration, a great deal of work this quarter went into integrating systems, controls, reporting, supply chain and commercial coordination across LCM and our U.S. operations and

preparing for Serra Verde. We have no time to waste and are focused on building this platform to reliably deliver to our customers and to our nation partners.

With that, operator, we are now ready to open the lines for Q&A.

QUESTION AND ANSWER

Operator

We will now begin the question-and-answer session. [Operator Instructions] The first question is from Neal Dingmann with William Blair. Please go ahead.

Neal Dingmann

Hi. Good afternoon and Barbara, congratulations and Thras as well. Barbara has done a great job. Rob, maybe my first question is something you just said on the PPOs. I think did you say run 2,500 metric tons already. And if so, is the plan to continue to even build upon that? And I'd love to hear, are these long-term arrangements, like what type of orders are we talking in years perhaps?

Rob Steele

Yes. I mean that is 2,500 tons of annual demand. And we are looking at expanding that currently well beyond that. So the additional customers that we talked about, the more than 100 that are in the pipeline and the other 20 that we talked about that are near-term qualification are going to build that demand further.

And our supply agreements are going to range from single purchase orders to annual agreements. And then over time, as we've talked about, we will enter into selectively into offtake agreements based upon the economics of the transactions.

Neal Dingmann

Great. And then just a follow-up. I couldn't help but notice, you mentioned about the positive momentum in pricing. Could you just talk, again, what you mean exactly, maybe color on that, how quickly that will be seen sort of running through the system?

Rob Steele

Yes. So we've already gone out with higher prices on our products, and we expect that, that will be seen in the upcoming quarters.

Neal Dingmann

Excellent. Thank you.

Operator

The next question is from George Gianaraks with Canaccord Genuity. Please go ahead.

George Gianaraks

Hi, everyone. Thank you for taking my questions. And Barbara I just want to say it's been a pleasure working with you. Maybe to focus on Serra Verde, the acquisition is expected to close pretty soon. Can you just sort of outline for us the remaining regulatory approvals or closing conditions that are out there, particularly in Brazil?

And maybe a second part to that, Serra Verde is expected to deliver about \$600 million in annualized EBITDA by the end of '27. What are the key operational bottlenecks as you

understand them before you've closed it that maybe present risk or opportunity by the end of the year? Thank you.

Rob Steele

Yes, sure. So the Serra Verde transaction is in the process of being closed, the shareholder vote, which is the last remaining hurdle is on August 28, and we'll be closing the transaction shortly after that, there are no more regulatory hurdles with regard to that transaction.

In terms of where Serra Verde is headed, what we've talked about is the business scaling to 6,400 metric tons of TRIO by the end capacity, that's run rate capacity by the end of 2027. And as we close the transaction at the end of the month, we'll be providing more insights on the business going forward.

George Gianaraks

Thank you. And just as a follow-up question. I just want to hit a little bit on what you talked about, Rob, in terms of the heavy supply bottlenecks. What are you seeing exactly? When does that start to come to fruition? Any additional color would be very helpful. Thank you.

Rob Steele

Yes. I mean, I think taking a step back, the raw material shortages I think, highlight and legitimize the whole reason why we're creating this global supply chain outside of China. As you know, Serra Verde is a heavy -- it does have life, but it's a heavy rare earth mine and will be the largest heavy rare earth mine in production outside of China.

Similarly, Round Top is focused on only heavy rare earths and won't have light rare earths. So I think the key point there is that we are solving this problem. In the short run, as we've seen, pricing has increased and product is more scarce in the non-China market. But as we said, we are making plans with additional suppliers to be able to access the product in the near-term.

George Gianaraks

Thank you.

Operator

The next question is from Jeff Grampp with Northland Capital Markets. Please go ahead.

Jeff Grampp

Good afternoon, guys. Thanks for the time. I was curious on the hydromet facility that you guys are ramping up here. You've had a couple of positive updates lately on those early efforts. But just wondering how we should expect kind of communication of various milestones on those different flow sheets over the coming months and quarters? Thanks.

Rob Steele

Yes. Look, we're going to be coming out with relevant milestone updates as we progress throughout the year, and there'll be several more along the way that will be relevant. We still are on track to complete our DFS by year-end and publish our S-K 1300 going into early next year. So we feel very, very good about what we are. But as we've done in the past, we will be announcing milestones as we hit them.

Jeff Grampp

Got it. Okay. Thanks, Rob. And for my follow-up, I know the labor pool has been kind of a point of focus for you guys given kind of the lack of Western expertise in the sector over the past

years and decades, just wondering for any updates there, any tightness in any areas? Have you guys generally been able to secure the labor needed to ramp at the pace that you guys are targeting?

Barbara Humpton

Yes. Let me jump in on this one, Jeff. I think one of the things that we have been most proud of is the depth of the talent that already exists at the Board level and executive management and on down through the company when I joined last fall, we were talking about tens of employees. Now we're talking about hundreds of employees.

With the acquisition of the Serra Verde Group, truly, we have a very robust team with deep expertise. Now yes, building the expertise in metal making, magnet making, as we've discovered, what we've had to do is partner with others. And you may have seen, just last week, there was a mining roundtable at the Department of State.

The President attended, so did the Executive Chairman of our Board, Mike Blitzer. And a big topic there was talent development, and we've been working with the very institutions that are engaged now with the U.S. government, providing new programs for building talent.

What we found is that folks are driven by this mission and that where people have transferable skills. Those who come from the ceramics industry in automotive, find that their capability translates really well into magnet making.

Of course, all of the functional experts that we need to manage the business. They're delighted to come join a really capable team like this. So I think the future is bright. And I know that, as I say, I'm very proud that USA Rare Earth is leading the pack in attracting the best and brightest into this industry.

Jeff Grampp

I appreciate those details, Barbara. I'll turn it back. Thank you.

Operator

The next question is from Subash Chandra with Stonex. Please go ahead.

Subash Chandra

Yeah, thank you. Hey, Rob, you mentioned magnet sales -- for magnet sales by year end. Just curious how you might characterize your qualification period among your various customers. And is there a pace that you think is reasonable to qualify based on the kind of magnets they want and the pace at which you book revenues?

Rob Steele

Yes. I mean, look, we're in the process of qualification with several parties, and you see that in our prototype POs. In addition, we have production POs already in hand. Qualification period really varies depending on the customer and the application. And so -- and what the finishing requirements are for the specific magnet.

So it's hard to say what the exact period is for any 1 industry or any 1 customer because they can vary within the same industry, and they can vary even with the same customer, if they're looking at 2 different types of products. Having said all that, based upon where we are with qualification in our purchase orders, we do expect we'll be in sales by the end of the year.

Subash Chandra

Okay. Thanks. And then Serra Verde, is that -- is the SPV arrangement, is that retained upon close or do you integrate that and sort of replace the SPV?

Rob Steele

So the SPV is not a company that is owned by USA Rare Earth. It is a special purpose vehicle that's been stood up by the U.S. government, in particular to the Department of War and third-party financiers to be able to execute offtake for Serra Verde going forward. So that entity is -- sits outside of USA Rare Earth and we'll continue to sit outside USA Rare Earth upon the closing of our acquisition of Serra Verde. So it's independent.

Subash Chandra

Okay. Thanks a lot.

Operator

The next question is Suji DeSilva with ROTH Capital. Please go ahead.

Suji DeSilva

Hi, Barbara. Thanks, Rob. Apologies for any background noise, I'm here at the airport. Just for the Stillwater revenue-generating capacity in '27, just can you give us a framework for how that ramp up here from '26 when you start recognizing revenue there?

Rob Steele

Yes. So what we said on capacity, we'll have 600 metric tons of run rate capacity at Stillwater by year-end. And then we're standing up the next 600 metric tons in Q1 of next year. So we'll have 1,200 metric tons early on in the year. We haven't really provided any more guidance with exactly how that ramps from there. But that is our near-term plans for standing up our capability and remain on track to do it.

Suji DeSilva

Okay. All right. Thanks, Rob. And then maybe just as a follow-up. Can you talk about how -- what the plan is for Stillwater versus Blacksburg in terms of -- would those be in sequence? Or in parallel starting point just to understand how you plan to use the two together?

Rob Steele

Yes, yes. So the Stillwater facility is already standing up equipment, and that will ultimately be 3,600 metric tons of magnet making and 5,000 metric tons of metal making capacity. Blacksburg, which has just broken ground. So that facility has not been built yet will not be essentially operational until early 2028.

And so the shell won't even be completed until the end of 2027. So that will be sequenced later than Stillwater, but both facilities are expected to be their full capacity by the end of 2029. At Blacksburg, we'll have 5,000 metric tons of metal making and 6,400 metric tons of magnet making at that facility.

Suji DeSilva

Okay. Thanks, Rob. Barbara, best of luck.

Barbara Humpton

Thank you.

Operator

[Operator Instructions] The next question is from Derek Soderberg with Cantor Fitzgerald. Please go ahead.

Derek Soderberg

Yeah. Hey, everyone. Thanks for taking my questions. I wanted to start with just the MOUs and some of the demand that you guys have been talking about. I think you've said 12 MOUs. So Stillwater is progressing, it's commissioned. I was just curious, if any of those MOUs have been converted to definitive binding offtake agreements or anything like that? And then I've got a follow-up.

Rob Steele

Yes. I mean we have converted several into production purchase orders. And so those are converting from prototype to purchase orders going forward.

Derek Soderberg

Yeah. What any -- could you quantify any of that by chance?

Rob Steele

Yes. We're not quantifying it at this point in time. But as we move forward, we'll be providing more information as the facility ramps up.

Derek Soderberg

Got it. Got it. And as my follow-up, it seems like the recycling technology that you're working on in Wheat Ridge seems to be progressing. I was curious if you can maybe share what portion of the feedstock do you guys expect to come from sort of that recycling versus kind of newly mined? Any detail on that would be great. Thanks.

Rob Steele

Yes. So swarf generally speaking will represent 20% to 30% of our finished magnets. So in theory, if we're producing 10,000 metric tons and all of those magnets are finished, then we might generate a couple of thousand metric tons of swarf per year.

That swarf can be taken and then recycled back into essentially raw material oxides that can be turned into metal and then back into magnets. So it could end up being as much as 20% to 30% of our supply going forward.

Derek Soderberg

Got it. Super helpful. Appreciate it.

Conclusion**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Barbara Humpton for any closing remarks.

Barbara Humpton

Thank you so much. No closing remarks from me today. I appreciate everybody joining us and looking forward to the future.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.