

# USA Rare Earth

## USA Rare Earth Strategic Investment in Carester

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### **CORPORATE PARTICIPANTS**

**JB Lowe** – *VP of IR*

**Barbara Humpton** – *CEO*

**Rob Steele** – *CFO*

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## **PRESENTATION**

### **Operator**

Good morning and welcome to the USA Rare Earth Strategic Investment in Carester conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded. I would now like to turn the conference over to JB Lowe, Vice President, Head of Investor Relations with USA Rare Earth. Please go ahead.

### **JB Lowe**

Good morning and good afternoon and thank you for joining today's call on USA Rare Earth's strategic investment in Carester. With me today are Barbara Humpton, Chief Executive Officer, and Rob Steele, Chief Financial Officer. Following the press release that was issued earlier today, Barbara will begin with some prepared remarks on the company's strategic investment in Carester, Europe's leading heavy rare-earth and recycled magnet processing technology company. We will then open the call for questions. 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. It is also important to note that the information provided today is subject to definitive documentation. 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 will turn the call over to Barbara.

### **Barbara Humpton**

Thank you, JB, and good morning, everyone. Today, we're announcing a significant milestone in the execution of our mine-to-magnet strategy. USA Rare Earth has agreed to acquire a 12.5% equity stake in Carester, a one-of-a-kind heavy rare earth and recycled magnet processing company that is considered one of the leading rare earth processing technology companies in the world. We're making this investment alongside InfraVia, the French critical minerals infrastructure fund seeded by the French government, which is also taking a 12.5% stake. I want to underscore that this is an investment that allows us to take an active role in Carester, and it's an important step in the long-term growth and value creation potential of USA Rare Earth.

Contemporaneously with the equity investment, we have entered into three strategic agreements with Carester: a 15-year supply agreement, a 15-year offtake agreement, and a technology and services framework, which includes an IP licensing arrangement. These agreements will provide USA Rare Earth with direct access to rare earth oxides including dysprosium and terbium heavy rare earth and position us for long-term engineering support, collaboration, and technology licensing. This is not just about USA Rare Earth buying a stake in Carester. It is that USA Rare Earth is securing strategic capabilities, market access, and allied supply chain positioning that accelerate our long-term vision of becoming a multinational, integrated, mine-to-magnet leader.

Let me explain why this investment matters and what it means for our global value chain. Carester was founded in 2019 by Frederic Carencotte, a 20-year veteran of Solvay's rare earth operations in France and China. Frederic and his team at Carester are among the most experienced and highly regarded experts in the world in rare earth separation and oxide production with particular industry renown in heavy rare earth and recycled oxides. It's often said that when you want to produce a magnet, there are just a few phone calls you need to make to get it done. Frederic and the Carester team is one of those calls. With a long-standing reputation as a trusted partner and high-quality producer, Carester has earned customers across Europe, Japan, Australia, Brazil,

Malaysia, and North America. The company holds proprietary separation and recycling technology including four patented innovations and its Parex+ simulation software. Carester employs 41 people with over 250 years of combined rare earth industrial and scientific experience.

Carester's well-respected patented rare earth separation process is modular and is designed to treat all types of ore. Its patent portfolio extends across pyrometallurgical, hydrometallurgical, and solvent extraction processes, and this portfolio enables full circularity of rare earths with long loop magnet recycling capability and technology with an ability to digest all types of magnets to be recycled from 100% swarf to 100% end-of-life. Through its subsidiary Caremag, Carester is currently standing up Europe's first large-scale, low-carbon rare-earth recycling and refining facility in Lacq, France, which is expected to commence operations in the third quarter of 2026 and achieve run rate in the first quarter of 2027. This facility is designed to process 7,000 tons per year of rare-earth and recycled magnets. At run rate, this facility will produce 800 tons per year of NDPR oxide, 500 tons of dysprosium oxide, and 100 tons of terbium oxide, which represents approximately 15% of current world production of these critical heavy rare earths. This capability is crucial as dysprosium and terbium generally represent 20% of global rare earth volume but over 90% of the value. And critically, China today processes nearly 100% of these heavy rare earths. Carester has already secured 216 million euros in backing from the French government and strategic partners including the Japan French Rare Earths, an entity backed by the Japanese government.

I also want to underscore something that is fundamental to our conviction in this deal. There's a long-term relationship between the founders of our subsidiary, Less Common Metals, and the founders of Carester. This is a partnership built on decades of professional trust and shared expertise in rare earth processing. Now, why does this matter for USA Rare Earth and for less common metals? First, this investment will provide key supply of rare earth oxides to USA Rare Earth and LCM's French project in Lacq, France. Under the 15-year off-take agreement, USA Rare Earth will have the right to purchase up to 50% of the heavy rare earth oxides produced from our contributed feedstock including dysprosium and terbium, and those oxides flow directly into LCM's metal and alloy production. Second, our co-investment within InfraVia and the French government provides further support to USA Rare Earth's broader efforts in Europe. The French government has expressed an interest in providing loan guarantees and capex reimbursement for LCM's planned metal-making facility in Lacq. They are interested in investing in LCM Europe and supporting a potential USA Rare Earth magnet-making facility in the south of France. Our equity participation alongside a French government-seeded fund positions us for those opportunities.

Third, the supply agreement creates a processing pathway for Round Top. Under the 15-year supply agreement, Carester will process any excess heavy rare earth concentrate from Round Top or from any other deposit to which USA Rare Earth may have access at the Caremag facility. This will give us a European separation option that does not depend on any Chinese processing. Fourth, the Technology and Services Framework Agreement provides for engineering support, collaboration, and technology licensing. Carester's proprietary technology in nitrate route separation, long loop recycling, and radioactivity removal is applicable to Round Top's development and to our broader processing capabilities. USA Rare Earth will own all newly developed IP coming out of our cooperation. Put simply, we believe that this partnership will allow us to secure strategic capabilities, market access, and allied value chain positioning that accelerate our long-term vision of becoming a multinational integrated mine-to-magnet leader.

Let me step back and frame what this means at a strategic level. When we talk about building an integrated rare earth value chain from mine-to-magnet and beyond, we believe this investment

will strengthen every link. Round Top provides mining and concentrate. Carester and Caremag complement our U.S. operations, providing European separation and oxide production including the heavy rare earths that are most critical to defense and advanced technology applications. LCM converts oxides into metals, alloys, and stripcast. Stillwater manufactures finished NdFeB magnets. With this transaction, we will have contractual and equity relationships across all four links with allied nation partners in the United States, the United Kingdom, and France. No other company in the Western world can say that today.

A few notes on the investment structure. We're announcing today on the basis of a signed term sheet, which is subject to definitive documentation and other conditions. The ancillary agreements, supply, offtake, and the technology framework are all in agreed form. We expect to finalize the definitive investment agreement with related documentation in approximately one month. In conclusion, we are incredibly excited about the opportunity this partnership provides. USA Rare Earth's investment in Carester is a strategic step to connect U.S. rare earth resources with a key industry bottleneck, European processing, recycling, and downstream manufacturing capacity. We believe that this will accelerate the development of a secure, sustainable, and allied mine-to-magnet value chain. We have an incredibly exciting future, and there is more to come. This investment is just one step ahead on our journey. Thank you for your participation today. And with that, Drew, we're ready to open the call for questions.

### **QUESTION AND ANSWER**

Thank you. We will now begin the question-and-answer session. To ask a question, you may press star then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster. The first question comes from George Gianarikas with Canaccord Genuity. Please go ahead.

#### **George Gianarikas**

Hi, everyone. Thank you for taking my questions. Maybe to start, can you possibly disclose the dollar amount or the euro amount of the investment you're making? Thank you.

#### **Barbara Humpton**

Yeah. Let me draw in Rob Steele here.

#### **Rob Steele**

Hey, George. Yeah, so the amount of our investment is 40 million euro alongside a 40 million euro investment from InfraVia into the company. We will both hold equity investments in Carester.

#### **George Gianarikas**

Thank you. And maybe as a follow-up, how do the processing technologies and capabilities of the acquisition complement what you already have in place at Round Top? Thank you.

#### **Barbara Humpton**

Thank you. Yes. And I want everyone to be aware that we are progressing well at Round Top, looking forward to this accelerated mine plan yielding in the near term, and it is our intent to actually have processing facilities at Round Top with additional processing facilities being established in the United States. But listeners may not be aware at just how critical this bottleneck is. While there are deposits around the world and while there are ultimately magnet makers around the world, these two links in the chain, the critical processing, especially of heavy rare earths, and metal making, were the most fragile links in this value chain. Our acquisition of less common metals in October was the first transformative acquisition ensuring that we would have

that capability within our value chain and would be able to serve other downstream magnet makers. This in addition to LCM's capability ensures that we secure that other fragile link, the processing. The know-how of Frederic and the Carester team is really derived from a much earlier center of excellence in the south of France. This know-how, of course, has been not used for decades now, and here is our opportunity to strengthen that, accelerate and expand what Carester is doing, what Carester and Caremag are doing, strengthen that link in the chain, and then ensure that deposits all around the world have access to this technology so that we're able to supply heavy rare earths, light rare earths, and other critical minerals where they are most needed.

**George Gianarikas**

Thank you.

**Operator**

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

**Neal Dingmann**

Good morning and thanks for the time. Barbara, I'm just trying to figure out now on the sort of volume potential sort of right out of the gate. Have you talked about -- I'm just trying to look through this and based on your prepared remarks, how quickly this could scale up? I know Carester is still not a huge company like Solvay and some others out there. So, I'm just wondering, I guess, kind of what they're able to handle. Again, if Round Top comes out, do you sort of hit the ground there and you're able to produce a large quantity? Is there any limit to volumes, or maybe could you just talk about the potential volumes and how this might ramp overtime time?

**Rob Steele**

Hey, Neal. It's Rob Steele. So, they have the ability to process 7,000 metric tons of feedstock, which will ultimately result in about 800 tons per annum of NDPR, 500 tons of dysprosium, and 100 tons of terbium. And as we said, if you look at things in the terms of dysprosium, that's about 15% of the world's capacity. What's really great about Carester is it will augment our own processing capability that we're developing at Round Top, as well. So, in essence, we'll have two different places where we can process our rare earth concentrates and carbonates and provides us an ability to process in Europe as well as we supply LCM.

**Neal Dingmann**

Perfect. Thanks, Rob. And that sort of led me to my second question. That's kind of what I was going to ask. Now, based -- with having them as a partner, is that going to change what you'll target on sort of the heavy oxides that you'll be processing at Round Top because now you have them as a partner of this sort? Or maybe I guess asked another way, is this going to change sort of what the processing plans are at Round Top --

**Rob Steele**

It does not. No, our processing plans remain identical. Think of this as flexibility, and it gives us the ability to source feedstock from other areas and process in Europe. So, as we scale LCM, we're going to need multiple sources. So, it's a fantastic way to do this and create a large ecosystem in the south of France with these partners.

**Neal Dingmann**

I agree. It sounds very compelling.

**Barbara Humpton**

And, Neal, I just want to build on this for a minute because we've been wanting to share with people the power of the platform we're creating. One reason it's been difficult to scale outside of China is because there are many, many fragmented pieces in the value chain. By creating this platform, USA Rare Earth is bringing together partners who clearly have a need. There are processors in search of feedstock. There are metal makers in search of oxides. And by bringing this value chain together, we have that assurance of supply as well as off-take. This allows us to scale across the entire value chain more rapidly, and it gives, as Rob has described, this optionality so that we can match deposits to processors and accelerate the materials into the midstream and downstream links of the chain.

**Neal Dingmann**

Sounds very compelling. Thanks, Barbara.

**Operator**

The next question comes from Subash Chandra with Benchmark Company. Please go ahead.

**Subash Chandra**

Thank you. Good morning, everyone. I think the Carester facility had a Stellantis offtake. Can you sort of talk to how much excess capacity there is for you if that Stellantis offtake still exists or if it's even relevant to this?

**Rob Steele**

Yeah, I mean, the Carester facility, as I mentioned, is a large-scale facility, and they do have multiple partners already, but there's more than sufficient capacity to get the kind of output that we need to support LCM going forward. So, we feel very, very good about their capability.

**Subash Chandra**

Okay. Gotcha. And does this feed into the conditions for the U.S. government funding?

**Rob Steele**

Does our investment feed into the U.S. government funding? The investment is not part of that funding, but the overall ecosystem that we're building does support the U.S. government funding.

**Subash Chandra**

Gotcha. So, it does fulfill some of the conditions or one of the conditions or whatever of the government funding.

**Rob Steele**

No, I want to be clear. It does not have anything to do with any of the gates or milestones associated with the government funding. It actually sits outside of that but is really important in supporting the ecosystem that's critical to the U.S. government funding.

**Subash Chandra**

Okay. Got it. Okay. Thanks, Rob.

**Operator**

Again, if you have a question, please press star then one. The next question comes from Derek Soderberg with Cantor Fitzgerald. Please go ahead.

**Derek Soderberg**

Yeah. Thanks for taking my questions here. Did I hear you guys potentially planning on building out a magnet production facility in France? I was wondering if you could provide any details on that or any concrete plans for that. Any further details would be helpful.

**Rob Steele**

Yeah. I mean, this partnership really provides the platform for us to be able to consider that. And we are really at the initial planning stages, but that is something we are looking closely at going forward as we build out this ecosystem.

**Derek Soderberg**

Got it. And then are there specific purity levels for the dysprosium and terbium oxides under the offtake agreement? Anything you can share on that? Can you sort of ensure that they meet the requirements for your magnet production --

**Rob Steele**

Yes, they do. Yeah. So, what's important is they meet the specs for metal and alloy making. That's the key. And our team at LCM has evaluated the specs and agree that they meet the specs for production going forward. And understand LCM and Carester have had a long historical relationship, and LCM was part of the way in which Carester has developed their specs over time.

**Derek Soderberg**

Great. Thanks, everyone.

**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, Drew. And everyone, thank you so much for joining us this morning. We're excited about this investment, what it means to the value chain. But stay tuned. There's more to come. We'll talk to you soon.

**Operator**

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