USA Rare Earth

Third Quarter 2026 Conference Call

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CORPORATE PARTICIPANTS

Thras Moraitis--*Chief Executive Officer*

Rob Steele--*Chief Financial Officer*

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

PRESENTATION

Operator
Good day, and welcome to the USA Rare Earth's Third 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, Betsy. Good afternoon, and welcome to USA Rare Earth's 2026 third quarter earnings conference call. With me today are Thras Moraitis, Chief Executive Officer; and Rob Steele, Chief Financial Officer. Following Thras and Rob's prepared remarks, 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 Thras.

Thras Moraitis
Thank you, J.B., and good afternoon, everyone. I'm delighted to be hosting my first call as CEO of USA Rare Earth, especially at such an important and defining moment for the company. I take on this role with a strong foundation already in place. Barbara Humpton and the team have built a high-quality platform of assets, capabilities, and expertise spanning the rare earth value chain.

I have also been greatly impressed by the dedication of our people, their passionate belief in the importance to society of what we are building at USA Rare Earth, and the strength of our culture. Courage and pioneering spirit, personal responsibility, agility, and entrepreneurial drive are amongst the shared values that define our organization.

These qualities enable us to move with speed and conviction while navigating the complex geopolitical and operational challenges that characterize today's environment. My priority now is to build on this foundation and work alongside my team to optimize the development of an integrated, globally competitive rare earth supply chain from mine to magnet and beyond.

Before turning to my perspective on the market, my four priorities, and our unique market position, let me walk you through the highlights of the quarter. Revenues to date are $14.5 million, and for the quarter were $3 million, lower quarter-on-quarter as we faced raw material shortages, particularly of dysprosium oxide and samarium metal.

Nevertheless, we ended the quarter with $1.2 billion in cash on the balance sheet, a robust reserve of capital that we can use to fund our business going forward. At the same time, several important accomplishments during the quarter and the weeks thereafter demonstrate the continued momentum of the business. We successfully completed the highly strategic merger with Serra Verde, marking a significant milestone in our growth strategy and in the advancement of our competitive position.

Equally importantly, we commenced commercial-scale shipments of MREC from Serra Verde in October, with sales in November, at a time when our benchmark non-Chinese prices are at record

highs. We made our first sale of magnets from Stillwater while advancing magnet qualification with several customers. We produced commercial-grade oxide samples at Wheat Ridge, including NdPr and dysprosium, and notably yttrium oxide samples, making us one of the only players outside of Asia with the capability to supply yttrium from mine through separation to metal.

At LCM, we had surpassed our full year 2025 production by August and are on track to increase volumes by nearly 90% in 2026, despite industry-wide raw material constraints. At Round Top, we advanced our resource definition and upgrade drilling campaign with promising results from the first of several thousand assays.

Furthermore, we are seeing strong demand for Round Top's heavy rare earth products and have already executed several non-binding MOUs covering a significant portion of Round Top's anticipated oxide production.

Importantly, Round Top has the potential to become the only significant heavy rare earth producer in the United States. This underscores both the strategic significance of the asset and customers' expectation that the supply of these critical heavy rare earths will remain constrained for the foreseeable future.

Taken together, these results provide an important measure of the progress we are making, but they're also part of a much broader story about the opportunity ahead for USA Rare Earth and how we intend to position the company to capture it. Over more than 40 years of building and operating globally integrated materials companies, I have seen similar patterns emerge.

When I entered the rare earth sector in 2020, the industry outside China was fragmented and severely underinvested in, reflecting historically modest demand and China's dominance in supply and pricing. As demand surged from emerging technologies and China simultaneously tightened the export controls, the industry outside China found itself unable to respond.

Since then, investment has increasingly targeted the highest quality assets, while consolidation, largely driven by USA Rare Earth, has gathered pace. As in other industries facing sudden demand shocks, a few large integrated players will emerge with the assets, the capabilities, and capital to build alternative value chains.

Given USA Rare Earth's platform, I firmly believe we are the best positioned to play a central role in shaping and accelerating that evolution, helping customers secure the rare earth products on which the technologies of the coming decades will depend. Our overarching goal is to build the integrated supply chain that will enable us to transform rare earth resources into advanced materials, and ultimately into high-value solutions for our end customers.

The case for a non-Chinese supply chain has been well articulated, so I want to connect it directly to the strategic decisions we are making. Our view that heavy rare earths would become increasingly scarce drove our decision to invest in Serra Verde and bring it into production, and now to advance the development of our Round Top project.

It also informed our pending investment in Carester, which is constructing a heavy rare earth separation facility in France that is expected to commence operations in early 2027, becoming the first commercial-scale producer of dysprosium and terbium oxides outside Asia. In addition, leveraging the technology developed in our Wheat Ridge demonstration plant in Colorado, we will start building our own separation capacity in the United States in 2027.

Now, moving down the value chain. Converting oxides into metals and alloys for magnets and other uses requires specialized know-how and significant furnace and strip casting capacity, which are now also in critical short supply outside of China, particularly for the conversion of dysprosium and samarium. That is why the acquisition of LCM, a leading producer of these alloys outside Asia for almost 30 years, was a strategically important move.

We are leveraging the LCM team's expertise to develop equivalent facilities in the U.S. to support our magnet ambitions. Our planned French metal facility is being designed to process oxide from Carester and supply specialized metals and alloys to France's substantial aerospace and defense sectors.

Our magnet facility in Stillwater, Oklahoma, is already producing and selling magnets, and progressing the qualification of magnets with several customers in the aerospace, mobility, robotics, and defense sectors. The acute shortage of critical metals and oxides, especially dysprosium oxide, samarium cobalt metal, and yttrium oxide, while impacting all industry players, reinforces the very rationale for USA Rare Earth's existence, securing the long-term supply of these vital materials.

Our customers are looking for a secure, reliable, and responsible alternative to China, and delivering on that need requires an integrated approach. The industry outside China is still developing, and innovation continues at pace, so we must integrate and advance every component of the value chain. That is how we will build a competitive, sustainable business capable of delivering traceable critical materials and products to our customers, while generating long-term value for our shareholders.

As CEO, I have four clear priorities: integration, execution, delivering for our customers, and disciplined capital stewardship. My first priority is to integrate and streamline our operations. We have organized the company into three business units: upstream, encompassing mining, processing, and separation; midstream, covering metals, alloys, and powders; and downstream, focusing on magnets and derivative products.

I believe in creating entrepreneurial business units led by exceptional leaders, where decisions are made as close as possible to the source of information. We are building an elite leadership team with experience from across the entire value chain and our key markets. Following the Serra Verde merger, we have made substantial progress in bringing together our organization, systems, controls and commercial coordination across the U.S., U.K., Brazil and France. This integration is now nearing completion.

My second priority is execution. Now that we have all the components of a multinational supply chain in place, our focus must be on flawless execution at every stage of the value chain. We are making significant progress. In upstream, the first phase of Serra Verde's debottlenecking and expansion program was completed on time and within budget.

Contrary to speculation from some quarters, production has ramped up meaningfully, with volumes, recoveries and product quality all improving at pace. Delivery of MREC to our offtake partner commenced in October, with sales recorded in November. Once Stage 1 is fully ramped up in 2027, we are targeting an annual production rate of approximately 4,000 tons of Rare Earth oxides.

Stage 2, which will increase average production capacity to approximately 6,400 tons per annum, is already 40% complete, with more than 75% of the capital committed and with commissioning

planned for the third quarter of 2027. At Round Top, our resource upgrade drilling program is nearing completion. Results from the first 1,200 of more than 5,500 assays are consistent with historical data, confirming a heavy Rare Earth distribution of 72%.

WSP is leading resource definition and engineering development and will serve as the qualified person for our technical and S-K 1300 reports expected in the third quarter of 2027. Fluor is undertaking the engineering design of the processing flow sheet. We are developing the Round Top project in accordance with best-in-class standards and procedures, supported by leading engineering partners.

For our consolidated separation plant, which has been designed to process recycled swarf from our magnet production and mixed Rare Earth carbonate, primarily from Serra Verde, we will soon be ordering long lead items and are in the process of securing a site in the U.S. We expect construction to commence in early 2027.

At Carester's Caremag facility, which we believe will be the largest heavy Rare Earth separation plant outside Asia, construction is nearing completion, with production expected to begin early next year. Caremag has the potential to significantly accelerate our heavy Rare Earth separation capabilities, while Carester's proven expertise, proprietary technology and intellectual property provide a critical foundation for the development of our own facilities while materially reducing execution risk.

In midstream, building on LCM's record year of production, we plan to expand our U.K. production capabilities across NdPr metals and alloys, samarium cobalt and yttrium metal. The pace of expansion will be aligned with feedstock availability and clear visibility on market demand.

In France, we have filed the environmental dossier for our LCM Europe facility. In downstream, Line 1a at Stillwater is complete, with annual production capacity of 600 tons of NdFeB magnets. Installation of Line 1b, which will double capacity, is now underway and is expected to be commissioned in quarter 2 of next year.

In September, we broke ground on our magnet facility in Blacksburg, South Carolina. Together with the full build-out of Stillwater, once online, Blacksburg is expected to bring our total U.S. magnet capacity to approximately 10,000 tons per annum. My third priority is to translate the capacity we are building across our supply chain into high-quality products that customers value, and hence, into revenue.

This quarter marks a watershed moment for USA Rare Earth in that respect. In addition to the significant progress at Serra Verde, September saw us deliver another important achievement, our first commercial magnet sales from production at Stillwater, sintered NdFeB block magnets to a high-performance material manufacturer.

We also expect to sell finished magnet prototypes to multiple customers by the year end. We have signed letters of intent and MOUs covering approximately 2,500 tons of magnets and secured purchase orders across the industrial, mobility, aerospace, and defense sectors. Magnet qualification is a rigorous process that takes time and requires deep technical partnerships with customers. We are engaged with several customers on this basis.

The assets and capabilities we have built across the value chain give us a broad range of opportunities for growth. My fourth priority is to ensure that the capital entrusted to us by our

shareholders and governments is allocated with discipline to advance our strategic objectives and maximize returns.

Capital discipline, a focus on returns, and demand clarity will guide the pace, the sequencing, and scale of our investments, including Serra Verde's phase 2 expansion, our U.S. separation capacity, Round Top, our metal and alloys facility in the UK and France, our magnet operations, and selective inorganic opportunities that could strengthen our value chain.

As the industry outside China evolves, this portfolio gives us the optionality and flexibility to help shape its development while adapting our investment priorities to changing market conditions and optimizing return on invested capital.

Before I hand over to Rob, I would like to make a few points that I believe are particularly important in a market characterized by rumors, uncertainty, and volatility. We believe we are exceptionally well-positioned in this market, primarily because of our exposure to heavy rare earths, an exposure that is unique outside Asia.

While light rare earths are and will be readily available, the same cannot be said for heavy rare earths. This is the reason China is actively restricting access to these very materials, and by our assessment, will continue to consume its heavy rare earths for its rapidly growing domestic requirements.

This structural imbalance has driven dysprosium and terbium prices to record levels, a development that, in our view, is not yet fully appreciated by the market. And these prices are reaching those levels precisely as we are beginning to deliver. That is what makes Serra Verde so strategically important.

It gives us access to a meaningful source of heavy rare earth production at a time when supply is critically constrained. Serra Verde is the only producer of heavy rare earths of meaningful scale outside Asia. Our Round Top development, once operational, could further cement our competitive position as a heavy rare earth producer.

There are many players in this market making significant promises about what they intend to deliver. The difference is that Serra Verde is already producing at commercial scale, shipping product, and has completed its first sales. We are now doing everything we can to ramp up production and serve the critical industries that depend on these materials.

With that, let me hand over to Rob.

Rob Steele
Thank you, Thras. Today, I will cover the following topics. First, I will take you through our third quarter results and balance sheet, followed by our outlook for Serra Verde sales volume for the fourth quarter. Finally, I will outline our key operational targets for calendar year 2027.

Turning to our third quarter results. Revenue for the quarter, which represents sales to third parties, was $3 million and included our first revenue from NdFeB magnet sales. As Thras noted, the decrease from the second quarter reflects industry-wide raw material shortages caused by China's export restrictions, most notably in heavy rare earths and samarium metal. This limited what LCM and Stillwater could produce and sell. Cost of goods sold increased this quarter as we have now moved into production at Serra Verde and into sales at Stillwater, which required us to begin expensing non-inventoriable costs that had previously been capitalized.

Similar to the second quarter, gross margins were also impacted by higher raw material input costs tied to the supply challenges facing the entire industry, which are most acute in heavy rare earths and samarium metal. We are actively engaging with alternative supply sources ahead of our anticipated access to feedstock from Carester, and we expect gross margin to improve as utilization increases at Stillwater and LCM, and as LCM's legacy contracts are repriced over the first half of 2027.

Operating expenses were approximately $121 million. SG&A increased quarter-over-quarter on higher headcount and M&A and legal expenses, which were approximately $60 million higher than in Q2, and R&D increased with our Round Top drilling program and the addition of Serra Verde.

We reported net income attributable to USA Rare Earth of $12 million, driven by a non-cash gain of $137 million based on the fair value of our warrant and earnout liabilities. On a diluted basis, net loss per share was $0.02. Excluding the fair value gain and other adjustments, adjusted net loss was $126 million, or $0.44 per share.

Turning to the balance sheet. We ended the quarter with $1.2 billion in cash, cash equivalents, and restricted cash. The decrease from the second quarter primarily reflects $190 million of net cash paid for Serra Verde, $148 million of operating cash used, including M&A transaction-related costs, and $106 million of capital expenditures and equipment deposits. The Serra Verde purchase price and transaction-related costs are one-time in nature.

Turning to the fourth quarter outlook and key operational targets for 2027. As Thras mentioned, we started shipping products from Serra Verde to the SPV in October and made our first sales earlier this month. In the fourth quarter, we expect to sell at least 325 tons of TREO from Serra Verde.

As you can see on Slide 9, Serra Verde's basket value at the floor prices we receive has averaged around $43 a kilogram quarter-to-date. However, the actual basket price for the products we have been selling is around $97 per kilogram quarter-to-date, more than double the basket floor price. This has been entirely driven by the record prices for dysprosium and terbium outside of China.

As a reminder, we are currently selling MREC and are only monetizing the four elements that go into NdFeB magnets at this time. And this $97 per kilogram basket price represents our share of the upside above the floor prices, less separation costs. It is the ability to separate the Serra Verde MREC into individual oxides through our planned facilities that will allow us to benefit from the other valuable, rare earth elements, such as yttrium.

Now, to our targets. Going forward, we intend to provide clear and measurable targets for each of our three business units. You can see the targets on Slide 10 of our earnings presentation. In chronological order, our key operational targets are, first, as we announced today, we have completed our initial sales of block magnets to a high-performance materials manufacturer. In parallel, our first magnet finishing line has been installed, and we expect to sell finished magnet prototypes to multiple customers by year-end.

Second, in Q1 of 2027, we expect to install our second magnet finishing line, which will broaden our specialized product offering. Third, we anticipate filing an S-K 1300 report on Serra Verde as part of our 10-K filing in Q1 2027. Fourth, in Q2, we expect to commission magnet Line 1B, adding

an incremental 600 tons of NdFeB magnets, bringing the Stillwater capacity to 1,200 tons per annum.

Fifth, in Q2, we expect stage 1 ramp-up at Serra Verde to be complete, reaching a steady state run rate of 4,000 tons of TREO per annum. Sixth, at LCM, we expect to install new samarium metal furnaces in Q3 2027, raising our expected capacity for samarium metal by around 30%.

Seventh, in Q3 2027, we anticipate completing an S-K 1300 report for Round Top, which will provide higher certainty CapEx estimates and project economics. And lastly, eighth, at Serra Verde, we expect to reach our stage 2 steady state production run rate of around 6,400 tons per annum of TREO by the end of 2027.

With that, I will hand it back to Thras for some closing remarks.

Thras Moraitis
Thanks, Rob. The targets Rob has outlined give you a strong sense of the continued progress we are planning for 2027. We also intend to hold an investor conference in early 2027, providing an opportunity to give investors a more comprehensive view of our strategy, operational progress, and longer-term ambitions.

Building an entirely new industry from scratch is an ambitious and complex undertaking, but it is essential that we succeed for the future of our economies and the continued advancement of technology. USA Rare Earth is well advanced on this journey. Our ambition is to continue moving forward with pace while maintaining capital discipline and the responsibility required to become the world's leading rare earth enterprise.

With that, I would like to open the call to your questions.

QUESTION AND ANSWER

Operator
We will now begin the question-and-answer session. [Operator Instructions] The next question comes from Jeff Grampp with Northland Capital Markets. Please go ahead.

Jeff Grampp
Hey, guys. Thanks for the time. Wanted to start on the magnet side of the business, and congrats on the first commercial sales there. Just hoping to get a little more detail on any kind of volume comments or how you guys are expecting into that customer or maybe some other customers in aggregate, kind of ramping volumes here into year-end and for 2027. Thanks.

Rob Steele
Yeah. We are currently in prototype sales, which means we are proving the fact that we can sell magnets to our customers, but prototype sales are low volumes.

Jeff Grampp
Got it. Okay. Thanks for that, Rob. Shifting to Round Top, it looks like I know you guys were targeting a PFS and DFS maybe earlier in the year. It looks like the S-K 1300 is coming a bit later. Just hoping to get a little more clarity on the timeline there. It seems like demand is really good for that, reaching FID there, getting that project online. Just hoping to get an update on expected timing of that ahead.

Rob Steele
Yeah. The first report you are talking about, we are still on track to submit to the Department of Commerce by year-end. Our S-K 1300 timing, as Thras mentioned, reflects more detailed work to enhance the economics of the outcome.

Thras Moraitis
If I can just add some color to that, Rob. My experience in building these projects is that the projects that are most successful are the ones that have the most engineering done by the time you do FID. We have done some additional drilling that we had not anticipated doing in the beginning because we wanted to make sure that we understood the ore body better. As I mentioned earlier, that drilling has reinforced our comfort in what we knew about the ore body, so it has been pretty much in line with historical drilling and assaying, so that was hugely positive.

We are going to commence the detailed engineering early next year, and I am hoping that we will have the detailed engineering fairly advanced, maybe to 50%-60% before we do FID, so that we can reduce all of the risks associated with building a project of this nature. So we are seeking to be ready to reach FID in the second half of next year.

Jeff Grampp
Got it. I appreciate those extra details. I will turn it back.

Operator
The next question comes from Suji DeSilva with ROTH Capital. Please go ahead.

Suji DeSilva
Hi, Thras. Hi, Rob. Congratulations on the progress. Can you talk about the length of the cycle from a magnet customer design win to what you are doing now, the prototype phase, for revenue to production sales? Just give a sense of the average length of the phases there so we can understand the pipeline, how it will convert.

Rob Steele
Yeah. I mean, there is no average length. It really depends on the ultimate customer and the ultimate mix of the different types of products that they are trying to purchase from us. It can be anywhere from six to nine months on the low end to as much as two years.

Suji DeSilva
Okay. That's all for Rob. Thanks. Also, with the shortages affecting LCM, the global shortages, can you just detail the specific steps you are taking to try to alleviate the component shortages that you are facing for LCM?

Thras Moraitis
Yeah, sure. There are a number of different shortages, so let's sort of try to tackle them one by one. Dysprosium oxide is in extreme short supply. You can't get it out of China very easily or at all. We are building up our reserves where we can find them. It's literally a hand-to-mouth situation on dysprosium oxide, so we are picking up small tons here and there until we, of course, are able to separate the Serra Verde product in our own facilities.

Samarium metal, we have samarium oxide, so we have access to samarium oxide. It's really converting that into metal, which is where the bottleneck is in this case. And that will require us to install new capacity and furnace capacity. And so those furnaces are on order. We have two furnaces on order. They will increase our capacity by around 30%, and we expect those to be

delivered around the middle of next year. The answer's different depending which of the metals you're looking at.

Suji Desilva
Okay. Thanks, Thras. Thanks, Rob.

Operator
The next question comes from Neal Dingmann with William Blair. Please go ahead.

Neal Dingmann
Hi, good afternoon, Thras, Rob. Thanks for the time. My question is around Serra Verde and Carester, and I guess what I'm trying to understand, will Carester have as Serra Verde come on, and Thras, you talked about, and Rob, you talked about the volumes come on with Serra Verde. Will Carester build initially then handle most of that processing, or could you tell me or walk me through as Serra Verde starts ramping, where and how that'll be processed?

Thras Moraitis
Yes. The Serra Verde product, first of all, in its first phase, as you know, is committed to the offtake agreement with the special purpose vehicle. So, in the first instance, that product is acquired and paid for by the special purpose vehicle and then will be distributed to separators from that point. Of course, we're obviously a very credible receiver of that product, and so we'll be receiving that product in good time when our own separation plant is up and available.

The Carester plant is primarily a heavy rare earth separation plant, and so the product will require the removal of the lanthanum and cerium and the separation of NdPr before it can make its way to Carester. So, that has to be done as a first step.

Now, obviously, we expect to do that by early 2028 when our plant is up and running, and we'll do that in the U.S., and then we'll send the SEG+H or the heavy component to Carester. If there's a way to do that somewhere else before that, that of course, will accelerate that process of separation.

Neal Dingmann
Perfect. My second question, just on the Department of Commerce awards you have. I guess two questions on that. One, do you think with the new sort of change in political landscape, that'll have any bearing on when that award? Could you remind me any stipulation on things that you might have to do to start receiving those awards?

Rob Steele
Yeah. That's a great question, and we'll take it in a couple parts. I think first of all the funds for the DFC loan that go into the SPV or back our agreement with the DOC have already been appropriated. Two, I think it's important to understand that critical minerals have been a bipartisan topic. Our deal with Serra Verde and the DFC started during the Biden administration, for example.

And then as we look at our ability and interest in the milestones going forward, I think it's important to note that we are not spending CapEx as quickly as the equity raise milestone assumed, and we have not submitted a reimbursement request to the DOC. Second, as Thras mentioned, we are being very judicious with our investment in capacity, and we are aligning raw material supply with returns.

Third, we have more capital available than our CapEx plan for the next plus or minus 12 months. So should we decide not to raise according to our equity milestone, we would, of course, have a discussion with the DOC, with whom we have a constructive relationship.

Neal Dingmann
Very clear. Thank you both.

Operator
The next question comes from Derek Soderberg with Cantor Fitzgerald. Please go ahead.

Derek Soderberg
Yeah. Hi, Thras. Hi, Rob. Wanted to start with Serra Verde, Slide 9. Can you talk about the $97 per kilogram basket that excludes separation costs? What sort of costs come out after that point? It sounds like that's your share. Is there any way you can give us an unadjusted basket value? I'm just kind of trying to compare the basket value versus what you guys had kind of talked about back in April.

Thras Moraitis
Yeah. Sorry. Yeah. The $97 is basically what we receive. That is the net. That is after the subtraction of an imputed separation cost and also the share that the SPV gets above the floor price. So, it is a net number. If you look at it on an NdPr equivalent basis, then we are much closer to $340 per kilo. So, that is the comparative to other products in the market that I would look at.

Derek Soderberg
Got it. Okay, that is helpful. It sounds like prices maybe are even more favorable than when you guys have gone through kind of the deal deck. I think you guys have projected $550 million-$650 million EBITDA run rate exiting 2027. Has pricing been improved since then, and can you comment at all on how maybe that $550 million-$650 million has changed at all?

Rob Steele
Yeah. I think what we are doing here, Derek, is really focusing on the milestones we have laid out over the next year, and the production ramp associated with that. First of all, I would focus on that and where we are getting to run rate 4,000 tons per annum, which is in Q2 2027, and 6,400 steady state by the end of year-end 2027.

You can kind of look at that in the context of the basket prices that we have provided so far, and I think you can make your own assumptions about the direction of the indices that are used to inform the basket prices. So, that is how I would tackle that question.

Derek Soderberg
All right, that is all for me. Thanks, guys.

Operator
The next question comes from Laurence Alexander with Jefferies. Please go ahead.

Laurence Alexander
Good afternoon. On the magnet side of the business, the downstream, can you talk a little bit about how your ASPs and your profit per ton, or your ASP spread over the inputs should evolve as you go from the prototyping to the fully ramped product mix?

Separately, I appreciate there's some give and take in terms of the timing of which stage gets the investment depending on the market signals currently, but do you have a longer term preference on having the upstream and the downstream roughly balanced, or do you want like 20% more upstream than downstream to allow for any kind of outages or disruptions when to be selling into the market, or would you prefer to have the downstream be larger than the upstream channel? Can you just give a sense for the overall direction of how you want the mix to evolve?

Rob Steele
Yeah, sure. On the first question, in terms of the ultimate price, if you were to try to attempt to look at it from a single price, it's going to depend upon how our magnets are being qualified over time and how we're standing up initial and repeat orders of magnets and supply and offtake agreements. Look, it's still too early to tell exactly what that's going to look like, but the prices that we're seeing right now are very encouraging.

Thras Moraitis
Yeah. Laurence, I will take on the second question. Our first priority is to build an integrated value chain, and that is because that is what is required for us to deliver the elements from the ground into the end customer products and solutions that we want to build. We will focus on doing that, but at the same time, of course, we will do that with an eye on delivering returns. All of those pieces of the value chain have the ability to deliver returns above our cost of capital.

But having done that, we are then in a position to then maximize the allocation of capital and returns, and more often than not, it is the upstream part that delivers the higher returns. Having Round Top and Serra Verde gives us a significant optionality to apply capital to the higher returning element of the value chain, and that is how we would see it over time.

Laurence Alexander
Thank you.

Conclusion

Operator
This concludes our question-and-answer session and concludes our conference call today. Thank you for attending today's presentation. You may now disconnect.