

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-40234



PureCycle Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

86-2293091

(I.R.S. Employer
Identification No.)

(State or other jurisdiction of incorporation or organization)

5950 Hazeltine National Drive, Suite 300

Orlando, Florida 32822

(877) 648-3565

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbols</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	PCT	The Nasdaq Stock Market LLC
Warrants, each exercisable for one share of common stock, \$0.001 par value per share, at an exercise price of \$11.50 per share	PCTTW	The Nasdaq Stock Market LLC
Units, each consisting of one share of common stock, \$0.001 par value per share, and three quarters of one warrant	PCTTU	The Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 6, 2023, there were approximately 164,059,311 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

PureCycle Technologies, Inc.
QUARTERLY REPORT on FORM 10-Q
TABLE OF CONTENTS

	Page
PART I - Financial Information	
Item 1. Financial Statements	3
Condensed Consolidated Balance Sheets as of September 30, 2023 (Unaudited) and December 31, 2022	5
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine months ended September 30, 2023 and 2022	6
Unaudited Condensed Consolidated Statements of Stockholder's Equity for the Three and Nine months ended September 30, 2023 and 2022	7
Unaudited Condensed Consolidated Statements of Cash Flows for the Nine months ended September 30, 2023 and 2022	9
Notes to the Interim Condensed Consolidated Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 3. Quantitative and Qualitative Disclosures About Market Risk	58
Item 4. Controls and Procedures	58
PART II - Other Information	
Item 1. Legal Proceedings	59
Item 1A. Risk Factors	59
Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities	59
Item 3. Defaults Upon Senior Securities	59
Item 4. Mine Safety Disclosures	59
Item 5. Other Information	59
Item 6. Exhibits	60
Signatures	62

PureCycle Technologies, Inc.

PART I - FINANCIAL INFORMATION

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements about the financial condition, results of operations, earnings outlook and prospects of PureCycle Technologies, Inc. ("PCT"). Forward-looking statements generally relate to future events or PCT's future financial or operating performance and may refer to projections and forecasts. Forward-looking statements are typically identified by words such as "plan," "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project," "continue," "could," "may," "might," "possible," "potential," "predict," "should," "would" and other similar words and expressions (or the negative versions of such words or expressions), but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements are based on the current expectations of the management of PCT and are inherently subject to uncertainties and changes in circumstances and their potential effects and speak only as of the date of this Quarterly Report on Form 10-Q. There can be no assurance that future developments will be those that have been anticipated. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described in the section of PCT's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Annual Report on Form 10-K") entitled "Risk Factors," those discussed and identified in other public filings made with the U.S. Securities and Exchange Commission (the "SEC") by PCT and the following:

- PCT's ability to obtain funding for its operations and future growth and to continue as a going concern;
- PCT's ability to meet, and to continue to meet, applicable regulatory requirements for the use of PCT's UPR resin (as defined below) in food grade applications (including in the United States, Europe, Asia and other future international locations);
- PCT's ability to comply on an ongoing basis with the numerous regulatory requirements applicable to the UPR resin and PCT's facilities (including in the United States, Europe, Asia and other future international locations);
- expectations and changes regarding PCT's strategies and future financial performance, including its future business plans, expansion plans or objectives, prospective performance and opportunities and competitors, revenues, products and services, pricing, operating expenses, market trends, liquidity, cash flows and uses of cash, capital expenditures, and PCT's ability to invest in growth initiatives;
- the ability of PCT's first commercial-scale recycling facility in Lawrence County, Ohio (the "Ironton Facility") to be appropriately certified by Leidos (as defined below), following certain performance and other tests, and commence full-scale commercial operations in a timely and cost-effective manner;
- PCT's ability to meet, and to continue to meet, the requirements imposed upon it and its subsidiaries by the funding for its operations, including the funding for the Ironton Facility;
- PCT's ability to complete the necessary funding with respect to, and complete the construction of, (i) its first U.S. multi-line facility, located in Augusta, Georgia (the "Augusta Facility"); (ii) its first commercial-scale European plant located in Antwerp, Belgium and (iii) its first commercial-scale Asian plant located in Ulsan, South Korea, in a timely and cost-effective manner;
- PCT's ability to sort and process polypropylene plastic waste at its plastic waste prep ("Feed PreP") facilities;
- PCT's ability to maintain exclusivity under the Procter & Gamble Company ("P&G") license (as described below);
- the implementation, market acceptance and success of PCT's business model and growth strategy;

PureCycle Technologies, Inc.
PART I - FINANCIAL INFORMATION — CONTINUED

- the success or profitability of PCT's offtake arrangements;
- the ability to source feedstock with a high polypropylene content at a reasonable cost;
- PCT's future capital requirements and sources and uses of cash;
- developments and projections relating to PCT's competitors and industry;
- the outcome of any legal or regulatory proceedings to which PCT is, or may become, a party including the securities class action case;
- geopolitical risk and changes in applicable laws or regulations;
- the possibility that PCT may be adversely affected by other economic, business, and/or competitive factors, including rising interest rates, availability of capital, economic cycles, and other macro-economic impacts;
- turnover or increases in employees and employee-related costs;
- changes in the prices and availability of labor (including labor shortages), transportation and materials, including significant inflation, supply chain conditions and its related impact on energy and raw materials, and PCT's ability to obtain them in a timely and cost-effective manner;
- any business disruptions due to political or economic instability, pandemics, armed hostilities (including the ongoing conflict between Russia and Ukraine and the current situation in Israel);
- the potential impact of climate change on PCT, including physical and transition risks, higher regulatory and compliance costs, reputational risks, and availability of capital on attractive terms; and
- operational risk.

PCT undertakes no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

Should one or more of these risks or uncertainties materialize or should any of the assumptions made prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events.

PureCycle Technologies, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	(Unaudited)	
<i>(in thousands)</i>	September 30, 2023	December 31, 2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 199,349	\$ 63,892
Debt securities available for sale	12,026	98,592
Restricted cash – current	33,277	68,850
Prepaid expenses and other current assets	12,689	4,883
Total current assets	257,341	236,217
Restricted cash – non-current	151,513	94,781
Prepaid expenses and other non-current assets	7,004	5,483
Operating lease right-of-use assets	30,050	19,136
Property, plant and equipment, net	625,925	505,719
TOTAL ASSETS	\$ 1,071,833	\$ 861,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 6,847	\$ 1,667
Accrued expenses	29,824	35,102
Current portion of long-term debt	7,065	—
Accrued interest	8,230	1,532
Total current liabilities	51,966	38,301
NON-CURRENT LIABILITIES		
Deferred revenue	5,000	5,000
Long-term debt, less current portion	468,317	233,513
Related party note payable	38,029	—
Warrant liability	38,214	55,883
Operating lease right-of-use liabilities	27,556	16,620
Other non-current liabilities	1,185	1,136
TOTAL LIABILITIES	\$ 630,267	\$ 350,453
COMMITMENT AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares - \$0.001 par value, 450,000 shares authorized; 164,059 and 163,550 shares issued and outstanding as of September 30, 2023 and December 31, 2022	\$ 164	\$ 164
Additional paid-in capital	761,466	753,885
Accumulated other comprehensive loss	(7)	(641)
Accumulated deficit	(320,057)	(242,525)
TOTAL STOCKHOLDERS' EQUITY	441,566	510,883
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,071,833	\$ 861,336

The accompanying notes are an integral part of these financial statements.

PureCycle Technologies, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(in thousands except per share data)</i>				
Costs and expenses				
Operating costs	\$ 21,897	\$ 6,451	\$ 44,413	\$ 16,948
Research and development	178	254	731	843
Selling, general and administrative	13,172	14,382	39,725	42,083
Total operating costs and expenses	<u>35,247</u>	<u>21,087</u>	<u>84,869</u>	<u>59,874</u>
Interest expense	10,750	159	14,883	1,197
Interest income	(2,117)	(1,261)	(5,077)	(2,031)
Change in fair value of warrants	(48,817)	14,884	(17,669)	16,224
Other expense	51	79	526	120
Total other (income) expense	<u>(40,133)</u>	<u>13,861</u>	<u>(7,337)</u>	<u>15,510</u>
Net income (loss)	<u>\$ 4,886</u>	<u>\$ (34,948)</u>	<u>\$ (77,532)</u>	<u>\$ (75,384)</u>
Earnings (loss) per share				
Basic	\$ 0.03	\$ (0.21)	\$ (0.47)	\$ (0.49)
Diluted	\$ 0.00	\$ (0.21)	\$ (0.48)	\$ (0.49)
Weighted average common shares				
Basic	164,018	163,490	163,783	153,513
Diluted	165,548	163,490	163,980	153,699
Other comprehensive income (loss)				
Unrealized (loss) gain on debt securities available for sale	(7)	14	634	(800)
Total comprehensive income (loss)	<u>\$ 4,879</u>	<u>\$ (34,934)</u>	<u>\$ (76,898)</u>	<u>\$ (76,184)</u>

The accompanying notes are an integral part of these financial statements.

PureCycle Technologies, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

For the Three and Nine Months Ended September 30, 2023						
(in thousands)	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2022	163,550	\$ 164	\$ 753,885	\$ (641)	\$ (242,525)	\$ 510,883
Share repurchase	(48)	—	(277)	—	—	(277)
Equity-based compensation	169	—	2,166	—	—	2,166
Unrealized gain on available for sale debt securities	—	—	—	641	—	641
Net loss	—	—	—	—	(25,842)	(25,842)
Balance, March 31, 2023	163,671	\$ 164	\$ 755,774	\$ —	\$ (268,367)	\$ 487,571
Share repurchase	(9)	—	(27)	—	—	(27)
Forfeiture of restricted stock	(1)	—	—	—	—	—
Equity-based compensation	135	—	3,252	—	—	3,252
Net loss	—	—	—	—	(56,576)	(56,576)
Balance, June 30, 2023	163,796	\$ 164	\$ 758,999	\$ —	\$ (324,943)	\$ 434,220
Share repurchase	(78)	—	(818)	—	—	(818)
Equity based compensation	341	—	3,285	—	—	3,285
Unrealized loss on available-for-sale debt securities	—	—	—	(7)	—	(7)
Net Income	—	—	—	—	4,886	4,886
Balance at September 30, 2023	164,059	\$ 164	\$ 761,466	\$ (7)	\$ (320,057)	\$ 441,566

PureCycle Technologies, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

For the Three and Nine Months Ended September 30, 2022						
(in thousands)	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2021	127,647	\$ 128	\$ 539,423	\$ (237)	\$ (157,779)	\$ 381,535
Issuance of common stock	35,714	35	205,261	—	—	205,296
Share repurchase	(130)	—	(1,049)	—	—	(1,049)
Equity-based compensation	3	—	3,171	—	—	3,171
Unrealized loss on available for sale debt securities	—	—	—	(340)	—	(340)
Net loss	—	—	—	—	(25,432)	(25,432)
Balance, March 31, 2022	163,234	\$ 163	\$ 746,806	\$ (577)	\$ (183,211)	\$ 563,181
Share repurchase	(2)	—	(17)	—	—	(17)
Equity-based compensation	50	—	3,267	—	—	3,267
Unrealized loss on available for sale debt securities	—	—	—	(460)	—	(460)
Net loss	—	—	—	—	(15,004)	(15,004)
Balance, June 30, 2022	163,282	\$ 163	\$ 750,056	\$ (1,037)	\$ (198,215)	\$ 550,967
Share repurchase	(71)	—	(506)	—	—	(506)
Equity based compensation	298	1	3,009	—	—	3,010
Unrealized gain on available-for-sale debt securities	—	—	—	14	—	14
Net loss	—	—	—	—	(34,948)	(34,948)
Balance at September 30, 2022	163,509	\$ 164	\$ 752,559	\$ (1,023)	\$ (233,163)	\$ 518,537

The accompanying notes are an integral part of these financial statements.

PureCycle Technologies, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(in thousands)</i>	Nine months ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (77,532)	\$ (75,384)
Adjustments to reconcile net loss to net cash used in operating activities		
Equity-based compensation	8,703	9,448
Fair value change of warrants	(17,669)	16,224
Depreciation expense	14,618	2,583
Amortization of debt issuance costs and debt discounts	1,840	746
Accretion of discount on debt securities	(149)	(235)
Operating lease amortization expense	2,171	964
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(5,957)	(3,320)
Prepaid expenses and other non-current assets	(1,523)	(1,296)
Accounts payable	1,527	827
Accrued expenses	4,375	491
Accrued interest	9,867	324
Operating right-of-use liabilities	(1,601)	(1,536)
Net cash used in operating activities	\$ (61,330)	\$ (50,164)
Cash flows from investing activities		
Purchase of property, plant & equipment	(142,680)	(212,095)
Purchase of debt securities, available for sale	(12,020)	(192,388)
Sale and maturity of debt securities, available for sale	99,371	200,689
Net cash used in investing activities	\$ (55,329)	\$ (203,794)
Cash flows from financing activities		
Proceeds from issuance of convertible notes	225,000	—
Proceeds from related party note payable	38,000	—
Proceeds from equipment lease financing	22,101	—
Convertible notes issuance costs	(6,498)	—
Related party note payable issuance costs	(2,100)	—
Debt issuance costs	(1,849)	—
Payments to repurchase shares	(1,122)	(1,572)
Other payments for financing activities	(257)	(36)
Proceeds from issuance of common stock	—	206,072
Proceeds from issuance of warrants	—	43,929
Common stock issuance costs	—	(775)
Net cash provided by financing activities	\$ 273,275	\$ 247,618
Net increase (decrease) in cash and restricted cash	156,616	(6,340)
Cash and restricted cash, beginning of period	227,523	263,858
Cash and restricted cash, end of period	\$ 384,139	\$ 257,518
Supplemental disclosure of cash flow information		
Interest paid during the period, net of capitalized interest	\$ 2,736	\$ 650
Non-cash investing activities		
Additions to property, plant, and equipment in accrued expenses	\$ 16,152	\$ 22,059
Additions to property, plant, and equipment in accounts payable	\$ 4,470	\$ 3,267
Additions to property, plant, and equipment in accrued interest	\$ —	\$ 4,271
Non-cash financing activities		
PIK interest on related party note payable	\$ 1,745	\$ —

The accompanying notes are an integral part of these financial statements.

PureCycle Technologies, Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - ORGANIZATION

Formation and Organization

PureCycle Technologies, Inc. ("PCT" or "Company") is a Florida-based corporation focused on commercializing a patented purification recycling technology (the "Technology"), originally developed by The Procter & Gamble Company ("P&G"), for restoring waste polypropylene into resin, called ultra-pure recycled ("UPR") resin, which has nearly identical properties and applicability for reuse as virgin polypropylene. PCT has a global license for the Technology from P&G. PCT's goal is to create an important new segment of the global polypropylene market that will assist multinational entities in meeting their sustainability goals, providing consumers with polypropylene-based products that are sustainable, and reducing overall polypropylene waste in the world's landfills and oceans.

Business Combination

On March 17, 2021, PureCycle consummated the previously announced business combination ("Business Combination") by and among Roth CH Acquisition I Co., a Delaware corporation ("ROCH"), Roth CH Acquisition I Co. Parent Corp., a Delaware corporation and wholly owned direct subsidiary of ROCH ("ParentCo"), Roth CH Merger Sub LLC, a Delaware limited liability company and wholly owned direct subsidiary of Parent Co, Roth CH Merger Sub Corp., a Delaware corporation and wholly owned direct subsidiary of ParentCo and PureCycle Technologies LLC ("PCT LLC" or "Legacy PCT") pursuant to the Agreement and Plan of Merger dated as of November 16, 2020, as amended from time to time (the "Merger Agreement").

Upon the completion of the Business Combination and the other transactions contemplated by the Merger Agreement (the "Transactions", and such completion, the "Closing"), ROCH changed its name to PureCycle Technologies Holdings Corp. and became a wholly owned direct subsidiary of ParentCo, PCT LLC became a wholly owned direct subsidiary of PureCycle Technologies Holdings Corp. and a wholly owned indirect subsidiary of ParentCo, and ParentCo changed its name to PureCycle Technologies, Inc. The Company's common stock, units and warrants are now listed on the Nasdaq Capital Market ("NASDAQ") under the symbols "PCT," "PCTTU" and "PCTTW," respectively.

Legacy PCT unitholders will be issued up to 4.0 million additional shares of the Company's common stock if certain conditions are met ("the Earnout"). The Legacy PCT unitholders will be entitled to 2.0 million shares if after 1 year after the Closing and prior to or as of the third anniversary of the Closing, the closing price of the common stock is greater than or equal to \$18.00 over any 20 trading days within any 30-trading day period. The Legacy PCT unitholders will also be entitled to 2.0 million shares upon the Ironton Facility becoming operational, as certified by Leidos Engineering, LLC ("Leidos"), an independent engineering firm, in accordance with criteria established in agreements in connection with construction of the plant.

Unless the context otherwise requires, "Registrant," "PureCycle," "Company," "PCT," "we," "us," and "our" refer to PureCycle Technologies, Inc., and its subsidiaries at and after the Closing and give effect to the Closing. "Legacy PCT", "ROCH" and "ParentCo" refer to PureCycle Technologies LLC, ROCH and ParentCo, respectively, prior to the Closing.

Private Placement Offering

On March 7, 2022, the Company entered into subscription agreements (the "Subscription Agreements") with certain investors (the "2022 PIPE Investors"), pursuant to which the Company agreed to sell to the Investors, in a private placement, shares of the Company's common stock, par value \$0.001 per share, and Series A warrants to purchase shares of Common Stock (the "Series A Warrants") at a price of \$7.00 per share of Common Stock and one-half (1/2) of one Series A Warrant (the "2022 PIPE Offering").

On March 17, 2022, the Company closed the 2022 PIPE Offering and issued to the 2022 PIPE Investors an aggregate of 35,714,272 shares of Common Stock and Series A Warrants to purchase an aggregate of 17,857,136 shares of Common Stock. The Company received approximately \$ 250.0 million in gross proceeds from the 2022

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

PIPE Offering. The Company incurred approximately \$ 0.8 million of expenses primarily related to advisory fees in conjunction with the 2022 PIPE Offering.

Refer to Note 6 – Warrants for further information.

Basis of Presentation

The accompanying condensed consolidated interim financial statements include the accounts of the Company. The condensed consolidated interim financial statements are presented in U.S. Dollars. Certain information in footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and accounting principles generally accepted in the United States of America ("U.S. GAAP"). Intercompany balances and transactions were eliminated upon consolidation. The results of operations for the nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2023. The accompanying condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary to present a fair statement of the results for the interim periods presented.

Reclassifications

Certain amounts in prior periods have been reclassified to conform with the report classifications of the nine months ended September 30, 2023 and 2022.

Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared assuming that PCT will continue as a going concern; however, the conditions described below raise substantial doubt about PCT's ability to do so, which management believes has been alleviated through its plans to mitigate these conditions and obtain additional unrestricted liquidity.

The Company has sustained recurring losses and negative cash flows from operations since its inception. As reflected in the accompanying consolidated financial statements, the Company recently began commercial operations but does not yet have any sources of revenue. Revenue generation is expected later in 2023. The following is a summary of the components of our current liquidity (in thousands):

	As of	
	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 199,349	\$ 63,892
Debt securities available for sale	12,026	98,592
Unrestricted liquidity	211,375	162,484
Less: Other Ironton set-aside	—	54,560
Available unrestricted liquidity	\$ 211,375	\$ 107,924
Restricted Cash (current and non-current)	\$ 184,790	\$ 163,631
Working capital	\$ 205,375	\$ 197,916
Accumulated deficit	\$ (320,057)	\$ (242,525)
	For the nine months ended	
	September 30, 2023	September 30, 2022
Net loss	\$ (77,532)	\$ (75,384)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

As of September 30, 2023, PCT had \$211.4 million of Available Unrestricted Liquidity. On March 15, 2023, PCT entered into a \$150.0 million revolving credit facility (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Agreement may be used for working capital, capital expenditures and other general corporate purposes. There are currently no borrowings under the Revolving Credit Facility.

As of September 30, 2023, PCT anticipates that up to \$12.5 million will be needed to complete the Ironton Facility, which relates to a performance guarantee payment due after successful completion of a performance testing milestone.

As further described in Note 3 – Notes Payable and Debt Instruments, the Company and its subsidiaries agreed to achieve certain Milestones set forth in the Limited Waiver in connection with the Ironton Facility (terms used as defined below). As of September 30, 2023, the Ironton Facility failed to meet one such Milestone related to certain targeted production and performance targets, specifically, it failed to produce 4.45 million pounds of pellets from its feedstock in a single month by that date ("September Milestone"). This created a Specified Event of Default under the Limited Waiver (the "September Milestone Event of Default").

On November 8, 2023, the Limited Waiver parties entered into a Limited Waiver and Second Supplemental Indenture (the "Second Limited Waiver") pursuant to which the September Milestone Event of Default was waived, various Milestones were amended and extended and certain additional requirements were imposed upon PCT and its subsidiaries (as described further in Note 3 – Notes Payable and Debt Instruments). These additional requirements include depositing \$50 million of additional collateral to the Trustee Account, which was paid on November 8, 2023.

PCT also has other capital commitments of approximately \$24.6 million related to long-lead equipment and pre-construction work for the Augusta Facility and \$21.3 million for equipment and leases related to future Feed PreP and purification facilities. There are also ongoing monthly costs associated with managing the company, paying debt service obligations, and preparing the Ironton Facility for revenue generation.

PCT believes that its current level of Liquidity, including the unused Revolving Credit Facility may be sufficient to fund operations and outstanding commitments. However, given the September Milestone Event of Default under the Limited Waiver, and lack of revenue to date, there is substantial doubt regarding PCT's ability to continue as a going concern for a period of at least one year from the date of issuance of the condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q.

After considering management's plans to mitigate substantial doubt, including the plant becoming commercially viable and revenue generating later in 2023, PCT believes this substantial doubt has been alleviated and it has sufficient liquidity to continue as a going concern for the next twelve months.

PCT's future capital requirements will depend on many factors, including the funding mechanism and construction schedule of the Augusta Facility and other anticipated facilities outside the United States, build-out of multiple Feed PreP facilities, funding needs to support other business opportunities, funding for general corporate purposes, and other challenges or unforeseen circumstances. As a pre-revenue operating company, PCT continually reviews its cash outlays, pace of hiring, professional services and other spend, and capital commitments to proactively manage those needs in tandem with its Available Unrestricted Liquidity balance. For future growth and investment, PCT expects to seek additional debt or equity financing from outside sources, which it may not be able to raise on terms favorable to PCT, or at all. If PCT is unable to raise additional debt or sell additional equity when desired, or if PCT is unable to manage its cash outflows, PCT's business, financial condition, and results of operations would be adversely affected. In addition, any financing arrangement may have potentially adverse effects on PCT and/or its stockholders. Debt financing (if available and undertaken) will increase expenses, must be repaid regardless of operating results or revenue generation, and may involve restrictions limiting PCT's operating flexibility. If PCT consummates an equity financing to raise additional funds, the percentage ownership of its existing stockholders will be reduced, and the new equity securities may have rights, preferences or privileges senior to those of the current holders of PCT's common stock.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Going Concern***

Refer to Note 1 – Organization for further discussion.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at date of inception to be cash and cash equivalents. As of September 30, 2023, the Company's cash and cash equivalents balance represents cash and money market funds deposited with financial institutions, as well as commercial paper and US treasuries with maturities of 90 days or less at acquisition. These balances may exceed federally insured limits; however, the Company believes the risk of loss is low. Actively traded money market funds are measured at their net asset value ("NAV") and classified as Level 1. The Company's remaining cash equivalents are classified as Level 2 and measured at amortized cost, which is a reasonable estimate of fair value because of the short time between the purchase of the instrument and its expected realization.

Restricted Cash

Proceeds from the issuance of revenue bonds are restricted for use in construction of the Ironton Facility. Amounts required by the Limited Waiver (refer to Note 3 – Notes Payable and Debt Instruments) were also placed in restricted cash for various future uses. Cash pledged as collateral for leased properties is also deemed restricted and included within this definition. Restricted cash that is expected to be spent or released from restriction within twelve months is classified as current on the consolidated balance sheet. Restricted cash that is expected to be spent or released from restriction after twelve months is classified as non-current on the consolidated balance sheet.

Investments

The Company accounts for its investment in Debt Securities in accordance with ASC 320, *Investments – Debt Securities*. The fair value for fixed-rate debt securities is based on quoted market prices for the same or similar debt instruments and is classified as Level 2. All investment holdings as of September 30, 2023 and December 31, 2022 were classified as Available for Sale. The Company classifies its Debt Securities investments as current assets as they are highly liquid and the related funds are available for use in current operations.

Income Taxes

To calculate the interim tax provision, at the end of each interim period the Company estimates the annual effective tax rate and applies that to its ordinary quarterly earnings. The effect of changes in the enacted tax laws or rates is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and judgments including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in other jurisdictions, permanent differences between book and tax amounts, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained, or the tax environment changes.

Warrants

The Company evaluates all of its financial instruments, including issued warrants, to determine if such instruments are liability classified, pursuant to ASC 480 - *Distinguishing Liabilities from Equity* ("ASC 480") or derivatives or contain features that qualify as embedded derivatives pursuant to ASC 815 - *Derivatives and Hedging* ("ASC 815"). The classification of instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Issuance costs incurred with the Business Combination that are attributable to liability classified warrants are expensed as incurred.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments* (“ASU 2016-13”), which, together with subsequent amendments, amends the requirement on the measurement and recognition of expected credit losses for financial assets held. The Company adopted the ASU during the first quarter of 2023 using a prospective approach. The adoption of the ASU did not have a material impact on the Company’s condensed consolidated financial statements.

NOTE 3 – NOTES PAYABLE AND DEBT INSTRUMENTS

The Company’s debt balances consist of the following at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Revenue Bonds	\$ 249,550	\$ 249,550
Equipment Financing Payable	21,911	—
Green Convertible Notes	250,000	—
	<u>\$ 521,461</u>	<u>\$ 249,550</u>
Less: Original issue discount and debt issuance costs classified as a reduction to long-term debt	(46,079)	(16,037)
Less: Current portion	(7,065)	—
Long-term debt, less current portion	<u>\$ 468,317</u>	<u>\$ 233,513</u>
Pure Plastic Note Payable	\$ 41,745	\$ —
Less: Original issue discount and debt issuance costs classified as a reduction to note payable	(3,716)	—
Related party note payable	<u>\$ 38,029</u>	<u>\$ —</u>

Revenue Bonds

On October 7, 2020, the Southern Ohio Port Authority (“SOPA”) issued certain revenue bonds (“Revenue Bonds”) pursuant to an Indenture of Trust dated as of October 1, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “Indenture”), between SOPA and UMB Bank, N.A., as Trustee (“Trustee”), and loaned the proceeds from their sale to PureCycle: Ohio LLC (“PCO”), an Ohio limited liability company and indirect wholly-owned subsidiary of PCT, pursuant to a Loan Agreement dated as of October 1, 2020, between SOPA and PCO (as amended, restated, supplemented or otherwise modified from time to time, the “Loan Agreement”), to be used to (i) acquire, construct and equip the Ironton Facility (referred to within the Loan Agreement as the “Ohio Phase II Facility” and, together with the FEU (referred to within the Loan Agreement as the “Phase I Facility”), the “Project”); (ii) fund a debt service reserve fund for the Series 2020A Bonds; (iii) finance capitalized interest; and (iv) pay the costs of issuing the Revenue Bonds. The Revenue Bonds were offered in three series, including (i) Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020A (“Series 2020A Bonds”); (ii) Subordinate Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020B (“Series 2020B Bonds”); and (iii) Subordinated Exempt Facility Revenue Bonds (PureCycle Project), Taxable Series 2020C (“Series 2020C Bonds”), each series in the aggregate principal amount, bearing interest and maturing as shown in the table below. The Series 2020A Bonds were issued at a total discount of \$5.5 million. The discount is amortized over the term of the Revenue Bonds using the effective interest method. The purchase price of the Revenue Bonds was paid and immediately available to SOPA on October 7, 2020, the date of delivery of the Revenue Bonds to their original purchaser. PureCycle is not a direct obligor on the Revenue Bonds and is not a party to the Loan Agreement or the Indenture pursuant to which the Revenue Bonds have been issued. Legacy PCT has executed a guaranty of completion dated as of October 7, 2020 (“Guaranty”), with respect to the full and complete performance by PCO of PCO’s obligations with respect to construction and completion of the Project, including construction by the Completion Date, free and clear of any liens (other than permitted liens), and the payment of all Project costs incurred prior to completion of the Project, and all claims, liabilities, losses and damages owed by PCO to each counterparty under the Project Documents (as such terms are defined in the Indenture). In addition, pursuant to the

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Guaranty, PCT LLC is obligated to fund and maintain a liquidity reserve for the Project during the term of the Guaranty in the amount of \$ 50.0 million to be held in an escrow account with U.S. Bank National Association, as escrow agent (“Liquidity Reserve”). Pursuant to the terms of the Loan Agreement PCO executed promissory notes in the principal amounts of each maturity (or interest rate within a maturity), aggregating the principal amount of each series of Revenue Bonds, in favor of SOPA, which were assigned to the Trustee on October 7, 2020.

<i>(in thousands)</i>						
Bond Series	Term	Principal Amount	Interest Rate	Maturity Date		
2020A	A1	\$ 12,370	6.25 %	December 1, 2025		
2020A	A2	\$ 38,700	6.50 %	December 1, 2030		
2020A	A3	\$ 168,480	7.00 %	December 1, 2042		
2020B	B1	\$ 10,000	10.00 %	December 1, 2025		
2020B	B2	\$ 10,000	10.00 %	December 1, 2027		
2020C	C1	\$ 10,000	13.00 %	December 1, 2027		

The proceeds of the Revenue Bonds and certain equity contributions have been placed in various trust funds and non-interest-bearing accounts established and administered by the Trustee under the Indenture. Before each disbursement of amounts in the Project Fund held by the Trustee under the Indenture, PCO is required to submit to the Trustee a requisition for funds to be disbursed outlining the specified purpose of the disbursement and substantiating the expenditure. In addition, 100% of revenue attributable to the production of the Ironton Facility must be deposited into an operating revenue escrow fund held by U.S. Bank Trust Company, National Association, as escrow agent. Funds in the trust accounts and operating revenue escrow fund will be disbursed by the Trustee when certain conditions are met, and will be used to pay costs and expenditures related to the development and operation of the Ironton Facility, make required interest and principal payments (including sinking fund redemption amounts) and pay any premium, in certain circumstances required under the Indenture, to redeem the Revenue Bonds.

As conditions for closing of the Revenue Bonds, Legacy PCT contributed \$ 60.0 million in equity at closing and PureCycle and certain affiliates contributed an additional \$40.0 million in equity upon the closing of the Business Combination. PureCycle provided the Liquidity Reserve for construction of the Ironton Facility of \$50.0 million and deposited that amount upon the closing of the Business Combination. In addition, PureCycle must maintain \$ 100.0 million of cash on its balance sheet as of January 31, 2022, including the Liquidity Reserve. The Company met these requirements and continues to maintain that cash balance at September 30, 2023.

The Revenue Bonds are recorded within Long-term debt in the condensed consolidated balance sheet. The Company incurred \$ 4.9 million and \$4.8 million of interest cost during each of the three months ended September 30, 2023 and 2022, respectively, and \$14.6 million and \$ 14.5 million of interest cost during the nine months ended September 30, 2023 and 2022, respectively. As the Revenue Bond proceeds are being used to construct the Company’s property, plant and equipment, the interest costs related to the tax-exempt portion of the Revenue Bonds have been capitalized within property, plant and equipment until the construction was complete in June 2023. The Company capitalized \$0 and \$4.2 million of interest cost during each of the three months ended September 30, 2023 and 2022, respectively, and \$7.1 million and \$ 12.8 million of interest cost during the nine months ended September 30, 2023 and 2022. As of September 30, 2023 the fair value of the Revenue Bonds was \$169.4 million, which was determined using inputs characteristic of a Level 2 fair value measurement. Although the Company has determined the estimated fair value using available market information and commonly accepted valuation methodologies, considerable judgement is required in interpreting the information and in developing the estimated fair value. Therefore, this estimate is not necessarily indicative of the amounts that the Company, or holders of the instruments, could realize in a current market exchange.

In connection with its obligations under that certain Security Agreement dated as of October 7, 2020, between PCO, as debtor, and the Trustee, as secured party, entered into when the Revenue Bonds were issued (the “Security Agreement”), PCO must deliver consent and agreements (“Consents”) to the Trustee with respect to each agreement entered into in connection with the Project, each of which agreements is required under the Loan

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Agreement to be assigned to the Trustee. The forms of the Consents relating to a certain feedstock supply agreement from one supplier of feedstock to the Project (the "Supplier") and from two purchasers of offtake from the Project ("Offtaker 2" and "Offtaker 3" and together with the Supplier, the "Counterparties") delivered to the Trustee contained terms inconsistent with the form of the Consent required under the Security Agreement. On May 11, 2021, the Guaranty was amended and restated in an amended and restated guaranty of completion (the "ARG") executed by PureCycle and delivered to the Trustee, which broadens the purposes for which draws by the Trustee on the Liquidity Reserve may be utilized, extends the period during which the Liquidity Reserve must be maintained, includes conditions that would permit a reduction in the amount of the Liquidity Reserve required to be maintained by PureCycle, and includes conditions precedent to the elimination of the requirement that PureCycle replenish the Liquidity Reserve and to the termination of the ARG and the escrow agreement under which the Liquidity Reserve is held by the escrow agent (the "Escrow Agreement"), upon which termination, the balance of the Liquidity Reserve will be returned to PureCycle. So long as there are any Series 2020A Bonds outstanding under the Indenture, the ARG and the Escrow Agreement will remain in place upon the conditions stated in the ARG. The terms of the ARG are summarized as follows: The Liquidity Reserve shall be maintained in the amount of \$50.0 million, subject to replenishment by PureCycle until certain conditions stated in the ARG relating to the following have been met: (i) the completion of construction and acquisition of the Project, (ii) the payment of all Project costs, and (iii) the replacement of the assigned agreements of the Counterparties underlying the Consents which have expired or terminated, with one or more agreements between counterparties and PCO upon terms at least as favorable to PCO as the expired or terminated agreements of the Counterparties, (a) for which a Consent that conforms to the form of Consent required by the Security Agreement is executed by the counterparties and provided to the Trustee, (b) which, in the case of supply of feedstock to the Project, provide in the aggregate for the supply of at least the minimum and maximum volumes of feedstock meeting substantially similar feedstock specifications as the Supplier had committed to supply, and (c) which, in the case of purchase of offtake from the Project, provide in the aggregate for the purchase of the minimum and maximum volumes of offtake from the Project meeting substantially similar specifications as Offtaker 2 and Offtaker 3 had committed to purchase from PCO. When the conditions stated in (i), (ii) and (iii) above have been satisfied but so long as there are Series 2020A Bonds outstanding under the Indenture, the Escrow Agreement shall remain in place but the Liquidity Reserve amount shall be reduced to \$25.0 million and PureCycle shall no longer be required to replenish the amount of the reduced Liquidity Reserve if and when disbursements are made therefrom. If the conditions of (i) and (ii) have been met but only a portion of the feedstock and offtake contracted for by the Counterparties, respectively, has been replaced under replacement agreements as aforesaid in (iii) above, then the Liquidity Reserve amount may be reduced only by the applicable proportion of the amounts stated in the ARG which evidence the intent of the parties of the amount of value representing the supply or offtake of the agreements of the Counterparties. When the conditions precedent of (i), (ii), and (iii) have been satisfied and there are no longer any Series 2020A Bonds then outstanding, then PureCycle shall have no obligation to maintain the reduced Liquidity Reserve, the ARG and the Escrow Agreement shall terminate and the balance on deposit in the Liquidity Reserve escrow fund held by the escrow agent shall be returned to PureCycle.

As long as any Series 2020A Bonds remain outstanding under the Indenture, upon the occurrence of an Event of Default under the Loan Agreement or Indenture, if the Trustee takes control of the Liquidity Reserve held by the escrow agent, such funds may be used for any purpose, including the payment of debt service on the Series 2020A Bonds, as may be determined by the Trustee or directed by a majority of the holders of the Series 2020A Bonds then outstanding.

On March 15, 2023, PCT LLC, PCTO Holdco LLC, a Delaware limited liability company and indirect wholly-owned subsidiary of PCT LLC (the pledgor under an Equity Pledge and Security Agreement (as defined in the Indenture), pursuant to which the pledgor pledged certain interests to secure obligations of PCO under various Financing Documents (as defined in the Indenture) relating to the Revenue Bonds) and PCO and SOPA and the Trustee entered into a Limited Waiver and First Supplemental Indenture (the "Limited Waiver"), supplementing the Indenture and amending the Loan Agreement and the ARG, and pursuant to which the majority holders of the Series 2020A Bonds consented to the Limited Waiver, based on stated conditions, of a Specified Event of Default (as defined below) under the Indenture and the Loan Agreement.

Under the terms of the Loan Agreement, PCO was required to cause the Ironton Facility to be completed by December 1, 2022. The Ironton Facility was not completed by that date due to a variety of challenges resulting from,

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

among other things, the COVID-19 outbreak, the ongoing military conflict between Russia and Ukraine, and certain U.S. weather-related events (the “Specified Event of Default”).

Subject to the following conditions, the Specified Event of Default was waived in exchange for PCO’s agreement to meet certain milestones toward completing the Ironton Facility, to deposit additional equity aggregating approximately \$87.3 million with the Trustee for various purposes and to make certain other representations and warranties; provided, however, that any failure to comply with the terms of the Limited Waiver would be an immediate Event of Default under the Indenture and Loan Agreement, which will be deemed to have occurred on January 2, 2023 with respect to any requirements to pay accrued and unpaid interest at the Default Rate (as defined in the Indenture).

PCO agreed to, among other things, achieve the following milestones (together, the “Milestones”): (i) closure by it or its direct or indirect parent entity of a financing transaction by March 31, 2023 that provides at least \$150.0 million of working capital which may be used to support the Ironton Facility (which milestone was satisfied by the closing of the Revolving Credit Facility); (ii) mechanical completion of the Ironton Facility by June 30, 2023 (which milestone was satisfied on April 25, 2023); (iii) meet certain targeted production and performance targets during 2023; (iv) completion of the Ironton Facility by December 31, 2023; and (v) meet certain Ironton Facility pellet production targets by January 31, 2024 up to the Ironton Facility’s nameplate production capacity of 107 million pounds per year.

The additional approximately \$87.3 million of equity deposited with the Trustee is comprised of: (i) a deposit of \$ 50 million in an account controlled by the Trustee; (ii) a deposit of approximately \$25 million in the Equity Account of the Project Fund (as such terms are used in the Indenture) to fund remaining construction costs; (iii) an aggregate deposit of approximately \$12.3 million into the Capitalized Interest Accounts (as defined in the Indenture) for the Series 2020A Bonds, Series 2020B Bonds and Series 2020C Bonds to pay capitalized interest on the Revenue Bonds through June 30, 2024. The Limited Waiver also requires that the Liquidity Reserve of approximately \$50 million remain in the Liquidity Reserve Escrow Fund (as defined in the Indenture) for a period beyond the completion date of the Ironton Facility until certain production requirements have been met, and only thereafter may the balance in that fund be reduced based on certain conditions to \$25 million, which must remain therein as long as Series 2020A Bonds remain outstanding. The \$ 50 million deposit described above, along with the \$50 million remaining in the Liquidity Reserve Escrow Fund, may satisfy the minimum cash requirement of the ARG of \$ 100 million. The Trustee also released \$13.2 million from the Project Fund held under the Indenture for use as part of the remaining investment in 2023 to complete the Ironton Facility in accordance with the Limited Waiver.

As a result of the September Milestone Event of Default (as further described in Note 1 - Organization), on November 8, 2023, the Limited Waiver parties entered into the Second Limited Waiver. The principal terms of the Second Limited Waiver, include, but are not limited to, the following:

- i. PCO will deposit an additional \$50,000,000 (the “Trustee Account Deposit”) in the Trustee Account (as defined in the Limited Waiver), such that at least \$100,000,000 (the “Aggregate Trustee Deposit”) shall be on deposit in the Trustee Account so long as any Revenue Bonds remain outstanding; provided, that if no Event of Default shall have occurred and be continuing, \$50,000,000 of funds in the Trustee Account shall be released back to PCO upon satisfaction of the conditions set forth in Section 4.11(a) of the amended and restated Guaranty.
- ii. subject to there being no default or event of default and compliance with the other terms of the Second Limited Waiver, once per quarter, PCO (and the Guarantor, if applicable) may request the release to PCO (or the Guarantor, as applicable) of any investment income or earnings with respect to amounts in the Trustee Account and the Liquidity Reserve Escrow Fund that have been invested pursuant to the terms of the Indenture or the Liquidity Reserve Escrow Agreement (as applicable).
- iii. PCO shall have produced 4.45 million pounds of pellets from its feedstock for thirty consecutive days by December 31, 2023, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee;
- iv. performance testing of the Ironton Facility shall be complete by no later than February 28, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

- v. completion of the Project, including the acquisition, construction and equipping of the Ironton Facility, shall occur by no later than March 31, 2024, which shall be evidenced by a Certificate of Completion delivered to the Trustee;
- vi. PCO shall have produced 8.90 million pounds of pellets from its feedstock for thirty consecutive days by April 30, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee; and PCO shall have fully-ramped production at the Ironton Facility to nameplate capacity of 107 million pounds per year produced from its feedstock by no later than April 30, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee; and
- vii. the milestones referenced in (iii) – (vi) above (each, a “Revised Milestone”), shall replace the corresponding Milestones in the Limited Waiver. If PCO fails to meet any of the Revised Milestones, no Event of Default shall have occurred until PCO has failed to meet such Revised Milestone on the date that is ninety days after such Revised Milestone date; provided, however, that during such ninety-day period, PCO will pay interest from the date of the Revised Milestone requirement until the date that the Revised Milestone is satisfied at the Default Rate, and notwithstanding anything to the contrary in the Indenture, the Loan Agreement, the Limited Waiver or the other Financing Documents or Bond Documents (each as defined in the Second Limited Waiver), PCO shall not have any access to any funds in the Trust Estate or otherwise held with the Trustee or a third-party (including, without limitation, funds in the Operating Revenue Escrow Fund and the Liquidity Reserve Escrow Fund (terms used as defined in the Second Limited Waiver)) pursuant to the Financing Documents until the date that such Milestone is satisfied.

Equipment Financing**CSC Leasing Co.**

On May 8, 2023, the Company, through PureCycle PreP LLC, an indirect wholly-owned subsidiary of the Company, entered into a Master Lease Agreement (the “Master Lease Agreement”) with CSC Leasing Co. (“CSC”). Pursuant to the Master Lease Agreement, the Company and CSC agreed to enter into schedules that establish the specific terms and conditions of leasing certain equipment, machines, devices, features and any other items listed in each equipment lease schedule. The Master Lease Agreement commenced on the date set forth above and continues in effect until the later time that it is terminated, either by CSC at the end of any lease term, or by the Company upon three months written notice prior to the expiration of a lease term.

Also on May 8, 2023, the Company, also through PureCycle PreP LLC, an indirect wholly-owned subsidiary of the Company, entered into an Equipment Procurement Agreement (the “Equipment Agreement”) with CSC. Under the terms of the Equipment Agreement, CSC has agreed to finance, acquire and/or purchase certain equipment (the “Equipment”) from third-party vendors and/or manufacturers (each, a “Vendor”), so that CSC may lease the Equipment to the Company pursuant to the terms and conditions of the Master Lease Agreement. Prior to entering into formal lease schedules under the Master Lease Agreement, the Company will lease from CSC certain Equipment pursuant to the terms of the Equipment Agreement.

In connection with the above, CSC has funded \$ 19.8 million for purposes of procuring equipment from a Vendor, which had previously been ordered by the Company prior to entering into these agreements with CSC. CSC will lease this equipment back to the Company under a 36 month lease, which will commence when 1) the Company accepts delivery of the equipment at its operating location and 2) all final bills from Vendor are paid. The Company has determined that it did not relinquish control of the assets to the buyer-lessor under these arrangements. Therefore, the Company has accounted for this transaction as a failed sale-leaseback transaction whereby it has continued recording these assets in the condensed consolidated balance sheet and also recorded a financing obligation for the consideration paid by the buyer-lessor. The Company currently expects the lease term to commence in late second quarter of 2024, and the repayment schedule below assumes payments under the 36 month term commence on June 1, 2024.

The Company is also required to make monthly payments under the agreements during the period between funding of the construction obligation and delivery of the equipment, which began in June 2023 and are equal to a monthly lease rate factor of approximately 3.1% of the outstanding amount funded by CSC (the “Lease Rate Factor”). The

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Company has determined that these payments represent a cost of borrowing under the financing arrangement and has recorded the payments as interest expense in the condensed consolidated statements of comprehensive income (loss). The Company incurred \$1.9 million and \$2.7 million of interest related to these obligations for the three and nine months ended September 30, 2023. The Lease Rate Factor is indexed to the WSJ Prime Rate as published by the Wall Street Journal and may be increased for every five basis point change in the index prior to final commencement of the 36 month lease term. Upon commencement of the 36 month lease term, the payments will be characterized as repayment of debt, and the expected coupon rate for the 36 month term is 7.25% based on the WSJ Prime Rate published as of September 30, 2023.

The Master Lease Agreement contains representations, covenants and events of default that are customary for financing transactions of this nature. Events of default in the Master Lease Agreement include, among others: (a) non-payment of principal, interest, fees or other amounts; (b) default of specific covenants; (c) breach of representations and warranties; (d) discontinuation of authorized electronic payments without CSC's consent; (e) failure to furnish proof of insurance; (f) bankruptcy and insolvency proceedings; and (g) any unauthorized conveyance or transfer of the Equipment to a third party. Upon the occurrence of an event of default, CSC may accelerate all unpaid rents and exercise all rights and remedies available to it under the Master Lease Agreement and Equipment Agreement. Amounts due under the lease are guaranteed by PCT.

Other Equipment Financing

The Company has executed other equipment sale leasebacks which qualify as financing arrangements, with a total of \$ 2.1 million outstanding as of September 30, 2023.

Sylebra Credit Facility

On March 15, 2023, PCT entered into a \$150 million Revolving Credit Facility pursuant to a Credit Agreement (the "Revolving Credit Agreement") dated as of March 15, 2023, with PureCycle Technologies Holdings Corp. and PureCycle Technologies, LLC (the "Guarantors"), Sylebra Capital Partners Master Fund, LTD, Sylebra Capital Parc Master Fund, and Sylebra Capital Menlo Master Fund (collectively, the "Lenders"), and Madison Pacific Trust Limited (the "Administrative Agent"), which matures on March 31, 2025 (as further described in the Second Amendment (as defined below)). The Lenders and their affiliates are greater than 5% beneficial owners of PCT.

Borrowings under the Revolving Credit Agreement may be used for working capital, capital expenditures and other general corporate purposes and satisfies the financing obligation imposed upon PCT by the Limited Waiver.

Amounts outstanding under the Revolving Credit Agreement bear interest at a variable annual rate equal to Term SOFR (as defined in the Revolving Credit Agreement) in effect for such period plus an applicable margin. The applicable margin is equal to (i) 5.00% from the Closing Date through June 30, 2023, (ii) 10.00% from July 1, 2023 through September 30, 2023, (iii) 12.50% from October 1, 2023 through December 31, 2023, (iv) 15.00% from January 1, 2024 through March 31, 2024, and (v) 17.50% thereafter. PCT is also required to pay (i) an up-front fee equal to 0.75% times \$150 million—the total aggregate commitment for the Revolving Credit Facility—to the Lenders, payable at closing and (ii) a commitment fee equal to 0.25% per annum based on the actual daily unused amount of the Revolving Credit Facility, payable quarterly. Subject to timely prior written notice and payment of breakage fees, if any, PCT may at any time and from time to time (i) terminate all or any portion of the commitments under the Revolving Credit Agreement and/or (ii) prepay all or any portion of any outstanding borrowings.

The Revolving Credit Agreement contains representations, covenants and events of default that are customary for financing transactions of this nature. Events of default in the Revolving Credit Agreement include, among others: (a) non-payment of principal, interest, fees or other amounts; (b) default of specific covenants; (c) breach of representations and warranties; (d) cross-defaults to other indebtedness in an amount greater than \$1 million, subject to certain exceptions; (e) bankruptcy and insolvency proceedings; (f) inability to pay debts or attachment; (g) judgments; and (h) change of control. Upon the occurrence of an event of default, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders (as defined in the Revolving Credit Agreement) terminate the loan commitments, accelerate all loans and exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Revolving Credit Agreement and the other loan documents.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Amounts outstanding under the Revolving Credit Agreement are guaranteed by the Guarantors, and are secured by a security interest in substantially all of the assets of PCT. Any majority-owned direct or indirect subsidiaries of PCT formed after the closing date of the Revolving Credit Facility will also be required to guaranty the obligations under the Revolving Credit Agreement and grant security interests in substantially all of their respective assets.

On May 8, 2023, the Company entered into the First Amendment to Credit Agreement, by and among the Company, as borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the lenders party thereto, and Madison Pacific Trust Limited, as administrative agent and as security agent (the "Sylebra Amendment") in connection with the Company's \$150 million Revolving Credit Facility governed by the Revolving Credit Agreement. The Sylebra Amendment, among other things: (i) permits the Company's entry into the Term Loan Facility (as defined below), (ii) provides for a new basket under the Revolving Credit Agreement's indebtedness negative covenant allowing for offerings of unsecured convertible promissory notes of up to \$200,000,000, (iii) provides for new baskets under the Revolving Credit Agreement's indebtedness and lien negative covenants of up to \$ 90,000,000 in additional equipment financings and (iv) exempts the proceeds of any such convertible notes offerings from the requirement for mandatory prepayments under the Revolving Credit Agreement.

On August 4, 2023, the Company entered into the Second Amendment to Credit Agreement, by and among the Company, as borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the lenders party thereto, and Madison Pacific Trust Limited, as administrative agent and as security agent (the "Second Amendment"), in connection with the Company's \$150 million Revolving Credit Facility governed by the Revolving Credit Agreement, to extend the maturity date of the Revolving Credit Facility to March 31, 2025.

On August 21, 2023, the Company further amended the Revolving Credit Agreement to (i) increase the amount available to the Company under the indebtedness covenant basket for offerings of unsecured convertible notes from \$200,000,000 to \$250,000,000 and (ii) make certain changes to the restricted payments covenant and the events of default section in order to permit the Notes (as defined below).

There were no funds drawn on the Revolving Credit Facility as of September 30, 2023. The up-front commitment fee and other costs of \$ 1.3 million have been recorded in prepaid expenses and other current assets and will be amortized over the term of the contract.

The Pure Plastic Term Loan Facility

On May 8, 2023, the Company entered into a \$ 40 million Term Loan Facility pursuant to the Term Loan Credit Agreement dated as of May 8, 2023, among the Company, the Guarantors and Pure Plastic LLC (as Lender, Administrative Agent, and Security Agent), which matures on December 31, 2025 (the "Term Loan Facility"). Affiliates of the Lender are greater than 5% beneficial owners of the Company. Balances related to the Term Loan Credit Agreement are recorded within related party note payable in the condensed consolidated balance sheets and, in certain instances, the Term Loan Credit Agreement is referred to as the "Related party note payable."

Borrowings under the Term Loan Credit Agreement may be used to repay indebtedness for borrowed money of the Company, to pay fees and expenses associated with the Term Loan Credit Agreement and the other loan documents and for general corporate purposes not in contravention of any law or of any loan document.

The Term Loan Facility is structured as a single-draw, delayed draw term loan. The Lender funded the term loan on May 17, 2023 (the "Funding Date"). Amounts outstanding under the Term Loan Credit Agreement will bear interest at a variable annual rate equal to Term SOFR (as defined in the Term Loan Credit Agreement) in effect for such period plus an applicable margin. The applicable margin is equal to 7.5%, and the interest rate for the outstanding term loan was 12.9% as of September 30, 2023. The Company is also required to pay, on the Funding Date, (i) a closing fee to the Lenders, equal to 2.00% times the aggregate principal amount of the term loans funded by the Lenders on the Funding Date, (ii) a commitment fee to the Lenders equal to 1.00% times the aggregate principal amount of each Lender's commitments on the Funding Date, (iii) a syndication fee to the Administrative Agent equal to 0.50% times the aggregate commitments of the Lenders on the Funding Date and (iv) a monitoring fee equal to \$200,000 to the Administrative Agent for the account of the Administrative Agent and the Security Agent on the Funding Date and each anniversary of the Funding Date until maturity of the term loan. Additionally, the term loan will be issued with a 5.00% original issue discount. Subject to timely prior written notice, payment of breakage fees,

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

if any, and payment of a prepayment premium equal to (i) 12% if such prepayment occurs during the first year following the closing date or (ii) 8% thereafter, the Company may at any time and from time to time voluntarily prepay all or any portion of any outstanding borrowings. The Company incurred \$1.3 and \$2.0 million of interest cost during the three and nine months ended September 30, 2023. The interest due to date of \$ 1.7 million was paid entirely in kind, which increased the principal amount of the Term Loan Facility by this amount (the "PIK Interest"). The Company has the contractual right to pay all interest payments in kind and may make this election for all interest payments for the duration of the Term Loan Facility. The repayment schedule presented below does not contemplate future PIK Interest.

The Term Loan Credit Agreement contains representations, covenants and events of default that are customary for financing transactions of this nature. Events of default in the Term Loan Credit Agreement include, among others: (a) non-payment of principal, interest, fees or other amounts; (b) default of specific covenants; (c) breach of representations and warranties; (d) cross-defaults to other indebtedness in an amount greater than \$1 million, subject to certain exceptions; (e) bankruptcy and insolvency proceedings; (f) inability to pay debts or attachment; (g) judgments; and (h) change of control. Upon the occurrence of an event of default, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders (as defined in the Term Loan Credit Agreement) accelerate all loans and exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Term Loan Credit Agreement and the other loan documents.

Amounts outstanding under the Term Loan Credit Agreement are guaranteed by the Guarantors, and are secured by a security interest in substantially all of the assets of the Company. Subject to certain limited exceptions, any majority-owned direct or indirect subsidiaries of the Company formed after the closing date of the Term Loan Facility will also be required to guaranty the obligations under the Term Loan Credit Agreement and grant security interests in substantially all of their respective assets.

On August 21, 2023, the Company amended the Term Loan Credit Agreement to (i) increase the amount available to the Company under the indebtedness covenant basket for offerings of unsecured convertible notes from \$200,000,000 to \$250,000,000 and (ii) make certain changes to the restricted payments covenant and the events of default section in order to permit the Notes.

Green Convertible Notes

On August 21, 2023, the Company priced its private offering of \$ 215.0 million in aggregate principal amount of 7.25% Green Convertible Senior Notes due 2030 (the "Initial Notes"). On August 22, 2023, the initial purchaser in such offering exercised its option to purchase an additional \$35.0 million in aggregate principal amount of the 7.25% Green Convertible Senior Notes due 2030 (together with the "Initial Notes", the "Notes"), bringing the total aggregate principal amount of the Notes to \$250.0 million.

On August 24, 2023, the Company completed the private offering of the Notes. Each \$1,000 principal amount at maturity of the Notes was issued at a price of \$900. An amount equal to the difference between the issue price and the principal amount at maturity will accrete from the original issue date through August 15, 2027. The Notes are senior unsecured obligations of the Company. Entities affiliated with Sylebra Capital Management purchased \$50.0 million aggregate principal amount at maturity of Notes.

The net proceeds from this offering were approximately \$218.50 million, after deducting the initial purchaser's discounts and fees paid to our financial advisor. The Company intends to allocate an amount equal to the net proceeds from this offering to the financing and refinancing of recently completed and future Eligible Green Projects (as defined below) in the United States. In particular, the Company intends to allocate the net proceeds from this offering to make payments on certain long-lead items and fund initial outside battery limits engineering design work, both associated with a multi-line purification facility to be built in Augusta, Georgia. Pending such allocation, the Company intends to use the remaining net proceeds for general corporate purposes.

"Eligible Green Projects" means: (i) investments in acquisitions of buildings; (ii) building developments or redevelopments; (iii) renovations in existing buildings; and (iv) tenant improvement projects, in each case, that have received, or are expected to receive, in the three years prior to the issuance of the Notes or during the term of the Notes, a Leadership in Energy and Environmental Design (LEED) Silver, Gold or Platinum certification (or environmentally equivalent successor standards).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

In connection with the issuance of the Notes, the Company entered into an Indenture, dated August 24, 2023 (the “Indenture”), with U.S. Bank Trust Company, National Association, as trustee. The Indenture includes customary covenants and sets forth certain events of default after which the Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company after which the Notes become automatically due and payable. The events of default, as set forth in the Indenture and subject in certain cases to customary grace and cure periods, include customary events including a default in the payment of principal or interest, failure to comply with the obligation to deliver amounts due upon conversion, failure to give certain notices, failure to comply with the obligations in respect of certain merger transactions, defaults under certain other indebtedness and certain events of bankruptcy and insolvency.

The Notes will mature on August 15, 2030 (the “Maturity Date”), unless earlier repurchased, redeemed or converted. The Notes will bear interest at a rate of 7.25% per annum on the principal amount at maturity from August 24, 2023, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2024.

Holders of the Notes may convert all or any portion of their Notes at their option at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company’s election. The conversion rate will initially be 67.4764 shares of common stock per \$1,000 principal amount at maturity of notes (equivalent to an initial conversion price of approximately \$14.82 per share of common stock), which represents a conversion premium of approximately 50% to the \$9.88 per share closing price of the Company’s common stock on the Nasdaq Capital Market on August 21, 2023. The conversion rate will be subject to adjustment upon the occurrence of certain events. In addition, following certain corporate events described in the Indenture that occur prior to August 15, 2027, or upon the issuance of a notice of redemption (as described below) prior to August 15, 2027 for an optional redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Notes in connection with such a corporate event or elects to convert its notes called (or deemed called) for optional redemption during the related redemption period.

Holders of the Notes have the right to require the Company to repurchase for cash all or any portion of their Notes on August 15, 2027 at a repurchase price equal to 100% of the principal amount at maturity of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, August 15, 2027. In addition, if the Company undergoes a fundamental change (as defined in the Indenture), holders of the Notes may require the Company to repurchase their Notes at a cash repurchase price equal to 100% of the accreted principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Company may not redeem the Notes prior to August 20, 2025. The Company may redeem for cash all or any portion of the Notes (subject to certain exceptions and restrictions specified in the Indenture), at its option, on or after August 20, 2025 and on or before the 40th scheduled trading day immediately before the Maturity Date, at a cash redemption price equal to 100% of the accreted principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, but only if the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides a notice of redemption to the holders of the Notes. No sinking fund is provided for the Notes.

The following provides a summary of the interest expense of PCT’s convertible debt instruments (in thousands):

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Contractual interest expense	\$ 1,863	\$ —	\$ 1,863	\$ —
Amortization of deferred financing costs	\$ 643	\$ —	\$ 643	\$ —
Effective interest rate	11.2 %	— %	11.2 %	— %

The following provides a summary of the convertible notes (in thousands):

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

	As of	
	September 30 2023	September 30 2022
Unamortized deferred issuance costs	\$ 30,855	\$ —
Net carrying amount	219,145	—
Fair value	\$ 177,750	\$ —
Fair value level	Level 3	—

Principal repayments due on Long-term debt and Related party note payable over the next five years are as follows (in thousands):

Years ending December 31,	Long-term debt	Related party note payable
2023 (October through December)	\$ 402	\$ —
2024	12,249	—
2025	23,106	41,745
2026	14,424	—
2027	28,110	—
2028	257,710	—
Thereafter	185,460	—
	521,461	41,745
Less: Original issue discount and debt issuance costs classified as a reduction to long-term debt	(46,079)	(3,716)
Less: Current Portion	(7,065)	—
Total	\$ 468,317	\$ 38,029

NOTE 4 - STOCKHOLDERS' EQUITY**Common Stock**

Holders of PCT common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The holders do not have cumulative voting rights in the election of directors. Upon the Company's liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of the Company's common stock will be entitled to receive pro rata the Company's remaining assets available for distribution. Holders of the Company's common stock do not have preemptive, subscription, redemption or conversion rights. All shares of the Company's common stock are fully paid and non-assessable. The Company is authorized to issue 450.0 million shares of common stock with a par value of \$ 0.001. As of September 30, 2023, and December 31, 2022, 164.06 million and 163.55 million shares are issued and outstanding, respectively.

Preferred Stock

As of September 30, 2023, the Company is authorized to issue 25.0 million shares of preferred stock with a par value of \$ 0.001, of which no shares are issued and outstanding.

NOTE 5 - EQUITY-BASED COMPENSATION**2021 Equity Incentive Plan**

On March 17, 2021, our stockholders approved the PureCycle Technologies, Inc. 2021 Equity and Incentive Compensation Plan (the "Plan").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

The Plan provides for the grant of stock options, stock appreciation rights (“SARs”), restricted stock, restricted stock units (“RSUs”), performance shares, performance units, dividend equivalents, and certain other awards. In general, the amount of shares issuable under the Plan will be automatically increased on the first day of each fiscal year, beginning in 2022 and ending in 2031, by an amount equal to the lesser of (a) 3% of the shares of the Company’s common stock outstanding on the last day of the immediately preceding fiscal year and (b) such smaller number of shares as determined by the Board of Directors (the “Board”) of the Company.

As of September 30, 2023, approximately 17.0 million shares of common stock are currently authorized for issuance under the Plan, of which approximately 8.9 million shares remain available for issuance under the Plan (assuming maximum performance with respect to the applicable performance goals applicable to the issued Plan awards).

Restricted Stock Agreements

RSUs issued pursuant to the Plan are time-based and vest over the period defined in each individual grant agreement or upon a change of control event as defined in the Plan. The Company recognizes compensation expense for the shares equal to the fair value of the equity-based compensation awards and is recognized on a straight-line basis over the vesting period of such awards. The fair value of the awards is equal to the fair value of the Company’s common stock at the date of grant. The Company has the option to repurchase all vested shares upon a stockholder’s termination of employment or service with the Company.

A summary of restricted stock activity for the nine months ended September 30, 2023 and 2022 is as follows (in thousands except per share data):

	Number of RSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Non-vested at December 31, 2021	2,671	\$ 14.33	3.4
Granted	1,395	7.61	
Vested	(872)	6.47	
Forfeited	(441)	9.78	
Non-vested at September 30, 2022	2,753	\$ 11.52	2.9

	Number of RSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Non-vested at December 31, 2022	2,760	\$ 11.92	2.7
Granted	1,254	6.22	
Vested	(716)	11.69	
Forfeited	(114)	10.24	
Non-vested at September 30, 2023	3,184	\$ 9.75	2.4

Equity-based compensation cost is recorded within the selling, general and administrative expenses in the condensed consolidated statements of comprehensive income (loss), and totaled approximately \$2.8 million and \$8.1 million for the three and nine months ended September 30, 2023, respectively, and \$2.4 million and \$8.7 million for the three and nine months ended September 30, 2022, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Stock Options

The stock options issued pursuant to the Plan are time-based and vest over the period defined in each individual grant agreement or upon a change of control event as defined in the Plan.

The Company recognizes compensation expense for the shares equal to the fair value of the equity-based compensation awards and is recognized on a straight-line basis over the vesting period of such awards. The fair value of the stock is estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions:

	September 30, 2023	September 30, 2022
Expected annual dividend yield	— %	— %
Expected volatility	77.30 %	— %
Risk-free rate of return	3.54 %	— %
Expected option term (years)	6.50	—

The expected term of the shares granted is determined based on the period of time the shares are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility was based on the Company's capital structure and volatility of similar entities referred to as guideline companies. In determining similar entities, the Company considered industry, stage of life cycle, size and financial leverage. The dividend yield on the Company's shares is assumed to be zero as the Company has not historically paid dividends. The fair value of the underlying Company shares was determined using the Company's closing stock price on the grant date.

A summary of stock option activity for the nine months ended September 30, 2023 and 2022 is as follows (in thousands except per share data):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balance, December 31, 2021	613	\$ 28.90	6.2
Granted	—	—	
Exercised	—	—	
Forfeited	—	—	
Balance, September 30, 2022	613	\$ 28.90	4.3

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balance, December 31, 2022	613	\$ 28.90	4.0
Granted	459	5.72	10.0
Exercised	—	—	
Forfeited	(5)	5.72	
Balance, September 30, 2023	1,067	\$ 19.03	5.9
Exercisable	613		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Equity-based compensation cost is recorded within the selling, general and administrative expenses within the condensed consolidated statements of comprehensive income (loss) and was not material for the three and nine months ended September 30, 2023 and 2022. The weighted average grant-date fair values of options granted during the nine months ended September 30, 2023 and 2022 were \$4.07 and \$0, respectively. There were no stock options exercised during 2023 or 2022.

Performance-Based Restricted Stock Agreements

The shares issued pursuant to the Performance-Based Restricted Stock Agreements vest depending on if the performance obligations are met. In general, the performance-based stock units ("Performance PSUs") will be earned based on achievement of pre-established financial and operational performance objectives and will vest on the date the attainment of such performance objectives as determined by the Compensation Committee (the "Committee") of the Board, subject to the participant's continued employment with the Company. The Company has also issued performance-based stock units that vest if the market price of the Company's common stock exceeds a defined target during the performance period ("Market PSUs", together with the Performance PSUs, the "PSUs").

The Company issued 0.4 million and 1.0 million PSUs for the nine months ended September 30, 2023, and 2022, respectively. As of September 30, 2023, the performance-based provision has not been achieved for any of the outstanding performance-based awards.

The Company recognizes compensation expense for the Performance PSUs equal to the fair value of the equity-based compensation awards and is recognized on a straight-line basis over the vesting period of such awards as the Company has concluded the performance condition is probable to be met. The fair value of the awards is equal to the fair value of the Company's common stock at the date of grant.

A summary of the PSU activity for the nine months ended September 30, 2023 and 2022 is as follows (in thousands except per share data):

	Number of PSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Balance, December 31, 2021	424	\$ 18.65	2.0
Granted	1,020	7.53	—
Vested	—	—	—
Forfeited	(382)	10.59	—
Balance, September 30, 2022	1,062	\$ 10.86	1.9

	Number of PSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Balance, December 31, 2022	1,060	\$ 10.87	1.7
Granted	416	6.08	—
Vested	—	—	—
Forfeited	(11)	6.84	—
Balance, September 30, 2023	1,465	\$ 9.53	1.5

Equity-based compensation cost is recorded within the selling, general and administrative expenses within the consolidated statements of comprehensive income (loss), and was not material for the three and nine months ended September 30, 2023 and 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

NOTE 6 - WARRANTS

RTI Warrants

RTI Global ("RTI") holds warrants to purchase 971 thousand shares of PCT common stock. RTI can exercise these warrants as of March 17, 2022. The warrants expire on December 31, 2024. The Company determined the warrants are liability classified under ASC 480. Accordingly, the warrants were held at their initial fair value and will be remeasured at fair value at each subsequent reporting date with changes in the fair value presented in the statements of comprehensive income (loss).

A summary of the RTI warrant activity for the nine months ended September 30, 2023 and 2022 is as follows (in thousands, except per share data):

	Number of warrants	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding at December 31, 2021	971	\$ 5.56	\$ 0.03	3.0
Granted	—	—	—	—
Exercised	—	—	—	—
Outstanding at September 30, 2022	971	\$ 5.56	\$ 0.03	2.3
Exercisable	971			

	Number of warrants	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding at December 31, 2022	971	\$ 5.56	\$ 0.03	2.0
Granted	—	—	—	—
Exercised	—	—	—	—
Outstanding at September 30, 2023	971	\$ 5.56	\$ 0.03	1.3
Exercisable	971			

The Company recognized \$4.0 million and \$1.5 million of benefit for the three and nine months ended September 30, 2023, respectively, and \$1.2 million of expense and \$0.6 million of benefit for the three and nine months ended September 30, 2022, respectively. Refer to Note 12 – Fair Value of Financial Instruments for further information.

Public Warrants and Private Warrants

The Company has outstanding public and private warrants which entitle each holder to exercise its warrants only for a whole number of shares of Common Stock. Each whole warrant entitles the registered holder to purchase one whole share of the Company's Common Stock at a price of \$11.50 per share at the later of the closing of the Business Combination or one year after ROCH's initial public offering, provided that the Company has an effective registration statement under the Securities Act covering the shares of Common Stock issuable upon exercise of the warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder. The warrants will expire five years after March 17, 2021, or earlier upon redemption or liquidation. The private warrants are identical to the public warrants, except that the private warrants and the common stock issuable upon exercise of the private warrants were not transferable, assignable or salable until after March 17, 2021, subject to certain limited exceptions. Additionally, the private warrants are non-redeemable so long as they are held by the initial holder or any of its permitted transferees. If the private warrants are held by someone other than the initial holder or its permitted transferees, the private warrants will be redeemable by the Company and exercisable by such holders on the same basis as the public warrants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

The Company may redeem the outstanding warrants in whole, but not in part, at a price of \$ 0.01 per warrant upon a minimum of 30 days' prior written notice of redemption, if and only if the last sale price of the Company's common stock equals or exceeds \$18.00 per share for any 20-trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders. If the Company calls the warrants for redemption, management will have the option to require all holders that wish to exercise the warrants to do so on a cashless basis. In no event will the Company be required to net cash settle the warrant exercise. The public warrants are accounted for as equity classified warrants as they were determined to be indexed to the Company's stock and meet the requirements for equity classification.

The Company has classified the private warrants as a warrant liability as there is a provision within the warrant agreement that allows for private warrants to be exercised via a cashless exercise while held by CR Financial Holdings, Inc. (the "Sponsor") and affiliates of the Sponsor, but would not be exercisable at any time on a cashless basis if transferred and held by another investor. Therefore, the Company will classify the private warrants as a liability pursuant to ASC 815 until the private warrants are transferred from the initial purchasers or any of their permitted transferees.

There were approximately 5.7 million public warrants and 0.2 million private placement warrants outstanding at September 30, 2023 and 2022. The Company recognized \$0.7 million and \$0.3 million of benefit related to the private warrants for the three and nine months ended September 30, 2023, respectively, and \$0.2 million and \$0 of expense for the three and nine months ended September 30, 2022. Refer to Note 12 - Fair Value of Financial Instruments for further information.

Series A Warrants

Upon the closing of the 2022 PIPE Offering, the Company issued approximately 17.9 million Series A Warrants to the 2022 PIPE Investors to purchase shares of the Company's common stock. Each whole warrant entitles the registered holder to purchase one whole share of the Company's Common Stock at a price of \$11.50 per share any time after September 17, 2022 (the "Initial Exercise Date"), provided that the Company has an effective registration statement under the Securities Act covering the shares of Common Stock issuable upon exercise of the warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder. Pursuant to the warrant agreement, a warrant holder may exercise its warrants only for a whole number of shares of Common Stock. The warrants will expire on March 17, 2026.

The Company may redeem the outstanding Series A Warrants in whole, but not in part, at a price of \$ 0.01 per warrant upon a minimum of 30 days' prior written notice of redemption, if and only if the last sale price of the Company's common stock equals or exceeds \$18.00 per share for any 20-trading days within a 30-trading day period commencing after the Series A Warrants become exercisable and ending three business days before the Company sends the notice of redemption to the warrant holders. If the Company calls the Series A Warrants for redemption, management will have the option to require all holders that wish to exercise the warrants to do so on a cashless basis. In no event will the Company be required to net cash settle the warrant exercise.

The agreements governing the Series A Warrants (the "Series A Warrant Agreements") provide for a Black-Scholes value calculation ("Black-Scholes Value") in the event of certain transactions ("Fundamental Transactions"), which includes a floor on volatility utilized in the value calculation at 100% or greater. The Company has determined this provision introduces leverage to the holders of the Series A Warrants that could result in a value that would be greater than the settlement amount of a fixed-for-fixed option on the Company's own equity shares. Therefore, the Company will classify the Series A Warrants as a liability pursuant to ASC 815.

As of September 30, 2023, there were approximately 17.9 million Series A Warrants outstanding. The Company recognized \$ 44.1 million and \$ 15.9 million of benefit related to the Series A Warrants for the three and nine months ended September 30, 2023, respectively, and \$13.4 million and \$16.8 million of expense for the three and nine months ended September 30, 2022, respectively. Refer to Note 12 – Fair Value of Financial Instruments for further information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

NOTE 7 – RELATED PARTY TRANSACTIONS

Sylebra Credit Facility

On March 15, 2023, PCT entered into the Revolving Credit Facility pursuant to the Revolving Credit Agreement with the Guarantors, Lenders, and the Administrative Agent, which matures on March 31, 2025. The Revolving Credit Facility was amended on May 8, 2023, August 4, 2023 and August 21, 2023. The Lenders and their affiliates are greater than 5% beneficial owners of PCT. Refer to Note 3 - Notes Payable and Debt Instruments for further information.

The Pure Plastic Term Loan Facility

On May 8, 2023, the Company entered into a \$ 40.0 million Term Loan Facility pursuant to the Term Loan Credit Agreement dated as of May 8, 2023, among the Guarantors and Pure Plastic LLC (as Lender, Administrative Agent, and Security Agent), which matures on December 31, 2025. The Term Loan Credit Agreement was amended on August 21, 2023. Affiliates of the Lender are greater than 5% beneficial owners of the Company. Balances related to the Term Loan Credit Agreement are recorded within related party note payable in the condensed consolidated balance sheets and, in certain instances, the Term Loan Credit Agreement is referred to as the "Related party note payable." Refer to Note 3 - Notes Payable and Debt Instruments for further information.

Green Convertible Notes

On August 24, 2023, the Company completed the private offering of the Notes. Entities affiliated with a greater than 5% beneficial owner of the Company purchased \$50.0 million aggregate principal amount at maturity of the Notes.

NOTE 8 – NET INCOME (LOSS) PER SHARE

The Company follows the two-class method when computing net loss per common share when shares are issued that meet the definition of participating securities. The two-class method requires income available to common shareholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The two-class method also requires losses for the period to be allocated between common and participating securities based on their respective rights if the participating security contractually participates in losses. As holders of participating securities do not have a contractual obligation to fund losses, undistributed net losses are not allocated to nonvested restricted stock for purposes of the loss per share calculation.

Presented in the table below is a reconciliation of the numerator and denominator for the basic earnings per share ("EPS") calculations for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) attributable to PureCycle Technologies	\$ 4,886	\$ (34,948)	\$ (77,532)	\$ (75,384)
Less income attributable to participating warrants	(480)	—	—	—
Net income (loss) attributable to common shareholders	<u>\$ 4,406</u>	<u>\$ (34,948)</u>	<u>\$ (77,532)</u>	<u>\$ (75,384)</u>
Weighted average common shares outstanding, basic	164,018	163,490	163,783	153,513
Net loss per share attributable to common stockholder, basic	\$ 0.03	\$ (0.21)	\$ (0.47)	\$ (0.49)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Presented in the table below is a reconciliation of the numerator and denominator for the diluted EPS calculations for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income (loss) attributable to PureCycle Technologies	\$ 4,886	\$ (34,948)	\$ (77,532)	\$ (75,384)
Less change in fair value of RTI Warrants	(4,049)	—	(1,485)	(553)
Less income attributable to participating warrants	(81)	—	—	—
Net income (loss) attributable to common shareholders	<u>\$ 756</u>	<u>\$ (34,948)</u>	<u>\$ (79,017)</u>	<u>\$ (75,937)</u>
Denominator:				
Weighted average common shares outstanding, basic	164,018	163,490	163,783	153,513
Add common equivalent shares from warrants	395	—	197	186
Add common equivalent shares from equity awards	1,135	—	—	—
Weighted average common shares outstanding, diluted	<u>165,548</u>	<u>163,490</u>	<u>163,980</u>	<u>153,699</u>
Net loss per share attributable to common stockholder, diluted	\$ 0.00	\$ (0.21)	\$ (0.48)	\$ (0.49)

Certain outstanding common share equivalents were excluded from the computation of diluted net income (loss) per share attributable to common stockholders for the periods presented as including them would have been anti-dilutive. For the three months ended September 30, 2023 and 2022, the Company had outstanding instruments of approximately 23.8 million and 24.7 million warrants, 0.6 million and 0.6 million stock options, 0.7 million and 2.6 million non-vested restricted stock units, 1.5 million and 1.1 million non-vested performance stock units, 4.0 million and 4.0 million contingently-issuable shares related to the Earnout, and 16.9 million and 0 shares issuable upon conversion of the Green Convertible Notes (as described further in Note 3 – Notes Payable and Debt Instruments) which could be dilutive to the calculation in the future, respectively. For the nine months ended September 30, 2023 and 2022, the Company had outstanding instruments of approximately 23.8 million and 23.8 million warrants, 1.1 million and 0.6 million stock options, 3.1 million and 2.6 million non-vested restricted stock units, 1.5 million and 1.1 million non-vested performance stock units, 4.0 million and 4.0 million contingently-issuable shares related to the Earnout, and 16.9 million and 0 shares issuable upon conversion of the Green Convertible Notes which could be dilutive to the calculation in the future, respectively.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Presented in the table below are the major classes of property, plant and equipment by category as of the below dates:

(in thousands)	As of September 30, 2023		
	Cost	Accumulated Depreciation	Net Book Value
Building	\$ 81,526	\$ 1,893	\$ 79,633
Machinery and equipment	329,656	19,836	309,820
Leasehold Improvements	2,957	1,284	1,673
Fixtures and Furnishings	679	151	528
Land improvements	150	30	120
Land	1,150	—	1,150
Construction in process	233,001	—	233,001
Total property, plant and equipment	<u>\$ 649,119</u>	<u>\$ 23,194</u>	<u>\$ 625,925</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

<i>(in thousands)</i>	As of December 31, 2022		
	Cost	Accumulated Depreciation	Net Book Value
Building	\$ 12,534	\$ 1,016	\$ 11,518
Machinery and equipment	23,728	6,674	17,054
Leasehold Improvements	2,957	803	2,154
Fixtures and Furnishings	529	83	446
Land improvements	150	22	128
Land	1,150	—	1,150
Construction in process	473,269	—	473,269
Total property, plant and equipment	\$ 514,317	\$ 8,598	\$ 505,719

Depreciation expense is recorded within operating costs in the condensed consolidated statements of comprehensive income (loss) and amounted to \$ 9.3 million and \$14.6 million for the three and nine months ended September 30, 2023, respectively, and \$ 0.9 million and \$2.6 million for the three and nine months ended September 30, 2022, respectively.

NOTE 10 – DEVELOPMENT PARTNER ARRANGEMENTS**License Agreements**

On October 16, 2015, Legacy PCT entered into a patent license agreement with P&G (the “Original Patent License Agreement”). Legacy PCT and P&G entered into an Amended and Restated Patent License Agreement on July 28, 2020 (the “Amended and Restated Patent License Agreement”). PCT and P&G entered into a side letter agreement on February 12, 2021 amending certain provisions of the Amended and Restated License Agreement (the “Side Letter Agreement” and, together with the Original Patent License Agreement and the Amended and Restated Patent License Agreement, the “License Agreement”). The License Agreement outlines three phases with specific deliverables for each phase. During Phase 1 of the License Agreement, P&G provided Legacy PCT with up to one full-time employee to assist in the execution of Legacy PCT’s research and development activities. During Phase 2, P&G provided up to two full-time employees to assist in the execution of Legacy PCT’s research and development activities. In April 2019, Legacy PCT elected to enter into Phase 3 of the License Agreement and prepaid a royalty payment in the amount of \$2.0 million, which will be reduced against future royalties payable as sales occur. Phase 3 of the License Agreement relates to the commercial manufacture period for the manufacture of the licensed product. This phase includes the construction of the first commercial plant for the manufacture of the licensed product, details on the commercial sales capacity and the pricing of the licensed product to P&G and to third parties. Where the Company has made royalty payments to its product development partners, the Company expenses such payments as incurred unless it has determined that it is probable that such prepaid royalties have future economic benefit to the Company. In such cases prepaid royalties will be reduced as royalties would otherwise be due to the partners.

Effective April 1, 2023, the Company and P&G executed a Second Side Letter, dated March 27, 2023, amending the date by which commercial sales must be maintained at 70% of nameplate capacity under Section 4.4 of the License Agreement from April 15, 2023 to December 31, 2024.

As of September 30, 2023 and December 31, 2022, the Company is in Phase 3 of the License Agreement and has recorded \$ 2.0 million within prepaid expenses and other non-current assets in the condensed consolidated balance sheets.

On November 13, 2019, Legacy PCT entered into a patent sublicense agreement with Impact Recycling Limited (“Impact”) through the term of the patents. The agreement outlines an initial license fee of \$2.5 million and royalties on production using the license. In 2020, Legacy PCT paid \$ 0.9 million of the initial license fee, and during the year ended December 31, 2021, the Company paid the remaining \$1.6 million of the initial fee. The initial license fee of \$ 2.5 million is recorded in prepaid expenses and other non-current assets in the condensed consolidated balance sheets and will be ratably amortized over the term of the underlying patent using the straight-line method. In May

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

2021, the Company began using the technology covered by the Impact agreement and commenced amortization as of this date.

Block and Release Agreement

On June 23, 2020, Legacy PCT entered into a block and release agreement with Total Petrochemicals & Refining S.A./N.V. ("Total"). Upon execution of the agreement, Total made a prepayment consisting of a payment of \$5.0 million for future receipt of resin consisting of recycled polypropylene. The prepayment was placed in an escrow account until the "release condition" of the Company closing the bond offering and overall capital funding of at least \$370.0 million has occurred. After the Company successfully raised the required capital, the \$5.0 million was released to the Company in 2021 and recorded as deferred revenue in the condensed consolidated balance sheets.

Strategic Alliance Agreement

On December 13, 2018, Legacy PCT entered into a strategic alliance agreement with Nestle Ltd. ("Nestle"), which expires on December 31, 2023. Upon execution of the agreement, Nestle committed to provide \$1.0 million to fund further research and development efforts. The funding provided by Nestle may be convertible, in whole or in part, into a prepaid product purchase arrangement at Nestle's option, upon the time of product delivery beginning in 2022. Additionally, because the research and development efforts were not successful as of December 31, 2020, up to 50% of the funding may be convertible into a 5-year term loan obligation, payable to Nestle at an interest rate equivalent to the U.S. prime rate. As of the issuance of these statements, Nestle has not elected to convert any funding into a term loan.

PCT received the funding from Nestle on January 8, 2019. The Company has recorded \$ 1.0 million as a deferred research and development obligation within other non-current liabilities in the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022. Recognition related to the funding received will be deferred until it is probable that Nestle will not exercise their option. If the prepaid product purchase option is exercised, the obligation will be recognized as an adjustment to the transaction price of future product sales (e.g., net revenue presentation). If the option is not exercised, or in the case of development efforts not being successful, any amounts not converted to a loan obligation will be recognized as a reduction to research and development costs.

NOTE 11 - INCOME TAXES

The Company has determined that any net deferred tax assets are not more likely than not to be realized in the future, and a full valuation allowance is required. In addition, the Company has determined that any current forecasted operations would result in federal and state income tax losses which are also not more likely than not to be realized. As a result, for the periods ended September 30, 2023 and 2022, the Company has reported tax expense of \$0 and \$0, respectively.

Management has evaluated the Company's tax positions and has determined that the Company has taken no uncertain tax positions that require adjustment to the condensed consolidated interim financial statements for the respective periods.

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Assets and liabilities measured and recorded at Fair Value on a recurring basis

As of September 30, 2023 and December 31, 2022, the Company's financial assets and liabilities measured and recorded at fair value on a recurring basis were classified within the fair value hierarchy as follows (in thousands):

	September 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	\$ 60,349	\$ 129,261	\$ —	\$ 189,610	\$ 51,250	\$ —	\$ —	\$ 51,250
Restricted cash equivalents - current	33,277	—	—	33,277	68,850	—	—	68,850
Restricted cash equivalents - noncurrent	151,513	—	—	151,513	94,781	—	—	94,781
Investments:								
Commercial paper, available for sale	—	9,866	—	9,866	—	32,756	—	32,756
Corporate Bonds, available for sale	—	—	—	—	—	58,442	—	58,442
US Treasury Notes, Available for sale	2,160	—	—	2,160	—	—	—	—
Municipal bonds, available for sale	—	—	—	—	—	7,394	—	7,394
Total investments	\$ 2,160	\$ 9,866	\$ —	\$ 12,026	\$ —	\$ 98,592	\$ —	\$ 98,592
Liabilities								
Warrant liability:								
RTI warrants	\$ —	\$ —	\$ 2,185	\$ 2,185	\$ —	\$ —	\$ 3,670	\$ 3,670
Private warrants	—	—	493	493	—	—	784	784
Series A warrants	—	35,536	—	35,536	—	51,429	—	51,429
Total warrant liability	\$ —	\$ 35,536	\$ 2,678	\$ 38,214	\$ —	\$ 51,429	\$ 4,454	\$ 55,883

Measurement of the Private Warrants

The private warrants are measured at fair value on a recurring basis using a Black-Scholes model. The private warrants are classified as Level 3 and were valued using the following assumptions:

	September 30, 2023	December 31, 2022
Expected annual dividend yield	— %	— %
Expected volatility	101.1 %	105.1 %
Risk-free rate of return	4.9 %	4.2 %
Expected option term (years)	2.5	3.2

The expected term of the warrants granted are determined based on the duration of time the warrants are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

expected volatility was based on the implied volatility calculated for the Company's public warrants, which have similar characteristics to the private warrants. The dividend yield on the Company's warrants is assumed to be zero as the Company has not historically paid dividends. The fair value of the underlying Company shares was determined using the Black-Scholes calculation.

The aggregate values of the private warrants were \$ 0.5 million and \$ 0.8 million on September 30, 2023 and December 31, 2022, respectively.

A summary of the private warrants activity from December 31, 2022 to September 30, 2023 is as follows:

	Fair value (Level 3)
Balance at December 31, 2022	\$ 784
Change in fair value	(291)
Balance at September 30, 2023	<u>\$ 493</u>

Refer to Note 6 – Warrants for further information.

Measurement of the RTI warrants

Significant changes in any of the significant unobservable inputs in isolation would not result in a materially different fair value estimate. The interrelationship between these inputs is insignificant.

The Company has determined its warrant to be a Level 3 fair value measurement and has remeasured using a Binomial Tree option pricing model to calculate its fair value using the following assumptions:

	September 30, 2023	December 31, 2022
Expected annual dividend yield	— %	— %
Expected volatility	89.5 %	99.7 %
Risk-free rate of return	5.3 %	4.4 %
Expected option term (years)	1.3	2.0

The expected term of the warrants granted are determined based on the duration of time the warrants are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. For September 30, 2023, the expected volatility was calculated based on the specific volatility of PCT's publicly-traded common stock. For December 31, 2022, the expected volatility was based on the Company's capital structure and volatility of similar entities referred to as guideline companies. In determining similar entities, the Company considered industry, stage of life cycle, size and financial leverage. The dividend yield on the Company's warrants is assumed to be zero as the Company has not historically paid dividends. The fair value of the underlying Company shares was determined using the Binomial Tree model calculation.

The Company has an option to repurchase the warrants at any time. The maximum fair value of the warrants is limited by the fair value of the repurchase option, which cannot exceed \$15.0 million.

Changes in Level 3 liabilities measured at fair value from December 31, 2022 to September 30, 2023 are as follows (in thousands):

	Fair value (Level 3)
Balance at December 31, 2022	\$ 3,670
Change in fair value	(1,485)
Balance at September 30, 2023	<u>\$ 2,185</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Measurement of the Series A Warrants

The Series A Warrants meet the definition of derivative instruments and are measured at fair value on a recurring basis using the market price of the Company's publicly traded warrants, with changes in fair value recorded in current earnings. The Company has determined the publicly traded warrants to be an appropriate proxy to value the Series A Warrants as both warrants have similar redemption features and the same exercise price. The Series A Warrants are classified as Level 2 for both initial measurement at issuance and subsequent measurement each period. The Series A Warrants were initially valued at \$43.9 million upon closing of the 2022 PIPE Offering.

Assets and liabilities recorded at carrying value

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The Company records cash and accounts payable at cost, which approximates fair value due to their short-term nature or stated rates. The Company records debt at cost.

NOTE 13 - AVAILABLE-FOR-SALE INVESTMENTS

The Company classifies its investments in debt securities as available-for-sale. Debt securities have been historically comprised of highly liquid investments with minimum "A" rated securities. The debt securities have historically been reported at fair value with unrealized gains or losses recorded in accumulated other comprehensive income in the condensed consolidated balance sheets. Refer to Note 12 – Fair Value of Financial Instruments for information related to the fair value measurements and valuation methods utilized.

The following table represents the Company's available-for-sale investments by major security type as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023				
	Amortized Cost		Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
Commercial Paper	\$ 9,871	\$	—	\$ (5)	\$ 9,866
US Treasury Notes	2,162		—	(2)	2,160
Corporate Bonds	—		—	—	—
Municipal Bonds	—		—	—	—
Total	\$ 12,033	\$	—	\$ (7)	\$ 12,026

	December 31, 2022				
	Amortized Cost		Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
Commercial Paper	\$ 32,997	\$	—	\$ (241)	\$ 32,756
Corporate Bonds	58,791		—	(349)	58,442
Municipal Bonds	7,446		—	(52)	7,394
Total	\$ 99,234	\$	—	\$ (642)	\$ 98,592

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

The following table represents the Company's available-for-sale investments by contractual maturity as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 12,033	\$ 12,026	\$ 92,253	\$ 91,669
Due after one year through five years	—	—	6,981	6,923
Total	\$ 12,033	\$ 12,026	\$ 99,234	\$ 98,592

Debt securities as of September 30, 2023 had an average remaining maturity of 0.3 years.

The Company reviews available-for-sale investments for other-than-temporary impairment loss periodically. The Company considers factors such as the duration, severity and the reason for the decline in value, the potential recovery period and our intent to sell. For debt securities, we also consider whether (i) it is more likely than not that the Company will be required to sell the debt securities before recovery of their amortized cost basis and (ii) the amortized cost basis cannot be recovered as a result of credit losses. During the nine months ended September 30, 2023 and 2022, the Company did not recognize any other-than-temporary impairment losses. All marketable securities with unrealized losses have been in a loss position for less than twelve months, and the Company does not anticipate any material losses upon maturity of these investments. The fair value for fixed-rate debt securities is based on quoted market prices for the same or similar debt instruments and is classified as Level 2. The fair value for the Company's other securities holdings, primarily under commercial paper, equals the carrying value and is classified as Level 2.

NOTE 14 - COMMITMENTS AND CONTINGENCIES**Financial Assurance**

On March 14, 2023, PCT secured a surety bond in the amount of \$ 25.0 million to provide financial assurance related to its performance under a certain vendor contract, which expires at the earlier of satisfaction of the obligation, termination of the related vendor contract, or one year from issuance (subject to renewal within one year). PCT may issue additional surety bonds in the future to provide financial assurance regarding performance under contracts with other parties.

These financial instruments are issued in the normal course of business and are not considered company indebtedness. Because PCT currently has no liability for these financial assurance instruments, they are not reflected in its consolidated balance sheets.

Legal Proceedings

PCT is subject to legal and regulatory actions that arise from time to time in the ordinary course of business. The assessment as to whether a loss is probable or reasonably possible, and as to whether such loss or a range of such losses is estimable, often involves significant judgment about future events, and the outcome of litigation is inherently uncertain. Other than as described below, there is no material pending or threatened litigation against PCT that remains outstanding as of September 30, 2023.

Shareholder Securities Litigation

Beginning on or about May 11, 2021, two putative class action complaints were filed against PCT, certain senior members of management and others, asserting violations of federal securities laws under Section 10(b) and Section 20(a) of the Exchange Act. The complaints generally allege that the applicable defendants made false and/or misleading statements in press releases and public filings regarding the Technology, PCT's business and PCT's prospects. The first putative class action complaint was filed in the U.S. District Court for the Middle District of Florida by William C. Theodore against PCT and certain senior members of management (the "Theodore Lawsuit"). The second putative class action complaint was filed in the U.S. District Court for the Middle District of Florida by David Tennenbaum against PCT, certain senior members of management and others (the "Tennenbaum Lawsuit")

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

and, together with the Theodore Lawsuit, the "Class Action Lawsuits"). On July 14, 2021, the court granted a motion to consolidate the Class Action Lawsuits and on July 27, 2021, Tennenbaum filed a motion to voluntarily dismiss his complaint without prejudice. On August 5, 2021, the Court entered an order appointing the Mariusz Ciecko and Robert Ciecko as Co-Lead Plaintiffs ("Lead Plaintiffs") and Pomerantz LLP as Lead Counsel.

On September 27, 2021, the Lead Plaintiffs filed a consolidated amended complaint. The consolidated amended complaint seeks to represent a class of investors who purchased or otherwise acquired PCT's securities between November 16, 2020, and May 5, 2021, certification of the alleged class, as well as compensatory and punitive damages. The consolidated amended complaint relies on information included in a research report published by Hindenburg Research LLC.

On November 12, 2021, PCT and the individual defendants affiliated with PCT ("PCT Defendants") and Byron Roth each filed separate motions to dismiss Lead Plaintiffs' amended complaint. Additional submissions by the parties were filed in December 2021 and January 2022.

On August 4, 2022, the U.S. District Court for the Middle District of Florida dismissed the Class Action Lawsuits, without prejudice. Plaintiffs filed their second amended complaint on August 18, 2022 in which they seek to represent a class of investors who purchased or otherwise acquired PCT's securities between November 16, 2020, and November 10, 2021. On September 15, 2022, the PCT Defendants and Byron Roth each filed a motion to dismiss the second amended complaint, and the parties filed additional responsive pleadings in October 2022. On June 15, 2023, the U.S. District Court for the Middle District of Florida granted the PCT Defendants' motion solely with regard to named defendant Tamsin Ettefagh, but denied the motion as to all other defendants. On June 30, 2023, the PCT Defendants filed a Motion for Reconsideration. Further, on July 14, 2023, each of the PCT and Roth Defendants filed their respective Answers and Counterclaims. The Motion for Reconsideration remains pending.

On September 29, 2023, Jay Southgate, a purported shareholder, filed a complaint in the U.S. District Court for the Southern District of New York against PCT, and certain senior members of management, asserting violations of federal securities laws under Section 10(b) and Section 20(a) of the Exchange Act. The complaints generally allege that the applicable defendants made false and/or misleading statements in press releases and public filings between August 8, 2023 and September 13, 2023, regarding the status of commissioning activities at the Ironton Facility, and specifically the impact of a power outage at the Ironton Facility in August 2023 and subsequent seal system failure in September 2023.

The PCT Defendants intend to vigorously defend the Class Action Lawsuits. Given the stage of the litigation, PCT cannot reasonably estimate at this time whether there will be any loss, or if there is a loss, the possible range of loss, that may arise from the unresolved Class Action Lawsuits.

Derivative Litigation

On November 3, 2021, Byung-Gook Han, a purported PCT shareholder, derivatively and purportedly on behalf of PCT, filed a shareholder derivative action in the United States District Court for the District of Delaware (Byung-Gook Han v. Otworth et. al., Case No. 1:21-cv-01569-UNA) against certain senior members of PCT's management, PCT's directors and Byron Roth, who was subsequently dismissed (collectively, the "Individual Han Defendants"), alleging violations of Section 20(a) of the Exchange Act and breaches of fiduciary duties and bringing claims for unjust enrichment and waste of corporate assets ("Han Derivative Suit"). The Han Derivative Suit generally alleges that the Individual Han Defendants made materially false and misleading statements in press releases, webinars and other public filings regarding the Technology, PCT's business, PCT's prospects, and the background and experience of the Individual Han Defendants. The Han Derivative Suit seeks unspecified monetary damages, reform of the company's corporate governance and internal procedures, unspecified restitution from the Individual Han Defendants, and costs and fees associated with bringing the action. On January 19, 2022, the court in the Han Derivative Suit granted the parties' joint stipulation to stay the Han Derivative Suit and administratively closed the matter pending the disposition of the motions to dismiss in the Class Action Lawsuits.

Should the Han Derivative Suit be reopened in the future, the Individual Han Defendants intend to vigorously defend against the Han Derivative Suit. Given the stage of the litigation, PCT cannot reasonably estimate at this time whether there will be any loss, or if there is a loss, the possible range of loss, that may arise from the unresolved Han Derivative Suit.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

On January 27, 2022, Patrick Ayers, a purported PCT shareholder, derivatively and purportedly on behalf of PCT, filed a shareholder derivative action in the United States District Court of the District of Delaware, captioned Patrick Ayers v. Otworth et. al., Case No. 1:22-cv-00110, against certain members of PCT's management, PCT's directors and others (collectively, the "Individual Ayers Defendants"), alleging violations of Section 20(a) of the Exchange Act and breaches of fiduciary duties, as well as claims for unjust enrichment, gross mismanagement, contribution, and indemnification ("Ayers Derivative Suit"). The Ayers Derivative Suit generally alleges that the Individual Ayers Defendants made materially false and misleading statements in press releases, webinars and other public filings regarding the Technology, PCT's business, PCT's prospects, and the background and experience of the Individual Ayers Defendants. The Ayers Derivative Suit seeks unspecified monetary damages, declaratory relief, unspecified disgorgement and restitution from the Individual Ayers Defendants, and costs and fees associated with bringing the action.

At this stage of the litigation, neither PCT nor the Individual Ayers Defendants have answered Ayers' complaint, moved to dismiss the complaint, or otherwise responded to the complaint. On March 17, 2022, the court granted the parties' joint stipulation to stay the Ayers Derivative Suit and administratively closed the matter pending the disposition of the motions to dismiss in the Class Action Lawsuits. Should the Ayers Derivative Suit be reopened in the future, the Individual Ayers Defendants intend to vigorously defend against the Ayers Derivative Suit. Given the stage of the litigation, PCT cannot reasonably estimate at this time whether there will be any loss, or if there is a loss, the possible range of loss, that may arise from the unresolved Ayers Derivative Suit.

In the future, PCT may become party to additional legal matters and claims arising in the ordinary course of business. While PCT is unable to predict the outcome of the above or future matters, it does not believe, based upon currently available facts, that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial position, results of operations, or cash flows.

Denham-Blythe Arbitration

On October 7, 2020, PCO, a subsidiary of PCT and Denham-Blythe Company, Inc. ("DB") executed an Engineering, Procurement, and Construction Agreement for certain construction activities associated with the Ironton Facility ("EPC Contract").

On June 16, 2023, following unsuccessful efforts at mediating various disputes over certain unapproved change orders and payment applications, DB filed a demand for binding arbitration ("Arbitration Demand") with the American Arbitration Association ("AAA"), seeking approximately \$17.0 million related to certain fee applications, change orders and amounts currently held in retainage by PCO, and, on June 21, 2023, filed a mechanics lien in Lawrence County, Ohio for the same sum. On July 20, 2023, PCO filed its Answer and Counterclaim, in which PCO contends that various deficiencies in DB's work resulted in damages to PCO in excess of DB's \$17.0 million Arbitration Demand, including, but not limited to, the following: DB's insufficient and incomplete engineering drawings and packages, insufficient and unorganized material management, insufficient and inefficient contractor management, insufficient and rudimentary schedule management, incomplete and inefficient procurement procedures, and that the Company was required to undertake significant re-work at additional cost resulting from DB's failure to adequately perform its obligations under the EPC Contract. On September 14, 2023, DB filed a motion with the AAA seeking to join ThermalTech Engineering, Inc., and ThermalTech Turnkey Solutions LLC, a subcontractor engaged by DB to provide engineering services for the Ironton Project. PCO and ThermalTech Engineering, Inc. have objected to the joinder and the matter remains pending.

On August 30, 2023, DB filed a breach of contract claim against PCO and others in Lawrence County Ohio, alleging the same facts contained in its arbitration demand, as well as an action to foreclose on a lien filed in Lawrence County, Ohio. Concurrently DB requested the complaint be stayed pending the resolution of all issues in the arbitration.

PCO intends to vigorously defend itself against DB's claims and to pursue recovery of damages resulting from DB's failure to perform adequately under the EPC Contract. Given the stage of the arbitration, PCT cannot reasonably estimate at this time whether there will be any loss, or if there is a loss, the possible range of loss, that may result from the Arbitration Demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Other Matters

On February 3, 2023, the Company received a books and records demand pursuant to Section 220 of the Delaware General Corporation Law, from a purported stockholder of the Company, in connection with the stockholder's investigation of, among other matters, potential breaches of fiduciary duty, mismanagement, self-dealing, corporate waste or other violations of law by the Company's Board with respect to these matters. We are currently unable to predict the outcome of this matter.

On October 6, 2023 and October 27, 2023, the Company received two additional books and records demands pursuant to Section 220 of the Delaware General Corporation Law, from two purported stockholders of the Company, in connection with the stockholders' investigation of, among other matters, potential breaches of fiduciary duty, mismanagement, self-dealing, corporate waste or other violations of law by the Company's Board with respect to these matters. We are currently unable to predict the outcome of this matter.

NOTE 15 - LEASES

Under ASC Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The Company's contracts determined to be, or contain, a lease include explicitly or implicitly identified assets where the Company has the right to substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing. For operating leases, the Company has recognized a lease liability equal to the present value of the remaining lease payments, and a right of use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents. The Company used its incremental borrowing rate to determine the present value of the lease payments. The Company's incremental borrowing rate is the rate of interest that it would be charged to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment. The Company determined the incremental borrowing rates for its leases by applying its applicable borrowing rate, with adjustment as appropriate for lease currency and lease term.

The Company enters into contracts to lease real estate, equipment and vehicles. The Company's most individually significant lease liability relates to a real estate lease with an initial contract lease term of 30 years. The Company's most significant lease liabilities in aggregate value relate to real estate leases that have initial contract lease terms ranging from 1 to 30 years. Certain leases include renewal, termination or purchase options that were not deemed reasonably assured of exercise under ASC 840. Under ASC Topic 842, the lease term at the lease commencement date is determined based on the non-cancellable period for which the Company has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Company considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties.

Operating leases result in a straight-line lease expense, while finance leases result in a front-loaded expense pattern. The assets associated with financing leases have been included in property, plant and equipment in the condensed consolidated balance sheet. Depreciation on financing lease assets is included in operating costs on the condensed consolidated statement of comprehensive income (loss). The Company does not sublease any of its material leased assets to third parties and the Company is not party to any lease contracts with related parties. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

ASC Topic 842 includes practical expedient and policy election choices. The Company elected the package of practical expedients available in the standard and, as a result, did not reassess the lease classification of existing leases, did not reassess whether existing contracts are or contain leases and did not reassess the initial direct costs associated with existing leases. The Company did not elect the hindsight practical expedient, and so did not re-evaluate lease term for existing leases.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

The Company has made an accounting policy election not to recognize right of use assets and lease liabilities for leases with a lease term of 12 months or less, including renewal options that are reasonably certain to be exercised, that also do not include an option to purchase the underlying asset that is reasonably certain of exercise. Instead, lease payments for these leases are recognized as lease cost on a straight-line basis over the lease term.

ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the discount rate. The Company reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during the quarter ended September 30, 2023 that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during the quarter ended September 30, 2023 that required an impairment test for the Company's right-of-use assets or other long-lived assets in accordance with ASC 360-10.

Certain of the Company's leases include variable lease costs to reimburse the lessor for real estate tax and insurance expenses, and certain non-lease components that transfer a distinct service to the Company, such as common area maintenance services. The Company has elected not to separate the accounting for lease components and non-lease components, for all classes of leased assets.

On August 24, 2022, the Company signed a real estate lease for a future feedstock preprocessing facility in Denver, Pennsylvania with an initial term of 15 years and total minimum lease payments of \$52.3 million. The lease is currently expected to commence in the first half of 2024.

In January 2023, the Company signed a real estate lease at the Port of Antwerp-Bruges' NextGen District, where it plans to build its first purification facility in Europe, with an initial term of 30 years and total minimum lease payments of € 27.7 million, subject to annual inflation adjustments. This lease commenced at the end of June 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

The components of lease expense and supplemental cash flow information related to leases for the periods are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Lease cost				
Operating lease cost	\$ 1,252	\$ 618	\$ 3,042	\$ 1,390
Short-term lease cost	211	83	795	291
Total lease cost	<u>\$ 1,463</u>	<u>\$ 701</u>	<u>\$ 3,837</u>	<u>\$ 1,681</u>
Other information				
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases			\$ 2,687	\$ 1,829
Right-of-use assets obtained in exchange for new operating lease liabilities			\$ 13,084	\$ 8,266
Weighted-average remaining lease term (in years) - operating leases			15.3	7.9
Discount rates				
Weighted-average discount rate - operating leases			6.0 %	4.7 %

The supplemental balance sheet information related to leases for the period is as follows (in thousands):

	September 30, 2023	December 31, 2022
Operating leases		
Operating lease right-of-use assets	\$ 30,050	\$ 19,136
Accrued expenses	\$ 2,446	\$ 2,188
Other long-term liabilities	27,556	16,620
Total operating lease liabilities	<u>\$ 30,002</u>	<u>\$ 18,808</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Maturities of the Company's lease liabilities are as follows (in thousands):

Year Ending	Operating Leases	
2023 (October through December)	\$	813
2024		4,495
2025		4,551
2026		4,457
2027		4,054
2028		2,814
Thereafter		29,347
Total lease payments		50,531
Less: Imputed interest		(20,529)
Present value of lease liabilities	\$	30,002

AEDA Sale-leaseback Transaction

On June 30, 2023, PCT entered into a series of agreements with the Development Authority of Augusta, Georgia (the "AEDA") to construct phase one ("Phase One") of its first U.S. multi-line facility in Augusta, Georgia. PCT is leasing 150 acres of land ("Real Property") owned by the AEDA and will construct buildings, building equipment, and other structures (the "Improvements") on the land. PCT will also acquire and install the necessary processing, warehousing, and other equipment, as well as conveyers and pipelines (the "Equipment", together with the Real Property and the Improvements, the "Augusta Project"). The Improvements and Equipment will be transferred to the AEDA and leased back by PCT. PCT anticipates that the first portion of Phase One will consist of one purification line, with construction expected to begin by the end of 2023. PCT is obligated to spend at least \$440 million toward the construction of Phase One. Construction of the first purification line must be completed by December 31, 2026, but PCT expects that it will be completed sooner. Through September 30, 2023, PCT has invested approximately \$77 million for pre-construction engineering and long-lead equipment for the benefit of Phase One investments.

The legal sale-leaseback structure provides local property tax incentives to PCT as lessee of the Augusta Project. PCT will remain the owner of the Improvements and Equipment for accounting purposes during the term of the lease as PCT will have the right to acquire title to the Augusta Project for a nominal amount during the term and at the conclusion of the arrangement, which has an initial expiration date in 2044. The payments PCT makes to the AEDA during the term of the arrangement are not otherwise expected to be material.

NOTE 16 - SUBSEQUENT EVENTS

In connection with the preparation of the condensed consolidated interim financial statements for the period ended September 30, 2023, management has evaluated events through November 9, 2023 to determine whether any events required recognition or disclosure in the condensed consolidated interim financial statements. The following subsequent events were identified through the date of these condensed consolidated interim financial statements:

On November 8, 2023, the Limited Waiver parties entered into the Second Limited Waiver pursuant to which the September Milestone Event of Default was waived, various Milestones were amended and extended and certain additional requirements were imposed upon PCT and its subsidiaries. Refer to Note 3 – Notes Payable and Debt Instruments for further information.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information which PCT's management believes is relevant to an assessment and understanding of PCT's condensed consolidated results of operations and financial condition. The discussion should be read together with the audited Consolidated Financial Statements and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's most recent Annual Report on Form 10-K, as well as the unaudited condensed consolidated interim financial statements, together with related notes thereto, included elsewhere in this Quarterly Report on Form 10-Q. This discussion may contain forward-looking statements based upon current expectations that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in the Company's most recent Annual Report on Form 10-K. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "we", "us", "our", and "the Company" are intended to mean the business and operations of PCT and its consolidated subsidiaries.

Overview

PureCycle Technologies, Inc. ("PCT" or "Company") is a Florida-based corporation focused on commercializing a patented purification recycling technology (the "Technology"), originally developed by The Procter & Gamble Company ("P&G"), for restoring waste polypropylene into resin, called ultra-pure recycled ("UPR") resin, which has nearly identical properties and applicability for reuse as virgin polypropylene. PCT has a global license for the Technology from P&G. PCT's goal is to create an important new segment of the global polypropylene market that will assist multinational entities in meeting their sustainability goals, providing consumers with polypropylene-based products that are sustainable, and reducing overall polypropylene waste in the world's landfills and oceans.

PCT's process includes two steps: Feed Pre-Processing ("Feed PreP") and the use of PCT's recycling technology for purification. The Feed PreP step will collect, sort, and prepare polypropylene waste ("feedstock") for purification. The purification step is a purification recycling process that uses a combination of solvent, temperature, and pressure to return the feedstock to near-virgin condition through a novel configuration of commercially available equipment and unit operations. The purification process puts the plastic through a physical extraction process using super critical fluids that both extract and filter out contaminants and purify the color, opacity, and odor of the plastic without changing the bonds of the polymer. By not altering the chemical makeup of the polymer, the Company is able to use significantly less energy and reduce production costs as compared to virgin resin.

The Ironton Facility

PCT commenced commissioning activities at its first commercial-scale plant in Lawrence County, Ohio (referred to herein as the "Ironton Facility"), in the second quarter of 2023; has achieved mechanical completion of the plant and commenced initial post-industrial recycled pellet production. On June 28, 2023, the independent construction monitor reviewing construction and commissioning of the Ironton Facility issued its certification confirming commencement of production of post-industrial recycled pellets, which was required to achieve a key milestone in connection with the Ironton Facility financing. The Ironton Facility leverages the existing infrastructure of PCT's pilot facility known as the Feedstock Evaluation Unit (the "FEU"), which became operational in 2019, and the Ironton Facility is expected to have UPR resin capacity of approximately 107 million pounds/year when fully operational. PCT expects to begin producing and selling its UPR resin in 2023, with full Ironton Facility production capacity achieved in 2024.

During the Ironton Facility's construction phase, the Company incurred certain expenses that were not included in the original core project scope finalized in late 2020. The changes and additions to the original scope included investments to enhance safety, operational reliability, purification flexibility in processing different types of feedstocks, and digital automation. We believe these changes will enable the facility to (i) process higher levels of solids and contaminants, (ii) be "Born Digital," and (iii) include enhanced safety measures. More specifically, the additional costs are a result of, among other things, the purchase of additional purification equipment; IT infrastructure, hardware, and software; as well as inflation and supply chain issues caused by COVID-19. As of September 30, 2023, PCT anticipates that up to \$12.5 million will be needed to complete the Ironton Facility, which relates to a performance guarantee payment due after successful completion of a performance testing milestone. The final investment for the Ironton Facility was approximately \$360 million, exclusive of this performance guarantee payment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

The Augusta Facility

In July 2021, PCT reached an agreement with The Augusta Economic Development Authority ("AEDA") to build its first U.S. facility with multiple lines for both Feed PreP and purification ("multi-line facility") in Augusta, Georgia (the "Augusta Facility"). PCT expects the approximately 200-acre location to eventually include up to eight production lines, which are expected to collectively have UPR resin production capacity of approximately 1 billion pounds per year. When fully operational, each purification line at the Augusta Facility is expected to have annual production capacity of approximately 130 million pounds of PCT's UPR resin. PureCycle has allocated 40% of the Augusta Facility output to existing customers and expects that additional offtake agreements will continue to be negotiated.

On June 30, 2023, PCT and the AEDA executed an Economic Development Agreement ("EDA") related to the Company's plans to construct the Augusta Facility. Pursuant to the EDA, PCT expects to receive certain property tax abatement benefits as well as certain other incentives, including site infrastructure development assistance ("Incentive Benefits"). In order to receive the Incentive Benefits under Phase One (as defined below) of the Augusta Project, PCT will be obligated to create 82 full-time jobs with investments of at least \$440 million no later than December 31, 2026. Through September 30, 2023, PCT has invested approximately \$77 million for pre-construction engineering and long-lead equipment for the benefit of Phase One investments. If PCT elects to activate the second phase of the Augusta Project, PCT will be required to create an additional 25 full-time jobs and investments of \$295 million no later than December 31, 2028. To the extent PCT fails to achieve an average of 80% of the jobs and investment commitments in any year over the 20-years of each phase, PCT will be required to make a repayment to the AEDA of a pro rata portion of the total value of the Incentive Benefits received by PCT in such year.

Also on June 30, 2023, PCT entered into a series of agreements with the AEDA to construct phase one ("Phase One") of the Augusta Facility. PCT is leasing 150 acres of land ("Real Property") owned by the AEDA and will construct buildings, building equipment, and other structures (the "Improvements") on the land. PCT will also acquire and install the necessary processing, warehousing, and other equipment, as well as conveyers and pipelines (the "Equipment", together with the Real Property and the Improvements, the "Augusta Project"). The Improvements and Equipment will be transferred to the AEDA and leased back by PCT. As noted above, PCT anticipates that the first portion of Phase One, will consist of one purification line with construction expected to begin by the end of 2023. Also as noted above, construction of the first purification line must be completed by December 31, 2026, but PCT expects that it will be completed sooner.

The legal sale-leaseback structure provides the Incentive Benefits to PCT as lessee of the Augusta Project. PCT will remain the owner of the Improvements and Equipment for accounting purposes during the term of the lease as PCT will have the right to acquire title to the Augusta Project for a nominal amount during the term and at the conclusion of the arrangement, which has an initial expiration date in 2044. The payments PCT makes to the AEDA during the term of the arrangement are not otherwise expected to be material.

Pursuant to the EDA, PCT must commence construction activities with regard to the first purification line under the first phase of the Augusta Project no later than December 31, 2023 or risk losing certain Incentive Benefits. Market conditions remain challenging and have created uncertainty as to the timing or likelihood of success of the currently anticipated project financing for the Augusta Facility. As a result, PCT is currently pursuing various structures for project financing of our Augusta Facility. While PCT remains confident in its ability to finance the Augusta Facility, it is limiting its expenses and adjusting its timeline in light of this uncertainty. If PCT is unable to raise additional debt or equity, when desired, or on terms favorable to PCT, PCT's business, financial condition, and results of operations would be adversely affected. PCT expects to begin construction of the Augusta facility before the end of 2023 and, as noted above, failing to do so would result in the loss of certain Incentive Benefits.

Feedstock Pricing

PCT sees a robust pipeline of demand for its recycled polypropylene and PCT is seeing market acceptance of its "Feedstock+" pricing model for its UPR resin. The "Feedstock+" pricing model divides the market cost of feedstock by a set yield-loss and adds a fixed price, which effectively passes on the cost of feedstock and de-risks PCT's operating margin volatility.

For the Ironton Facility, PCT's feedstock price was linked, in part, to changes in the IHS Markit Index, the index for virgin polypropylene, in a price schedule that contained a fixed, collared price around an index price range, which

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

was further adjusted based on the percentage of polypropylene in the feedstock supplied. For the Augusta Facility and future purification facilities, PCT plans to link the feedstock price, in part, to the price of a no. 5 plastic bale of polypropylene as reported by recyclingmarkets.net ("Feedstock Market Pricing"). PCT will procure both feedstock in line with Feedstock Market Pricing as well as low value feedstocks that can be processed by PCT, below Feedstock Market Pricing for the Augusta Facility.

PreP Facilities

In conjunction with the Augusta Facility, PCT also plans to build and operate Feed PreP facilities in locations geographically near the feed sources to optimize PCT's supply chain economics. During the third quarter of 2022, PCT experienced challenges obtaining the necessary water and sewer permits to construct its first planned Feed PreP facility in Central Florida. PCT is evaluating its available recourses to obtain these permits, as well as potential legal remedies with regard to its obligations for the remaining 9 years of its 11-year lease agreement for the Central Florida facility. PCT is also evaluating alternative preprocessing sites in Central Florida. Also, on August 24, 2022, PCT signed a lease for a future PreP facility in Denver, Pennsylvania, which is expected to be operational in the first half of 2024, provided we obtain the financing necessary for operational readiness. Throughout the second half of 2021, PCT developed a feedstock processing system with advanced sorting capabilities that can handle various types of plastics in addition to polypropylene (designated as no. 5 plastic). PCT's enhanced sorting should allow PCT to process plastic bales between no. 1 and no. 7. PCT's new Feed PreP facilities will extract polypropylene and ship it to PCT's purification lines, while the non-polypropylene feed will be sorted, baled, and subsequently sold on the open market.

Letter of No Objection Submission and the Granting of FDA Food Packaging Clearances for Certain Feedstocks

On September 10, 2021, PCT filed for a U.S. Food and Drug Administration ("FDA") Letter of No Objection ("LNO"), for Conditions of Use A – H. Conditions of Use describe the temperature and duration at which a material should be tested to simulate the way the material is intended to be used. Conditions of Use C – H address many consumer product packaging requirements, including applications for hot filled and pasteurized, as well as room temperature, refrigerated and frozen applications. Generally speaking, Conditions of Use A and B relate to extreme temperature applications. The LNO submission also defines the feedstock sources for the Company's planned commercial recycling process, and this LNO submission pertained to (i) food grade post-industrial recycled feedstocks and (ii) food grade curbside post-consumer recycled feedstocks.

The FDA confirmed receipt of the submission on September 13, 2021 and followed up with additional questions and requests for clarification in a letter received by PCT on January 7, 2022. PCT responded to the FDA's questions on February 17, 2022.

On September 6, 2022, PCT received two separate notifications from the FDA with respect to the following two feedstock sources:

- (i) Food grade post-industrial recycled feedstocks: an FDA opinion letter approving Conditions of Use A – H and
- (ii) Food-grade post-consumer recycled feedstock from stadiums: an FDA LNO for Conditions of Use E – G.

The Company's FDA food contact grades are capable of being used for all food types per the conditions of use listed and per all applicable authorizations in the food contact regulations listed in the 21 CFR (Code of Federal Regulations, Title 21).

The Company is conducting additional testing and plans to make further LNO submissions for additional post-consumer recycled feedstock sources and expanded Conditions of Use.

Future Expansion

On October 20, 2022, the Company executed a Joint Venture Agreement with SK geo centric Co., Ltd., to develop a UPR purification facility in Ulsan, South Korea. The parties will each hold an equal stake in the joint venture with completion of construction activities currently expected in 2025, pending necessary financing. On January 17, 2023, the Company announced its first European purification facility will be located in Antwerp, Belgium. The Company is

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

also planning to expand its production capabilities into Asia through negotiation of joint ventures with Mitsui & Co. Ltd. in Japan for in-country production and sales.

Components of Results of Operations

Revenue

To date, we have not generated any operating revenue. We expect to begin to generate revenue later in 2023 when we expect the Ironton Facility to become commercially operational.

Operating Costs

Operating expenses to date have consisted mainly of personnel costs (including wages, salaries and benefits) and other costs directly related to operations at PCT's operating facilities, including rent, depreciation, repairs and maintenance, utilities and supplies. Costs attributable to the design and development of the Ironton Facility, Augusta Facility, and Feed PreP facilities in Central Florida and Denver, Pennsylvania, are capitalized and, when placed in service, will be depreciated over the expected useful life of the asset. We expect our operating costs to increase as we continue to scale operations and increase headcount.

Research and Development Expense

Research and development expenses consist primarily of costs related to the development of the Technology, the facilities and equipment that will use the Technology to purify recycled polypropylene, and the processes needed to collect, sort, and prepare feedstock for purification. These include mainly personnel costs, third-party consulting costs, and the cost of various recycled waste. We expect our research and development expenses to increase for the foreseeable future as we increase investment in feedstock evaluation, including investment in new front-end feedstock mechanical separators to improve feedstock purity and increase the range of feedstocks PCT can process economically. In addition, we are increasing our in-house feedstock analytical capabilities, which will include additional supporting equipment and personnel.

Selling, General and Administrative Expense

Selling, general and administrative expenses consist primarily of personnel-related expenses for our corporate, executive, finance and other administrative functions and professional services, including legal, audit and accounting services. We expect our selling, general, and administrative expenses to increase for the foreseeable future as we scale headcount with the growth of our business, and as a result of operating as a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Results of Operations

Comparison of three and nine month periods ended September 30, 2023 and 2022

The following table summarizes our operating results for the three and nine month periods ended September 30, 2023 and 2022:

(in thousands, except %)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Costs and expenses								
Operating costs	\$ 21,897	\$ 6,451	\$ 15,446	239 %	\$ 44,413	\$ 16,948	\$ 27,465	162 %
Research and development	178	254	(76)	(30)%	731	843	(112)	(13)%
Selling, general and administrative	13,172	14,382	(1,210)	(8)%	39,725	42,083	(2,358)	(6)%
Total operating costs and expenses	35,247	21,087	14,160	67 %	84,869	59,874	24,995	42 %
Interest expense	10,750	159	10,591	(6661)%	14,883	1,197	13,686	1143 %
Interest income	(2,117)	(1,261)	(856)	(68)%	(5,077)	(2,031)	(3,046)	150 %
Change in fair value of warrants	(48,817)	14,884	(63,701)	428 %	(17,669)	16,224	(33,893)	(209)%
Other expense	51	79	(28)	(35)%	526	120	406	338 %
Net income (loss)	\$ 4,886	\$ (34,948)	\$ 39,834	(114)%	\$ (77,532)	\$ (75,384)	\$ (2,148)	3 %

Operating costs

The increase for the three and nine month periods was primarily attributable to higher employee costs of \$2.0 million and \$7.5 million due primarily to increased headcount at the Ironton Facility, higher depreciation expense of \$8.4 million and \$12.0 million due primarily to placing the Ironton Facility assets in service in the second quarter of 2023, increased operational site costs of \$3.6 million and \$4.4 million related to commissioning and operating the Ironton Facility, higher rent for operating facilities of \$0.7 million and \$2.0 million, \$0.4 million and \$0.9 million related to increased operational consulting due primarily to on-site third party assistance for Ironton Facility mechanical completion and commissioning activities, and \$0.3 million and \$0.7 million of other net increases, respectively.

Research and development expenses

Research and development expenses did not significantly change period over period.

Selling, general and administrative expenses

The decrease for the three and nine month periods was primarily attributable to lower bonus expense due to lower expected attainment of organizational goals over the prior period.

Interest expense

The increase for the three and nine month periods was attributable to additional financing incurred in the second and third quarters of 2023, including closing of \$250.0 million of green convertible senior notes in August 2023, as well as ceasing capitalization of interest on the Revenue Bonds beginning in June 2023 as the plant is now in service.

Interest income

The increase for the three and nine month periods was attributable to higher interest earned on PCT's investment portfolio and money market funds due to rising interest rates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Change in fair value of warrants

The increased benefit for the three and nine month periods was attributable to the change in fair value of the Company's liability-classified warrants, of which the primary drivers of the change in valuation related to changes in the underlying price of PCT's common stock, as well as fluctuations in volatility and reduction in the warrant terms with the passage of time.

Other expense

Other expenses did not significantly change period over period.

Liquidity and Capital Resources

To date, PCT has not generated any operating revenue. PCT expects to begin to generate revenue in 2023 from our commercial plant in Ironton. Our ongoing operations have, to date, been funded by a combination of equity financing through the issuance of units and debt financing. Additionally, in March of 2022, PCT consummated an offering pursuant to which PCT sold to certain investors, in a private placement, an aggregate of 35.7 million shares of our common stock and warrants to purchase an aggregate of 17.9 million shares of our common stock (the "Series A Warrants"), at a price of \$7.00 per Common Stock and one-half of one Series A Warrants, for gross proceeds of approximately \$250.0 million (the "2022 PIPE Offering"). PCT incurred approximately \$0.8 million of expenses primarily related to advisory fees in conjunction with the 2022 PIPE Offering. On March 15, 2023, PCT entered into the Revolving Credit Facility (as defined and described below), and in May of 2023, PCT entered into the Term Loan Facility (as defined and described below), as well as the Master Lease Agreement and Equipment Procurement Agreement (as defined and described below), which provided additional unrestricted liquidity. Further, in August 2023, PCT priced the Green Convertible Notes for an aggregate gross principal amount of \$250.0 million (as described below).

The following is a summary of the components of our current liquidity. The Restricted Cash is restricted in terms of use primarily based on the Loan Agreement and requires PureCycle: Ohio LLC, an Ohio limited liability company ("PCO"), to use the proceeds of the Revenue Bonds exclusively to construct and equip the Ironton Facility, fund a debt service reserve fund for the Series 2020A Bonds, finance capitalized interest, and pay the costs of issuing the Revenue Bonds. Further, PCT placed funds in an escrow account to support certain initial construction

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

commitments for the Augusta Facility. These funds are recorded in Restricted Cash below.

(in millions)	September 30, 2023	December 31, 2022
Cash	\$ 199.4	\$ 63.9
Debt Securities Available for Sale	12.0	98.6
Unrestricted Liquidity	\$ 211.4	\$ 162.5
Less: Other Ironton Set-aside	—	54.6
Available Unrestricted Liquidity	\$ 211.4	\$ 107.9
Ironton Facility Construction	\$ —	\$ 13.2
Liquidity Reserve	102.2	50.0
Capitalized Interest and Debt Reserve	41.7	38.0
Other Required Reserves Ironton	26.0	21.2
Augusta Construction Escrow	13.5	39.4
Letters of Credit and Other Collateral	1.4	1.3
Restricted Cash (current and non-current)	\$ 184.8	\$ 163.1
Revenue Bonds	\$ 234.3	\$ 233.5
Green Convertible Notes	219.2	—
Equipment Financing Payable	21.9	—
Pure Plastic Note Payable	38.0	—
Add: Discount and Issuance Costs	49.8	16.1
Gross Long-term Debt and Related Party Note Payable	\$ 563.2	\$ 249.6

As of September 30, 2023, PCT had \$211.4 million of Available Unrestricted Liquidity. On March 15, 2023, PCT entered into a \$150.0 million revolving credit facility (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Agreement may be used for working capital, capital expenditures and other general corporate purposes. There are currently no borrowings under the Revolving Credit Facility.

As of September 30, 2023, PCT anticipates that up to \$12.5 million will be needed to complete the Ironton Facility, which relates to a performance guarantee payment due after successful completion of a performance testing milestone.

As further described in Note 3 – Notes Payable and Debt Instruments – to the notes to the Interim Condensed Consolidated Financial Statements appearing elsewhere in this Quarterly Report on Form 10-Q, the Company and its subsidiaries agreed to achieve certain Milestones set forth in the Limited Waiver in connection with the Ironton Facility (terms used as defined below). As of September 30, 2023, the Ironton Facility failed to meet one such Milestone related to certain targeted production and performance targets, specifically, it failed to produce 4.45 million pounds of pellets from its feedstock in a single month by that date ("September Milestone"). This created a Specified Event of Default under the Limited Waiver (the "September Milestone Event of Default").

On November 8, 2023, the Limited Waiver parties entered into a Limited Waiver and Second Supplemental Indenture (the "Second Limited Waiver") pursuant to which the September Milestone Event of Default was waived, various Milestones were amended and extended and certain additional requirements were imposed upon PCT and its subsidiaries (as described further in Note 3 – Notes Payable and Debt Instruments – to the Notes to the Interim Condensed Consolidated Financial Statements appearing elsewhere in this Quarterly Report on Form 10-Q). These additional requirements include depositing \$50 million of additional collateral to the Trustee Account, which was paid on November 8, 2023.

PCT also has other capital commitments of approximately \$24.6 million related to long-lead equipment and pre-construction work for the Augusta Facility and \$21.3 million for equipment and leases related to future Feed PreP

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

and purification facilities. There are also ongoing monthly costs associated with managing the company, paying debt service obligations, and preparing the Ironton Facility for revenue generation.

PCT believes that its current level of Liquidity, including the unused Revolving Credit Facility may be sufficient to fund operations and outstanding commitments. However, given the September Milestone Event of Default, and lack of revenue to date, there is substantial doubt regarding PCT's ability to continue as a going concern for a period of at least one year from the date of issuance of the condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q.

After considering management's plans to mitigate substantial doubt, including the plant becoming commercially viable and revenue generating later in 2023, PCT believes this substantial doubt has been alleviated and it has sufficient liquidity to continue as a going concern for the next twelve months.

PCT's future capital requirements will depend on many factors, including the funding mechanism and construction schedule of the Augusta Facility and other anticipated facilities outside the United States, build-out of multiple Feed PreP facilities, funding needs to support other business opportunities, funding for general corporate purposes, and other challenges or unforeseen circumstances. As a pre-revenue operating company, PCT continually reviews its cash outlays, pace of hiring, professional services and other spend, and capital commitments to proactively manage those needs in tandem with its Available Unrestricted Liquidity balance. For future growth and investment, PCT expects to seek additional debt or equity financing from outside sources, which it may not be able to raise on terms favorable to PCT, or at all. If PCT is unable to raise additional debt or sell additional equity when desired, or if PCT is unable to manage its cash outflows, PCT's business, financial condition, and results of operations would be adversely affected. In addition, any financing arrangement may have potentially adverse effects on PCT and/or its stockholders. Debt financing (if available and undertaken) will increase expenses, must be repaid regardless of operating results or revenue generation, and may involve restrictions limiting PCT's operating flexibility. If PCT consummates an equity financing to raise additional funds, the percentage ownership of its existing stockholders will be reduced, and the new equity securities may have rights, preferences or privileges senior to those of the current holders of PCT's common stock.

Other than the surety bond discussed in the Financial Assurance section below, PCT has no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. PCT does not have any off-balance sheet arrangements or interests in variable interest entities that would require consolidation. Note that while certain legally binding offtake arrangements have been entered into with customers, these arrangements are not unconditional and definite agreements subject only to customer closing conditions, and do not qualify as off-balance sheet arrangements required for disclosure.

Cash Flows

A summary of our cash flows for the periods indicated is as follows:

(in thousands, except %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Net cash used in operating activities	\$ (61,330)	\$ (50,164)	\$ (11,166)	22 %
Net cash used in investing activities	(55,329)	(203,794)	148,465	(73) %
Net cash provided by financing activities	273,275	247,618	25,657	10 %
Cash and cash equivalents, beginning of period	227,523	263,858	(36,335)	(14) %
Cash and cash equivalents, end of period	\$ 384,139	\$ 257,518	\$ 126,621	49 %

Cash Flows from Operating Activities

The \$11.2 million increase in net cash used in operating activities for the nine months ending September 30, 2023 compared to the same period in 2022 was attributable to higher cash paid for raw materials and maintenance inventory of approximately \$5.1 million, increased cash paid related to higher employee costs of \$1.8 million, \$3.4

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

million in additional interest and security deposit payments related to an equipment financing liability, and \$0.9 million of other net increases.

Cash Flows from Investing Activities

The \$148.5 million decrease in cash used in investing activities for the nine months ending September 30, 2023 compared to the same period in 2022 was attributable to \$180.4 million lower investment purchases and \$69.4 million lower capital expenditure payments, offset by \$101.3 million of lower maturities and sales of investments.

Cash Flows from Financing Activities

The \$25.7 million increase in net cash provided by financing activities for the nine months ending September 30, 2023 compared to the same period in 2022 was primarily attributable to \$285.1 million debt financing raised in 2023 compared to \$250.0 million raised in 2022 related to proceeds from the 2022 PIPE Offering, lower share repurchase activity related to withholding on equity vesting of \$0.4 million in 2023 compared to 2022, offset by \$10.6 million in debt issuance costs and LOC fees related to new financing arrangements incurred in 2023 compared to equity issuance costs in 2022 of \$0.8 million,

Indebtedness

Revenue Bonds

On October 7, 2020, the Southern Ohio Port Authority ("SOPA") issued certain revenue bonds ("Revenue Bonds") pursuant to an Indenture of Trust dated as of October 1, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), between SOPA and UMB Bank, N.A., as Trustee ("Trustee"), and loaned the proceeds from their sale to PureCycle: Ohio LLC ("PCO"), an Ohio limited liability company and indirect wholly-owned subsidiary of PCT, pursuant to a Loan Agreement dated as of October 1, 2020, between SOPA and PCO (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), to be used to (i) acquire, construct and equip the Ironton Facility (referred to within the Loan Agreement as the "Ohio Phase II Facility" and, together with the FEU (referred to within the Loan Agreement as the "Phase I Facility"), the "Project"); (ii) fund a debt service reserve fund for the Series 2020A Bonds; (iii) finance capitalized interest; and (iv) pay the costs of issuing the Revenue Bonds. The Revenue Bonds were offered in three series, including (i) Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020A ("Series 2020A Bonds"); (ii) Subordinate Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020B ("Series 2020B Bonds"); and (iii) Subordinated Exempt Facility Revenue Bonds (PureCycle Project), Taxable Series 2020C ("Series 2020C Bonds").

On March 15, 2023, PCT LLC, PCTO Holdco LLC, a Delaware limited liability company and indirect wholly-owned subsidiary of PCT LLC, (the pledgor under an Equity Pledge and Security Agreement (as defined in the Indenture), pursuant to which the pledgor pledged certain interests to secure obligations of PCO under various Financing Documents (as defined in the Indenture) relating to the Revenue Bonds) and PCO and SOPA and the Trustee entered into a Limited Waiver and First Supplemental Indenture (the "Limited Waiver"), supplementing the Indenture and amending the Loan Agreement and the ARG, and pursuant to which the majority holders of the Series 2020A Bonds consented to the Limited Waiver, based on stated conditions, of a Specified Event of Default (as defined below) under the Indenture and the Loan Agreement.

Under the terms of the Loan Agreement, PCO was required to cause the Ironton Facility to be completed by December 1, 2022. The Ironton Facility was not completed by that date due to a variety of challenges resulting from, among other things, the COVID-19 outbreak, the ongoing military conflict between Russia and Ukraine, and certain U.S. weather-related events (the "Specified Event of Default").

Subject to the following conditions, the Specified Event of Default was waived in exchange for PCO's agreement to meet certain milestones toward completing the Ironton Facility, to deposit additional equity aggregating approximately \$87.3 million with the Trustee for various purposes and to make certain other representations and warranties; provided, however, that any failure to comply with the terms of the Limited Waiver would be an immediate Event of Default under the Indenture and Loan Agreement, which will be deemed to have occurred on January 2, 2023 with respect to any requirements to pay accrued and unpaid interest at the Default Rate (as defined in the Indenture).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

PCO has agreed to, among other things, achieve the following milestones (together, the "Milestones"): (i) closure by it or its direct or indirect parent entity of a financing transaction by March 31, 2023 that provides at least \$150.0 million of working capital which may be used to support the Ironton Facility (which milestone was satisfied by the closing of the Revolving Credit Facility); (ii) mechanical completion of the Ironton Facility by June 30, 2023 (which milestone was satisfied on April 25, 2023); (iii) meet certain targeted production and performance targets during 2023; (iv) completion of the Ironton Facility by December 31, 2023; and (v) meet certain Ironton Facility pellet production targets by January 31, 2024 up to the Ironton Facility's nameplate production capacity of 107 million pounds per year.

The additional approximately \$87.3 million of equity deposited with the Trustee is comprised of: (i) a deposit of \$50 million in an account controlled by the Trustee; (ii) a deposit of approximately \$25 million in the Equity Account of the Project Fund (as such terms are used in the Indenture) to fund remaining construction costs; (iii) an aggregate deposit of approximately \$12.3 million into the Capitalized Interest Accounts (as defined in the Indenture) for the Series 2020A Bonds, Series 2020B Bonds and Series 2020C Bonds to pay capitalized interest on the Revenue Bonds through June 30, 2024. The Limited Waiver also requires that the Liquidity Reserve of approximately \$50 million remain in the Liquidity Reserve Escrow Fund (as defined in the Indenture) for a period beyond the completion date of the Ironton Facility until certain production requirements have been met, and only thereafter may the balance in that fund be reduced based on certain conditions to \$25 million, which must remain therein as long as Series 2020A Bonds remain outstanding. The \$50 million deposit described above, along with the \$50 million remaining in the Liquidity Reserve Escrow Fund, may satisfy the minimum cash requirement of the ARG of \$100 million. The Trustee also released \$13.2 million from the Project Fund held under the Indenture for use as part of the remaining investment in 2023 to complete the Ironton Facility in accordance with the Limited Waiver.

As a result of the September Milestone Event of Default (as further described above), on November 8, 2023, the Limited Waiver parties entered into the Second Limited Waiver. The principal terms of the Second Limited Waiver, include, but are not limited to, the following:

- i. PCO will deposit an additional \$50,000,000 (the "Trustee Account Deposit") in the Trustee Account (as defined in the Limited Waiver), such that at least \$100,000,000 (the "Aggregate Trustee Deposit") shall be on deposit in the Trustee Account so long as any Revenue Bonds remain outstanding; provided, that if no Event of Default shall have occurred and be continuing, \$50,000,000 of funds in the Trustee Account shall be released back to PCO upon satisfaction of the conditions set forth in Section 4.11(a) of the amended and restated Guaranty.
- ii. subject to there being no default or event of default and compliance with the other terms of the Second Limited Waiver, once per quarter, PCO (and the Guarantor, if applicable) may request the release to PCO (or the Guarantor, as applicable) of any investment income or earnings with respect to amounts in the Trustee Account and the Liquidity Reserve Escrow Fund that have been invested pursuant to the terms of the Indenture or the Liquidity Reserve Escrow Agreement (as applicable).
- iii. PCO shall have produced 4.45 million pounds of pellets from its feedstock for thirty consecutive days by December 31, 2023, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee;
- iv. performance testing of the Ironton Facility shall be complete by no later than February 28, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee;
- v. completion of the Project, including the acquisition, construction and equipping of the Ironton Facility, shall occur by no later than March 31, 2024, which shall be evidenced by a Certificate of Completion delivered to the Trustee;
- vi. PCO shall have produced 8.90 million pounds of pellets from its feedstock for thirty consecutive days by April 30, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee; and PCO shall have fully-ramped production at the Ironton Facility to nameplate capacity of 107 million pounds per year produced from its feedstock by no later than April 30, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of PCO and by the Construction Monitor certifying thereto and delivered to the Trustee; and
- vii. the milestones referenced in (iii) – (vi) above (each, a "Revised Milestone"), shall replace the corresponding Milestones in the Limited Waiver. If PCO fails to meet any of the Revised Milestones, no

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Event of Default shall have occurred until PCO has failed to meet such Revised Milestone on the date that is ninety days after such Revised Milestone date; provided, however, that during such ninety-day period, PCO will pay interest from the date of the Revised Milestone requirement until the date that the Revised Milestone is satisfied at the Default Rate, and notwithstanding anything to the contrary in the Indenture, the Loan Agreement, the Limited Waiver or the other Financing Documents or Bond Documents (each as defined in the Second Limited Waiver), PCO shall not have any access to any funds in the Trust Estate or otherwise held with the Trustee or a third-party (including, without limitation, funds in the Operating Revenue Escrow Fund and the Liquidity Reserve Escrow Fund (terms used as defined in the Second Limited Waiver)) pursuant to the Financing Documents until the date that such Milestone is satisfied.

Equipment Financing**CSC Leasing Co.**

On May 8, 2023, the Company, through PureCycle PreP LLC, an indirect wholly-owned subsidiary of the Company, entered into a Master Lease Agreement (the "Master Lease Agreement") with CSC Leasing Co. ("CSC"). Pursuant to the Master Lease Agreement, the Company and CSC agreed to enter into schedules that establish the specific terms and conditions of leasing certain equipment, machines, devices, features and any other items listed in each equipment lease schedule. The Master Lease Agreement commenced on the date set forth above and continues in effect until the later time that it is terminated, either by CSC at the end of any lease term, or by the Company upon three months written notice prior to the expiration of a lease term.

Also on May 8, 2023, the Company, also through PureCycle PreP LLC, an indirect wholly-owned subsidiary of the Company, entered into an Equipment Procurement Agreement (the "Equipment Agreement") with CSC. Under the terms of the Equipment Agreement, CSC has agreed to finance, acquire and/or purchase certain equipment (the "Equipment") from third-party vendors and/or manufacturers (each, a "Vendor"), so that CSC may lease the Equipment to the Company pursuant to the terms and conditions of the Master Lease Agreement. Prior to entering into formal lease schedules under the Master Lease Agreement, the Company will lease from CSC certain Equipment pursuant to the terms of the Equipment Agreement.

In connection with the above, CSC has funded \$19.8 million for purposes of procuring equipment from a Vendor, which had previously been ordered by the Company prior to entering into these agreements with CSC. CSC will lease this equipment back to the Company under a 36 month lease, which will commence when 1) the Company accepts delivery of the equipment at its operating location and 2) all final bills from Vendor are paid. The Company has determined that it did not relinquish control of the assets to the buyer-lessor under these arrangements. Therefore, the Company has accounted for this transaction as a failed sale-leaseback transaction whereby it has continued recording these assets in the condensed consolidated balance sheet and also recorded a financing obligation for the consideration paid by the buyer-lessor. The Company currently expects the lease term to commence late in second quarter of 2024, and the repayment schedule below assumes payments under the 36 month term commence on June 1, 2024.

The Company is also required to make monthly payments under the agreements during the period between funding of the construction obligation and delivery of the equipment, which began in June 2023 and are equal to a monthly lease rate factor of approximately 3.1% of the outstanding amount funded by CSC (the "Lease Rate Factor"). The Company has determined that these payments represent a cost of borrowing under the financing arrangement and has recorded the payments as interest expense in the condensed consolidated statements of comprehensive income (loss). The Company incurred \$1.9 million and \$2.7 million of interest related to these obligations for the three and nine months ended September 30, 2023. The Lease Rate Factor is indexed to the WSJ Prime Rate as published by the Wall Street Journal and may be increased for every five basis point change in the index prior to final commencement of the 36 month lease term. Upon commencement of the 36 month lease term, the payments will be characterized as repayment of debt, and the expected coupon rate for the 36 month term is 7.25% based on the WSJ Prime Rate published as of September 30, 2023.

The Master Lease Agreement contains representations, covenants and events of default that are customary for financing transactions of this nature. Events of default in the Master Lease Agreement include, among others: (a) non-payment of principal, interest, fees or other amounts; (b) default of specific covenants; (c) breach of representations and warranties; (d) discontinuation of authorized electronic payments without CSC's consent; (e)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

failure to furnish proof of insurance; (f) bankruptcy and insolvency proceedings; and (g) any unauthorized conveyance or transfer of the Equipment to a third party. Upon the occurrence of an event of default, CSC may accelerate all unpaid rents and exercise all rights and remedies available to it under the Master Lease Agreement and Equipment Agreement. Amounts due under the lease are guaranteed by PCT.

Other Equipment Financing

PCT has executed other equipment sale leasebacks which qualify as financing arrangements, with a total of \$ 2.1 million outstanding as of September 30, 2023.

Sylebra Credit Facility

On March 15, 2023, PCT entered into a \$150 million Revolving Credit Facility pursuant to a Credit Agreement (the "Revolving Credit Agreement") dated as of March 15, 2023, with PureCycle Technologies Holdings Corp. and PureCycle Technologies, LLC (the "Guarantors"), Sylebra Capital Partners Master Fund, LTD, Sylebra Capital Parc Master Fund, and Sylebra Capital Menlo Master Fund (collectively, the "Lenders"), and Madison Pacific Trust Limited (the "Administrative Agent"), which matures on March 31, 2025 (as further described in the Second Amendment (as defined below)). The Lenders and their affiliates are greater than 5% beneficial owners of PCT.

Borrowings under the Revolving Credit Agreement may be used for working capital, capital expenditures and other general corporate purposes and satisfies the financing obligation imposed upon PCT by the Limited Waiver.

Amounts outstanding under the Revolving Credit Agreement bear interest at a variable annual rate equal to Term SOFR (as defined in the Revolving Credit Agreement) in effect for such period plus an applicable margin. The applicable margin is equal to (i) 5.00% from the Closing Date through June 30, 2023, (ii) 10.00% from July 1, 2023 through September 30, 2023, (iii) 12.50% from October 1, 2023 through December 31, 2023, (iv) 15.00% from January 1, 2024 through March 31, 2024, and (v) 17.50% thereafter. PCT is also required to pay (i) an up-front fee equal to 0.75% times \$150 million—the total aggregate commitment for the Revolving Credit Facility—to the Lenders, payable at closing and (ii) a commitment fee equal to 0.25% per annum based on the actual daily unused amount of the Revolving Credit Facility, payable quarterly. Subject to timely prior written notice and payment of breakage fees, if any, PCT may at any time and from time to time (i) terminate all or any portion of the commitments under the Revolving Credit Agreement and/or (ii) prepay all or any portion of any outstanding borrowings.

The Revolving Credit Agreement contains representations, covenants and events of default that are customary for financing transactions of this nature. Events of default in the Revolving Credit Agreement include, among others: (a) non-payment of principal, interest, fees or other amounts; (b) default of specific covenants; (c) breach of representations and warranties; (d) cross-defaults to other indebtedness in an amount greater than \$1 million, subject to certain exceptions; (e) bankruptcy and insolvency proceedings; (f) inability to pay debts or attachment; (g) judgments; and (h) change of control. Upon the occurrence of an event of default, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders (as defined in the Revolving Credit Agreement) terminate the loan commitments, accelerate all loans and exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Revolving Credit Agreement and the other loan documents.

Amounts outstanding under the Revolving Credit Agreement are guaranteed by the Guarantors, and are secured by a security interest in substantially all of the assets of PCT. Any majority-owned direct or indirect subsidiaries of PCT formed after the closing date of the Revolving Credit Facility will also be required to guaranty the obligations under the Revolving Credit Agreement and grant security interests in substantially all of their respective assets.

On May 8, 2023, PCT entered into the First Amendment to Credit Agreement, by and among PCT, as borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the lenders party thereto, and Madison Pacific Trust Limited, as administrative agent and as security agent (the "Sylebra Amendment") in connection with PCT's \$150 million Revolving Credit Facility governed by the Revolving Credit Agreement. The Sylebra Amendment, among other things: (i) permits PCT's entry into the Term Loan Facility, (ii) provides for a new basket under the Revolving Credit Agreement's indebtedness negative covenant allowing for offerings of unsecured convertible promissory notes of up to \$200,000,000, (iii) provides for new baskets under the Revolving Credit Agreement's indebtedness and lien negative covenants of up to \$90,000,000 in additional

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

equipment financings and (iv) exempts the proceeds of any such convertible notes offerings from the requirement for mandatory prepayments under the Revolving Credit Agreement.

On August 4, 2023, the Company entered into the Second Amendment to Credit Agreement, by and among the Company, as borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the lenders party thereto, and Madison Pacific Trust Limited, as administrative agent and as security agent (the "Second Amendment"), in connection with the Company's \$150 million Revolving Credit Facility governed by the Revolving Credit Agreement, to extend the maturity date of the Revolving Credit Facility to March 31, 2025.

On August 21, 2023, the Company further amended the Revolving Credit Agreement to (i) increase the amount available to the Company under the indebtedness covenant basket for offerings of unsecured convertible notes from \$200,000,000 to \$250,000,000 and (ii) make certain changes to the restricted payments covenant and the events of default section in order to permit the Notes (as described below).

There were no funds drawn on the Revolving Credit Facility as of September 30, 2023. The up-front commitment fee and other costs of \$1.3 million have been recorded in prepaid expenses and other current assets and will be amortized over the term of the contract.

The Pure Plastic Term Loan Facility

On May 8, 2023, PCT entered into a \$40 million term loan facility (the "Term Loan Facility") pursuant to a Credit Agreement (the "Term Loan Credit Agreement") dated as of May 8, 2023, among PCT, as the borrower, PureCycle Technologies Holdings Corp., PureCycle Technologies, LLC and the subsidiaries of PCT as are or may from time to time become parties to the Term Loan Facility as guarantors (the "Guarantors") and Pure Plastic LLC (as a "Lender," "Administrative Agent," and "Security Agent"), which matures on December 31, 2025. Affiliates of the Lender are greater than 5% beneficial owners of the Company. Balances related to the Term Loan Credit Agreement are recorded within related party note payable in the condensed consolidated balance sheets and, in certain instances, the Term Loan Credit Agreement is referred to as the "Related party note payable."

Borrowings under the Term Loan Credit Agreement may be used to repay indebtedness for borrowed money of PCT, to pay fees and expenses associated with the Term Loan Credit Agreement and the other loan documents and for general corporate purposes not in contravention of any law or of any loan document.

The Term Loan Facility is structured as a single-draw, delayed draw term loan. The Lender funded the term loan on May 17, 2023 (the "Funding Date"). Amounts outstanding under the Term Loan Credit Agreement will bear interest at a variable annual rate equal to Term SOFR (as defined in the Term Loan Credit Agreement) in effect for such period plus an applicable margin. The applicable margin is equal to 7.5% and the interest rate for the outstanding term loan was 12.9% as of September 30, 2023. The Company is also required to pay, on the Funding Date, (i) a closing fee to the Lenders, equal to 2.00% times the aggregate principal amount of the term loans funded by the Lenders on the Funding Date, (ii) a commitment fee to the Lenders equal to 1.00% times the aggregate principal amount of each Lender's commitments on the Funding Date, (iii) a syndication fee to the Administrative Agent equal to 0.50% times the aggregate commitments of the Lenders on the Funding Date and (iv) a monitoring fee equal to \$200,000 to the Administrative Agent for the account of the Administrative Agent and the Security Agent on the Funding Date and each anniversary of the Funding Date until maturity of the term loan. Additionally, the term loan will be issued with a 5.00% original issue discount. Subject to timely prior written notice, payment of breakage fees, if any, and payment of a prepayment premium equal to (i) 12% if such prepayment occurs during the first year following the closing date or (ii) 8% thereafter, the Company may at any time and from time to time voluntarily prepay all or any portion of any outstanding borrowings. The Company incurred \$1.3 and \$2.0 million of interest cost during the three and nine months ended September 30, 2023. The interest due to date of \$1.7 million was paid entirely in kind, which increased the principal amount of the Term Loan Facility by this amount (the "PIK Interest"). The Company has the contractual right to pay all interest payments in kind and may make this election for all interest payments for the duration of the Term Loan Facility. The repayment schedule presented below does not contemplate future PIK Interest.

The Term Loan Credit Agreement contains representations, covenants and events of default that are customary for financing transactions of this nature. Events of default in the Term Loan Credit Agreement include, among others: (a) non-payment of principal, interest, fees or other amounts; (b) default of specific covenants; (c) breach of

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

representations and warranties; (d) cross-defaults to other indebtedness in an amount greater than \$1 million, subject to certain exceptions; (e) bankruptcy and insolvency proceedings; (f) inability to pay debts or attachment; (g) judgments; and (h) change of control. Upon the occurrence of an event of default, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders (as defined in the Term Loan Credit Agreement) accelerate all loans and exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Term Loan Credit Agreement and the other loan documents.

Amounts outstanding under the Term Loan Credit Agreement are guaranteed by the Guarantors, and are secured by a security interest in substantially all of the assets of the Company. Subject to certain limited exceptions, any majority-owned direct or indirect subsidiaries of the Company formed after the closing date of the Term Loan Facility will also be required to guaranty the obligations under the Term Loan Credit Agreement and grant security interests in substantially all of their respective assets.

On August 21, 2023, the Company amended the Term Loan Credit Agreement to (i) increase the amount available to the Company under the indebtedness covenant basket for offerings of unsecured convertible notes from \$200,000,000 to \$250,000,000 and (ii) make certain changes to the restricted payments definition and the restricted payments covenant in order to permit the Notes.

Green Convertible Notes

On August 24, 2023, the Company completed the private offering of \$250.0 million total aggregate principal amount of 7.25% Green Convertible Senior Notes due 2030 (the "Notes"). Each \$1,000 principal amount at maturity of the Notes was issued at a price of \$900. An amount equal to the difference between the issue price and the principal amount at maturity will accrete from the original issue date through August 15, 2027. The Notes are senior unsecured obligations of the Company. Entities affiliated with Sylebra Capital Management purchased \$50.0 million aggregate principal amount at maturity of Notes.

The net proceeds from this offering, excluding any offering expenses, were approximately \$218.50 million, after deducting the initial purchaser's discounts and fees paid to our financial advisor. The Company intends to allocate an amount equal to the net proceeds from this offering to the financing and refinancing of recently completed and future Eligible Green Projects (as defined below) in the United States. In particular, the Company intends to allocate the net proceeds from this offering to make payments on certain long-lead items and fund initial outside battery limits engineering design work, both associated with a multi-line purification facility to be built in Augusta, Georgia. Pending such allocation, the Company intends to use the remaining net proceeds for general corporate purposes.

"Eligible Green Projects" means: (i) investments in acquisitions of buildings; (ii) building developments or redevelopments; (iii) renovations in existing buildings; and (iv) tenant improvement projects, in each case, that have received, or are expected to receive, in the three years prior to the issuance of the Notes or during the term of the Notes, a Leadership in Energy and Environmental Design (LEED) Silver, Gold or Platinum certification (or environmentally equivalent successor standards).

In connection with the issuance of the Notes, the Company entered into an Indenture, dated August 24, 2023 (the "Indenture"), with U.S. Bank Trust Company, National Association, as trustee. The Indenture includes customary covenants and sets forth certain events of default after which the Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company after which the Notes become automatically due and payable. The events of default, as set forth in the Indenture and subject in certain cases to customary grace and cure periods, include customary events including a default in the payment of principal or interest, failure to comply with the obligation to deliver amounts due upon conversion, failure to give certain notices, failure to comply with the obligations in respect of certain merger transactions, defaults under certain other indebtedness and certain events of bankruptcy and insolvency.

The Notes will mature on August 15, 2030, unless earlier repurchased, redeemed or converted. The Notes will bear interest at a rate of 7.25% per annum on the principal amount at maturity from August 24, 2023, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2024.

Holders of the Notes may convert all or any portion of their Notes at their option at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date. Upon conversion, the

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election. The conversion rate will initially be 67.4764 shares of common stock per \$1,000 principal amount at maturity of notes (equivalent to an initial conversion price of approximately \$14.82 per share of common stock), which represents a conversion premium of approximately 50% to the \$9.88 per share closing price of the Company's common stock on the Nasdaq Capital Market on August 21, 2023. The conversion rate will be subject to adjustment upon the occurrence of certain events. In addition, following certain corporate events described in the Indenture that occur prior to August 15, 2027, or upon the issuance of a notice of redemption (as described below) prior to August 15, 2027 for an optional redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Notes in connection with such a corporate event or elects to convert its notes called (or deemed called) for optional redemption during the related redemption period.

Holders of the Notes have the right to require the Company to repurchase for cash all or any portion of their Notes on August 15, 2027 at a repurchase price equal to 100% of the principal amount at maturity of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, August 15, 2027. In addition, if the Company undergoes a fundamental change (as defined in the Indenture), holders of the Notes may require the Company to repurchase their Notes at a cash repurchase price equal to 100% of the accreted principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Company may not redeem the Notes prior to August 20, 2025. The Company may redeem for cash all or any portion of the Notes (subject to certain exceptions and restrictions specified in the Indenture), at its option, on or after August 20, 2025 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to 100% of the accreted principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides a notice of redemption to the holders of the Notes. No sinking fund is provided for the Notes.

Financial Assurance

On March 14, 2023, PCT secured a surety bond in the amount of \$25.0 million to provide financial assurance related to its performance under a certain vendor contract, which expires at the earlier of satisfaction of the obligation, termination of the related vendor contract, or one year from issuance (subject to renewal within one year). PCT may issue additional surety bonds in the future to provide financial assurance regarding performance under contracts with other parties.

These financial instruments are issued in the normal course of business and are not considered company indebtedness. Because PCT currently has no liability for these financial assurance instruments, they are not reflected in its consolidated balance sheets.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates from the information we provided in our most recent Annual Report on Form 10-K.

Recent Accounting Pronouncements

See Note 2 to the unaudited condensed consolidated interim financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information about recent accounting pronouncements, the timing of their adoption, and our assessment, to the extent we have made one, of their potential impact on our financial condition and our results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about market risks as of September 30, 2023 does not differ materially from that included in our most recent Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

PCT's management, with the participation of its principal executive and financial officers, has evaluated the effectiveness of its disclosure controls and procedures in ensuring that the information required to be disclosed in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to management (including the principal executive and financial officers) as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, PCT's principal executive and financial officers have concluded that such disclosure controls and procedures were not effective as of September 30, 2023 (the end of the period covered by this Quarterly Report on Form 10-Q), due to material weaknesses in internal control over financial reporting, as further described in our Annual Report on Form 10-K and summarized below:

- PCT did not design and maintain effective controls over certain information technology ("IT") controls for certain information systems that are relevant to the preparation of its financial statements, specifically with respect to user access, to ensure appropriate segregation of duties that adequately restrict user access to financial applications, programs, and data to appropriate company personnel.
- PCT's lack of formal processes and controls resulted in an ineffective control environment, which led to an inadequate review of the financial statements and financial reporting.

Remediation Plans

PCT has commenced measures to remediate the identified material weaknesses. These measures include:

- PCT has designed and begun implementing formal controls over certain IT processes (including improved internal and external resources) to aid us in limiting user access, as well as monitoring and reviewing change management over IT systems that are relevant to the financial activities of PCT.
- Further, PCT has designed and implemented formal controls for preparation and review of financial statements and disclosures, including more rigorous review and evaluation of disclosure requirements that may be applicable to PCT's reporting.

PCT will continue to take steps to remediate the material weaknesses described above and further evolve its IT and financial reporting processes, controls, and reviews. PCT will continue to assess its internal controls and procedures and take further action as necessary or appropriate to address any other matters we identify or are brought to PCT's attention.

PCT believes it is making progress toward achieving the effectiveness of its internal controls and disclosure controls and procedures. The actions that PCT is taking are subject to ongoing senior management review, as well as audit committee oversight. PCT will not be able to conclude whether the steps being taken will fully remediate the material weaknesses in internal control over financial reporting until it has completed its remediation efforts and subsequent evaluation of their effectiveness. PCT may also conclude that additional measures may be required to remediate the material weaknesses identified above, which may necessitate further action.

Changes in Internal Control over Financial Reporting

PCT is taking actions to remediate the material weaknesses relating to its internal control over financial reporting, as described above. Except as otherwise described herein, there was no change in PCT's internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, PCT's internal control over financial reporting.

PureCycle Technologies, Inc.
PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of the legal proceedings pending against us, see “Legal Proceedings” in Note 14 (“Commitments and Contingencies”) to the Notes to the Interim Condensed Consolidated Financial Statements appearing elsewhere in this Quarterly Report on Form 10-Q.

In the future, PCT may become party to additional legal matters and claims arising in the ordinary course of business. While PCT is unable to predict the outcome of the above or future matters, it does not believe, based upon currently available facts, that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes from risk factors previously disclosed in our most recent Annual Report on Form 10-K in response to Part 1, Item 1A.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information with respect to the Company’s purchases of its common stock for the third quarter of 2023:

Period	(a) Total number of shares (or units) purchased*	(b) Average price paid per share (or unit)*	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
July 1 to July 31	63,444	\$ 10.60	—	\$ —
August 1 to August 31	12,947	10.33	—	—
September 1 to September 30	1,174	9.13	—	—
Total	77,565	\$ 10.53	—	\$ —

* Shares withheld to cover tax withholding obligations under the net settlement provision upon vesting of restricted stock units

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

None of the Company’s directors or officers adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K, during the Company’s fiscal quarter ended September 30, 2023.

PART II — OTHER INFORMATION — CONTINUED

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of November 16, 2020, by and among Roth CH Acquisition I Co., Roth CH Acquisition I Co. Parent Corp., Roth CH Merger Sub, LLC, Roth CH Merger Sub, Inc. and PureCycle Technologies, LLC. (incorporated herein by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4, as amended (File No. 333-250847)) †
3.1	Amended and Restated Certificate of Incorporation of PureCycle Technologies, Inc., filed with the Secretary of State of Delaware on March 17, 2021 (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-251034))
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of PureCycle Technologies, Inc. to Declassify the Board of Directors (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 15, 2023)
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of PureCycle Technologies, Inc. to Incorporate Certain Other Changes (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 15, 2023)
3.4	Second Amended and Restated Bylaws of PureCycle Technologies, Inc. (incorporated herein by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on May 15, 2023)
4.1	Indenture, dated as of August 24, 2023, between PureCycle Technologies, Inc. and U.S. Bank Trust Company, National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 24, 2023)
4.2	Form of 7.25% Green Convertible Senior Notes due 2030 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 24, 2023)
10.1	Second Amendment to Credit Agreement, dated as of August 4, 2023, among PureCycle Technologies, Inc. as the Borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the Lenders party thereto, and Madison Pacific Trust Limited, as Administrative Agent and as Security Agent incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2023)
10.2	First Amendment to Credit Agreement, dated as of August 21, 2023, among PureCycle Technologies, Inc., as the Borrower, PureCycle Technologies Holdings Corp. and PureCycle Technologies, LLC, as Guarantors, Pure Plastic LLC, as the Lender and Pure Plastic LLC, as the Administrative Agent and Security Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 21, 2023)
10.3	Third Amendment to Credit Agreement, dated as of August 21, 2023, among PureCycle Technologies, Inc. as the Borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the Lenders party thereto, and Madison Pacific Trust Limited, as Administrative Agent and as Security Agent (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 21, 2023)
10.4	Limited Waiver and Second Supplemental Indenture, dated as of November 8, 2023, among the Southern Ohio Port Authority, UMB Bank, N.A., as Trustee, PureCycle Technologies, Inc., PCTO Holdco LLC and PureCycle: Ohio LLC.*
31.1	Rule 13a – 14(a) Certification by Dustin Olson, Chief Executive Officer, for the quarter ended September 30, 2023*
31.2	Rule 13a – 14(a) Certification by Lawrence Somma, Chief Financial Officer, for the quarter ended September 30, 2023*

PART II — OTHER INFORMATION — CONTINUED

32.1 [Section 1350 Certification by Dustin Olson, Chief Executive Officer, for the quarter ended September 30, 2023*](#)

32.2 [Section 1350 Certification by Lawrence Somma, Chief Financial Officer, for the quarter ended September 30, 2023*](#)

101.1 The following financial statements from PureCycle Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language):

- (i) Condensed Consolidated Balance Sheets as of September 30, 2023 (Unaudited) and December 31, 2022.
- (ii) Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2023 and 2022.
- (iii) Unaudited Condensed Consolidated Statements of Stockholder's Equity for the Three and Nine Months Ended September 30, 2023 and 2022.
- (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2023 and 2022.
- (v) Notes to the Interim Condensed Consolidated Financial Statements.

104.1 Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith.

† Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules upon request by the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PURECYCLE TECHNOLOGIES INC.

(Registrant)

By: /s/ Dustin Olson
Dustin Olson
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Lawrence Somma
Lawrence Somma
Chief Financial Officer
(Principal Financial Officer)

Date: November 9, 2023

LIMITED WAIVER AND SECOND SUPPLEMENTAL INDENTURE

This LIMITED WAIVER AND SECOND SUPPLEMENTAL INDENTURE, dated as of November 8, 2023 (this “*Limited Waiver and Second Supplemental Indenture*”), is entered into by and among SOUTHERN OHIO PORT AUTHORITY, a port authority and a body corporate and politic duly organized under the laws of the State of Ohio (the “*Issuer*”), PURECYCLE: OHIO LLC, a limited liability company organized and existing under the laws of the State of Ohio (the “*Company*”), PURECYCLE TECHNOLOGIES LLC, a Delaware limited liability company (the “*Guarantor*”), PCTO HOLDCO LLC, a Delaware limited liability company (the “*Pledgor*”); and together with the Company and the Guarantor, the “*Company Parties*”), and UMB BANK, N.A., a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under the laws of the United States and having a corporate trust office in Minneapolis, Minnesota, as trustee (the “*Trustee*”). All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture (as defined below).

WITNESSETH:

WHEREAS, the Issuer and the Trustee are party to that certain Indenture of Trust, dated as of October 1, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “*Indenture*”), pursuant to which the Issuer has issued its \$219,550,000 Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020A, its \$20,000,000 Subordinate Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020B and its \$10,000,000 Subordinate Exempt Facility Revenue Bonds (PureCycle Project), Taxable Series 2020C;

WHEREAS, the Issuer and the Company are party to that certain Loan Agreement, dated as of October 1, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “*Loan Agreement*”), pursuant to which the proceeds derived from the issuance and sale of the Bonds have been loaned to the Company in order to assist the Company in financing the acquisition, construction, equipping and installation of a portion of a plastics recycling facility located in Lawrence County, Ohio;

WHEREAS, the Guarantor is party to that certain Amended and Restated Guaranty of Completion, entered into as of May 11, 2021, and effective as of October 7, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “*Guaranty*”), pursuant to which the Guarantor has provided a guaranty with respect to the Bonds on the terms set forth therein in favor of the Trustee;

WHEREAS, the Pledgor is party to that certain Equity Pledge and Security Agreement, dated as of October 7, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “*Equity Pledge and Security Agreement*”), pursuant to which the Pledgor has secured the Company’s obligations under the Financing Documents and Bond Documents by, among other things, pledging the Pledged Interests (as defined in the Equity Pledge and Security Agreement) to the Trustee on the terms set forth therein;

WHEREAS, the Issuer, the Company, the Guarantor, the Pledgor and the Trustee are party to that certain Limited Waiver and First Supplemental Indenture, dated as of March 15, 2023 (as amended, restated, supplemented or otherwise modified from time to time, the “*Limited Waiver and First Supplemental Indenture*”);

WHEREAS, as of September 30, 2023, an Event of Default has occurred and is continuing under the Indenture and the Loan Agreement as a result of the Company's failure to satisfy the Milestone (as defined in the Limited Waiver and First Supplemental Indenture) set forth in Section 2(e)(vii) of the Limited Waiver and First Supplemental Indenture, which required the Company to have produced 4.45 million pounds of pellets produced from Project feedstock in a single month by September 30, 2023 (such Event of Default, the "***Specified Event of Default***");

WHEREAS, the Company has requested that the Trustee, with the consent of the Majority Holders, waive the Specified Event of Default;

WHEREAS, pursuant to such request, Holders constituting the Majority Holders are willing to waive the Specified Event of Default, subject to the additional terms and conditions set forth herein, and as such have directed the Trustee to execute this Limited Waiver and Second Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing recitals, mutual agreements contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Limited Waiver; Consent. The parties hereto hereby acknowledge and agree to the existence of the Specified Event of Default. Subject to the conditions set forth below, and in reliance on the representations, warranties, covenants and other agreements contained herein (including, without limitation Section 14 hereof), the Trustee (acting with the consent of and at the direction of the Majority Holders) hereby waives the Specified Event of Default. The foregoing waiver is limited precisely as written herein and shall not be deemed or otherwise construed to constitute a waiver of any Default or Event of Default (other than the Specified Event of Default) or any past, current or future breach of the Indenture, the Loan Agreement, the Limited Waiver and First Supplemental Indenture or any other Financing Document or Bond Document. Except as specifically set forth herein, the Trustee and the Holders hereby reserve their rights under the Indenture, the Loan Agreement, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents and applicable law in respect of any Defaults or Events of Default and past, current or future breaches of the Indenture, the Loan Agreement, the Limited Waiver and First Supplemental Indenture or any other Financing Document or Bond Document.

Section 2. Supplemental Terms, Conditions and Covenants. The Company and the Guarantor (as applicable) agree to comply with the following terms, conditions and covenants notwithstanding any provision to the contrary set forth in the Indenture, the Loan Agreement or any other Financing Document or Bond Document:

(a) As a condition to the effectiveness of this Limited Waiver and Second Supplemental Indenture, the Company shall deposit an additional \$50,000,000 (the "***Trustee Account Deposit***") in the Trustee Account (as defined in the Limited Waiver and First Supplemental Indenture, the "***Trustee Account***"), such that at least \$100,000,000 (the "***Aggregate Trustee Deposit***") shall be on deposit in the Trustee Account. Except as expressly set forth in the next succeeding sentence and Section 7(a) hereof, all amounts in the Trustee Account shall remain in the Trustee Account so long as any Bonds remain Outstanding and, notwithstanding anything to the contrary in the Indenture, the Loan Agreement or any other Financing Document or Bond Document, shall not be available for any withdrawals or transfers

to other funds or accounts with the Trustee or any other uses by the Issuer or the Company for any purpose. Notwithstanding the foregoing, \$50,000,000 of funds in the Trustee Account shall be released back to the Company upon satisfaction of the conditions set forth in Section 4.11(a) of the Guaranty. Notwithstanding the foregoing, if an Event of Default shall have occurred and is continuing and the Outstanding principal amount of the Bonds shall have been declared due and payable, the entire balance remaining in the Trustee Account shall be applied as directed by the Majority Holders.

(b) The Company Parties expressly withdraw for all purposes that certain notice dated as of September 13, 2023, which purports to invoke a force majeure to excuse the Company's failure to satisfy the Milestone (as defined in the Limited Waiver and First Supplemental Indenture) set forth in Section 2(e)(vii) of the Limited Waiver and First Supplemental Indenture.

(c) The Company shall ensure the satisfaction of the following milestones (collectively, the "**Milestones**") which, for the avoidance of doubt, shall replace the Milestones (as defined in the Limited Waiver and First Supplemental Indenture) set forth in Sections 2(e)(vii), 2(e)(viii), 2(e)(ix), 2(e)(x) and 2(e)(xi) of the Limited Waiver and First Supplemental Indenture:

(i) the Company shall have produced 4.45 million pounds of pellets produced from Project feedstock for thirty (30) consecutive days by December 31, 2023, which shall be evidenced by a certificate signed by an Authorized Representative of the Company and by the Construction Monitor certifying thereto and delivered to the Trustee;

(ii) performance testing of the Project shall be complete by no later than February 28, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of the Company and by the Construction Monitor certifying thereto and delivered to the Trustee;

(iii) completion of the Project, including the acquisition, construction and equipping of the Facility, shall occur by no later than March 31, 2024, which shall be evidenced by a Certificate of Completion delivered to the Trustee;

(iv) the Company shall have produced 8.90 million pounds of pellets produced from Project feedstock for thirty (30) consecutive days by April 30, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of the Company and by the Construction Monitor certifying thereto and delivered to the Trustee; and

(v) the Company shall have fully-ramped production at the Project to nameplate capacity of 107 million pounds per year produced from Project feedstock by no later than April 30, 2024, which shall be evidenced by a certificate signed by an Authorized Representative of the Company and by the Construction Monitor certifying thereto and delivered to the Trustee.

Section 3. Representations And Warranties Of Company Parties. In order to induce the Trustee to enter into this Limited Waiver and Second Supplemental Indenture, each Company Party hereby represents and warrants that:

(a) Each Company Party (i) is a corporation, partnership or limited liability company duly organized, validly existing, and in active status or good standing under the laws of its state

of incorporation or formation, (ii) has the corporate or other company power and authority to own or lease and operate its properties and to carry on its business as now being and hereafter proposed to be conducted, and (iii) is duly qualified and is in active status or good standing as a foreign corporation or other company, and authorized to do business, in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization, except with respect to this clause (iii) where the failure to qualify, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Each Company Party has the power and has taken all necessary action, corporate or otherwise, to authorize it to execute, deliver, and perform its obligations under this Limited Waiver and Second Supplemental Indenture and each of the other Financing Documents and Bond Documents to which it is a party in accordance with the terms thereof and to consummate the transactions contemplated hereby and thereby. Each of this Limited Waiver and Second Supplemental Indenture and each other Financing Document and Bond Document to which a Company Party is a party has been duly executed and delivered by such Company Party, and is a legal, valid and binding obligation of such Company Party, enforceable against it in accordance with its terms except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally or by general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(c) The execution, delivery, and performance of this Limited Waiver and Second Supplemental Indenture and each of the other Financing Documents and Bond Documents in accordance with their respective terms and the consummation of the transactions contemplated hereby and thereby do not and will not (i) violate any applicable law, except where any such violation could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (ii) conflict with, result in a breach of or constitute a default under the certificate of incorporation or formation, by-laws, partnership agreement, operating agreement or other governing documents of any Company Party or under any contract to which any Company Party is a party or by which any Company Party or any of its properties may be bound, or (iii) result in or require the creation or imposition of any Lien upon or with any assets or property of any Company Party except Permitted Liens.

(d) All of the representations and warranties of the Company Parties under this Limited Waiver and Second Supplemental Indenture and the other Financing Documents and Bond Documents are true and correct in all material respects (without duplication of any materiality qualifier contained herein or therein, as applicable), and there exists no Default or Event of Default, in each case after giving effect to this Limited Waiver and Second Supplemental Indenture.

Section 4. Representations And Warranties Of Issuer. In order to induce the Trustee to enter into this Limited Waiver and Second Supplemental Indenture, the Issuer hereby represents and warrants that:

(a) The Issuer is a port authority and body corporate and politic validly existing under the laws of the State.

(b) The Issuer has the necessary power under the Act and has duly taken all action on its part required to execute and deliver this Limited Waiver and Second Supplemental Indenture,

to undertake the transactions contemplated by this Limited Waiver and Second Supplemental Indenture and to carry out its obligations hereunder.

(c) Neither the execution and delivery of this Limited Waiver and Second Supplemental Indenture, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of this Limited Waiver and Second Supplemental Indenture will conflict with or result in a breach by the Issuer of any of the terms, conditions or provisions of the Act or any restriction, agreement, instrument, order or judgment to which the Issuer is a party or by which it is bound, or will constitute a default by the Issuer under any of the foregoing.

(d) Pursuant to a Resolution Authorizing Limited Waiver and Supplemental Indenture, and Authorizing and Approving Related Matters passed by its Board of Directors (the “**Amending Resolution**”) on November 7, 2023, the Issuer has duly authorized the execution and delivery of this Limited Waiver and Second Supplemental Indenture.

(e) When duly executed and delivered on behalf of the Issuer, and assuming the due authorization, execution and delivery by the other parties hereto, this Limited Waiver and Second Supplemental Indenture shall constitute a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms; provided, that the enforceability of this Limited Waiver and Second Supplemental Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors’ rights generally and the application of general principles of equity.

(f) To the best knowledge of the Issuer, as of this date, there is no action, suit or proceeding at law or in equity, pending or threatened against the Issuer to restrain or enjoin the execution and delivery of this Limited Waiver and Second Supplemental Indenture or in any way contesting the validity or affecting the power of the Issuer with respect to the documents or instruments executed by the Issuer in connection herewith or the existence of the Issuer or the power or the right of the Issuer to enter into this Limited Waiver and Second Supplemental Indenture.

(g) The Amending Resolution was duly passed by the Issuer at a public meeting of the Board of Directors of the Issuer held in accordance with all applicable laws and at which a quorum was present and acting throughout, and the Amending Resolution remains in full force and effect and has not been repealed, amended, modified or superseded.

(h) Except for the Specified Event of Default, the Issuer has no knowledge of (i) any existing Event of Default under the Indenture, or (ii) any event, fact or circumstance that, with the passage of time, the giving of notice or both, could constitute an Event of Default under the Indenture.

Section 5. Conditions Precedent To Effectiveness. This Limited Waiver and Second Supplemental Indenture shall be effective upon the satisfaction of each of the following conditions:

(a) The Trustee shall have received this Limited Waiver and Second Supplemental Indenture, duly executed by each of the Issuer, the Company, the Guarantor, the Pledgor and the Trustee.

(b) The representations and warranties of the Company Parties contained herein shall be true and correct in all material respects (without duplication of any materiality qualifier), and there shall exist no Default or Event of Default, in each case after giving effect to this Limited Waiver and Second Supplemental Indenture (and the Trustee shall have received a certificate of an Authorized Representative of the Company, the Guarantor and the Pledgor certifying as to the matters set forth in this clause (b)).

(c) The representations and warranties of the Issuer contained herein shall be true and correct in all material respects (and the Trustee shall have received a certificate of the Issuer certifying as to the matters set forth in this clause (c)).

(d) The Trustee shall have received an Officer's Certificate and opinion of Independent Counsel covering such matters as required pursuant to the Indenture and such other matters as are reasonably requested by the Trustee or the Majority Holders.

(e) The Trustee shall have received a customary legal opinion of Locke Lord LLP, counsel to the Company Parties, in form and substance reasonably satisfactory to the Trustee and the Majority Holders.

(f) The Company shall have reimbursed the Trustee for all reasonable and documented out-of-pocket costs and expenses, including the reasonable fees and disbursements of (i) Arnold & Porter Kaye Scholer LLP and (ii) Ballard Spahr LLP, in each case in connection with the enforcement of rights and remedies under the Indenture, Loan Agreement, the Guaranty, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents and the negotiation, preparation and execution of this Limited Waiver and Second Supplemental Indenture.

(g) The Company shall have made the Trustee Account Deposit.

(h) The Trustee shall have received a certificate of the secretary or assistant secretary of each of the Company, the Guarantor and the Pledgor, certifying (A) that attached thereto is a true and complete copy of each organizational document of such applicable party certified (to the extent applicable) as of a recent date by the Secretary of State of the state of its organization, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors (or equivalent governing body) of such applicable party authorizing the execution, delivery and performance of this Limited Waiver and Second Supplemental Indenture, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, and (C) as to the incumbency and specimen signature of each officer executing this Limited Waiver and Second Supplemental Indenture or any other document delivered in connection herewith on behalf of such applicable party (together with a certificate of another officer as to the incumbency and specimen signature of the secretary or assistant secretary executing the certificate required by this clause (i)).

(i) The Trustee shall have received a certificate of the Issuer covering such matters as are reasonably requested by the Trustee or the Majority Holders.

(j) The Trustee shall have received a certificate as to the good standing (to the extent such concept is legally recognized in the applicable jurisdiction) of each of the Company, the Guarantor and the Pledgor (in so-called "long-form" if available) as of a recent date, from the Secretary of State of the state of its organization.

(k) The Trustee shall have received an amendment to the Liquidity Reserve Escrow Agreement in the form attached as Exhibit C hereto (the “**Amendment to Liquidity Reserve Escrow Agreement**”), duly executed by each of the Guarantor, the Liquidity Reserve Escrow Agent and the Trustee.

Section 6. Offtake Contracts and Feedstock Supply Contracts. Notwithstanding anything to the contrary in the Indenture, the Loan Agreement or any other Financing Document or Bond Document, an Event of Default shall not be deemed to occur solely as a result of the termination of any Offtake Contract or Feedstock Supply Contract until the date that is ninety days following the date of such termination. Notwithstanding the foregoing, no Event of Default shall be deemed to occur at the end of such ninety-day period if, prior to the expiration of such period, (a) the Company shall have provided prompt notice to the Trustee of such termination, and (b) within a reasonable period of time following such termination (for the avoidance of doubt, not to exceed ninety days in any event), the Company shall have replaced the amount of offtake purchase volume or feedstock supply (as applicable) that was lost as a result of such terminated contract through (i) increases to the amount of offtake purchase volume or feedstock supply (as applicable) from then-existing Offtake Contracts or Feedstock Supply Contracts (as applicable), or (ii) replacement Offtake Contracts or Feedstock Supply Contracts (as applicable), in each case (A) that are on terms that are not materially less favorable to the Company and the Trustee than the Offtake Contract or Feedstock Supply Contract (as applicable) that was terminated, (B) with respect to which each party to such replacement Offtake Contracts or Feedstock Supply Contracts (as applicable) executes a Consent and Agreement in the form attached as Exhibit L to the Security Agreement, and (C) with respect to which the Company otherwise complies with the terms of the Indenture, the Loan Agreement and each other Financing Document and Bond Document, including, without limitation, Section 8.10 of the Loan Agreement.

Section 7. Earned Interest Transfer.

(a) Notwithstanding anything to the contrary in the Indenture, the Loan Agreement, the Limited Waiver and First Supplemental Indenture or any other Financing Document or Bond Document (including Section 2(c) of the Limited Waiver and First Supplemental Indenture providing that investment income or earnings on amounts invested from the Trustee Account shall be deposited in the Earnings Fund pursuant to Section 4.10 of the Indenture), no more than one time in any three month period, the Company may submit a written request in the form attached as Exhibit A-1 hereto (each, a “**Trustee Account Excess Funds Request**”) to the Trustee for the release to the Company of any amounts in the Trustee Account in excess of \$100,000,000 (or, if only \$50,000,000 is required to be in the Trustee Account at such time pursuant to the terms of the Indenture, the Loan Agreement, the Limited Waiver and First Supplemental Indenture, the Limited Waiver and Second Supplemental Indenture and other Financing Documents, \$50,000,000) at such time (any such excess funds being referred to herein as, “**Trustee Account Excess Funds**”). No later than three (3) Business Days following its receipt of a Trustee Account Excess Funds Request and solely in the event that (A) no Default or Event of Default has occurred and is continuing and (B) the required minimum cash amount (pursuant to the terms of the Financing Documents) remains in the Trustee Account after giving effect to the release of funds contemplated by this Section 7(a) (and in each case subject to clause (ii) of the proviso set forth in Section 14 below), the Trustee shall release any such Trustee Account Excess Funds in the Trustee Account at such time to the Company (and the Holders hereby authorize and direct the Trustee to rely on such Trustee Account Excess Funds Request in performing its obligation to release any such Trustee Account Excess Funds in the Trustee

Account pursuant to this Section 7(a)). For the avoidance of doubt, this Section 7(a) shall apply only to the Trustee Account and not to any other account.

(b) Notwithstanding anything to the contrary in the Indenture, the Loan Agreement, the Guaranty, the Limited Waiver and First Supplemental Indenture or any other Financing Document or Bond Document, no more than one time in any three month period, the Company and the Guarantor may submit a written request in the form attached as Exhibit A-2 hereto (each, a “**Liquidity Reserve Excess Funds Request**”) to the Trustee requesting that the Trustee submit a Recipient Direction (as defined in the Liquidity Reserve Escrow Agreement, a “**Recipient Direction**”) to the Liquidity Reserve Escrow Agent pursuant to the Liquidity Reserve Escrow Agreement directing the Liquidity Reserve Escrow Agent to disburse any amounts in excess of \$50,000,000 (or, if only \$25,000,000 is required to be in the Liquidity Reserve Escrow Fund at such time pursuant to the terms of the Indenture, the Loan Agreement, the Guaranty, the Limited Waiver and First Supplemental Indenture and other Financing Documents, \$25,000,000) in the Liquidity Reserve Escrow Fund at such time to the Guarantor. No later than three (3) Business Days following its receipt of a Liquidity Reserve Excess Funds Request and solely in the event that (A) no Default or Event of Default has occurred and is continuing and (B) the required minimum cash amount (pursuant to the terms of the Financing Documents) remains in the Liquidity Reserve Escrow Fund after giving effect to the disbursement contemplated by this Section 7(b) (and in each case subject to clause (ii) of the proviso set forth in Section 14 below), the Trustee shall execute and deliver such Recipient Direction requested pursuant to such Liquidity Reserve Excess Funds Request to the Liquidity Reserve Escrow Agent (and the Holders hereby authorize and direct the Trustee to rely on such Liquidity Reserve Excess Funds Request in performing its obligation to execute and deliver any such Recipient Direction to the Liquidity Reserve Escrow Agent pursuant to this Section 7(b)). For the avoidance of doubt, this Section 7(b) shall apply only to the Liquidity Reserve Escrow Fund and not to any other account.

Section 8. Affiliate Transaction.

(a) Notwithstanding anything to the contrary in the Indenture, the Loan Agreement or any other Financing Document or Bond Document, PureCycle Technologies, Inc. (“**PCTI**”), PCT Managed Services LLC (“**PCTMS**”), and the Company may enter into that certain shared services agreement attached as Exhibit B hereto (the “**Services Agreement**”); *provided*, that, (i) contemporaneously with the execution of the Services Agreement, each of PCTI, PCTMS, the Company, and the Trustee executes that certain Consent and Agreement with respect to the Services Agreement in the form attached as Exhibit B hereto, and (ii) all amounts payable under the Services Agreement shall be payable by PCTMS (and not the Company) and in no event shall the Services Agreement (or the services provided thereunder) result in an increase of fees or other amounts payable by the Company pursuant to the Operation and Maintenance Agreement. The Company Parties hereby represent and warrant that the Services Agreement is on terms that are no less favorable to the Company than those that might be obtained in a comparable arm’s-length transaction from parties which are not affiliates. In accordance with the Services Agreement, services which are provided to the Company by PCTI may be reimbursed from PCTMS, but only to the extent such services are included in the Company’s Operating Budget submitted pursuant to the terms of the Loan Agreement. For the avoidance of doubt, no amendments, supplements or other modifications to the Services Agreement which are adverse to the interests of the Holders or the Trustee shall be permitted without the prior written consent of the Trustee (acting at the direction of the Majority Holders).

(b) Notwithstanding anything to the contrary in the Indenture, the Loan Agreement or any other Financing Document or Bond Document, the Company shall be permitted to sell up to 15,000,000 pounds of ultra-pure recycled resin from the Project to affiliates, so long as such sales (i) are arm's-length transactions having terms that are no less favorable to the Company than those that might be obtained in a comparable arm's-length transaction from parties which are not affiliates, and (ii) do not prevent the Company from satisfying obligations under existing Offtake Contracts.

Section 9. Reference To And Effect Upon The Financing Documents.

(a) Except as expressly modified hereby, all terms, conditions, covenants, representations and warranties contained in the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents, and all rights of the Trustee and the Holders and all of the obligations of the Company Parties, shall remain in full force and effect. Each of the Company Parties hereby confirms that the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents are in full force and effect and that, as of the date hereof, no Company Party has any right of setoff, recoupment or other offset or any defense, claim or counterclaim with respect to any of the obligations of the Company Parties, the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents.

(b) Except as expressly provided herein, the execution, delivery and effectiveness of this Limited Waiver and Second Supplemental Indenture shall not directly or indirectly (i) constitute a consent or waiver of any past, present or future violations of any provisions of the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture, this Limited Waiver and Second Supplemental Indenture and the other Financing Documents and Bond Documents, or (ii) amend, modify, or operate as a waiver of any provision of the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents or any right, power, or remedy of the Trustee or any Holder.

(c) From and after the date on which this Limited Waiver and Second Supplemental Indenture shall be effective, (i) all references to the Indenture, the Loan Agreement or the Guaranty in any Financing Document or Bond Document, shall mean such agreement, as modified hereby, and (ii) the term "Financing Documents" or "Bond Documents" in the Indenture, the Loan Agreement, the Guaranty, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents shall include, without limitation, this Limited Waiver and Second Supplemental Indenture and any agreements, instruments and other documents executed and/or delivered in connection herewith.

(d) Except as expressly provided in the Limited Waiver and First Supplemental Indenture and herein, none of the Trustee or any Holder has waived, is by this Limited Waiver and Second Supplemental Indenture waiving, or has any present intention of waiving (regardless of any delay in exercising such rights and remedies), any Default or Event of Default that may be continuing on the date hereof or any Default or Event of Default that may occur after the date hereof, and none of the Trustee or any Holder has agreed to forbear with respect to any of its

rights or remedies concerning any Defaults or Events of Default, that may have occurred or are continuing as of the date hereof, or that may occur after the date hereof.

(e) This Limited Waiver and Second Supplemental Indenture shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture or any other Financing Document or Bond Document.

(f) From and after the date on which this Limited Waiver and Second Supplemental Indenture shall be effective, all references to the Liquidity Reserve Escrow Agreement in the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture, this Limited Waiver and Second Supplemental Indenture and the other Financing Documents and Bond Documents shall mean such agreement, as modified by the Amendment to Liquidity Reserve Escrow Agreement.

Section 10. Costs And Expenses. Notwithstanding anything to the contrary in the Indenture, Loan Agreement, the Guaranty and the other Financing Documents and Bond Documents, the Company shall pay promptly after written demand therefor from and after the date of this Limited Waiver and Second Supplemental Indenture (i) all reasonable and documented, out-of-pocket legal costs of the Trustee and the Holders, in connection with the preparation and administration of the Indenture, Loan Agreement, the Guaranty and the other Financing Documents and Bond Documents and any amendments, modifications or waivers thereof and in connection with the enforcement or protection of their rights in connection with the Indenture, Loan Agreement, the Guaranty and the other Financing Documents and Bond Documents or in connection with the Bonds, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect thereof.

Section 11. Issuer and Company Party Confirmations. Each of the Issuer and the Company Parties hereby confirm that all actions required to be taken by the Issuer, the Company, the Guarantor, the Pledgor, the Holders and the Trustee pursuant to the Indenture, the Loan Agreement and the other Financing Documents and Bond Documents have been taken in accordance with such documents. Each of the Issuer and the Company Parties confirm that entry into this Limited Waiver and Second Supplemental Indenture is permitted under the Indenture, the Loan Agreement and the other Financing Documents and Bond Documents.

Section 12. Reaffirmation. Except as expressly modified by this Limited Waiver and Second Supplemental Indenture each of the Company Parties hereby (i) acknowledges and agrees that all of its pledges, grants of securities interests and Liens and other obligations under the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture or any other Financing Document or Bond Document to which it is a party are reaffirmed and remain in full force and effect on a continuous basis, (ii) reaffirms (x) each Lien granted by it to the Trustee, and (y) in the case of the Guarantor, the guarantees made by it pursuant to the Guaranty, and (iii) acknowledges and agrees that the grants of security interests and Liens and other obligations and guarantees, as applicable, are, and shall remain, in full force and effect on and after the effective date of this Limited Waiver and Second Supplemental Indenture. Except as specifically modified herein, the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture and the other Financing Documents and Bond Documents and the obligations of the Company Parties thereunder are in all respects ratified and

confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms.

Section 13. Release. The Company, the Guarantor and the Pledgor (collectively, the “**Releasing Parties**”) hereby release, acquit and forever discharge the Trustee, the Holders and their respective investment advisors and Affiliates, and any of their and their investment advisors’ and Affiliates’ respective officers, directors, agents, employees, attorneys, consultants, or representatives, or any of the respective predecessors, successors or assigns of any of the foregoing (collectively, the “**Released Parties**”) from and against any and all manner of actions, causes of action, suits, debts, controversies, damages, judgments, executions, claims (including, without limitation, crossclaims, counterclaims and rights of set-off and recoupment) and demands whatsoever, whether known or unknown, whether asserted or unasserted, in contract, tort, law or equity which any Releasing Party may have against any of the Released Parties by reason of any action, failure to act, matter or thing whatsoever arising from or based on facts occurring on or prior to the date hereof that relate to the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture, this Limited Waiver and Second Supplemental Indenture, the other Financing Documents or Bond Documents or the transactions contemplated thereby or hereby (except to the extent arising from the willful misconduct or gross negligence of any Released Parties), including but not limited to any such claim or defense to the extent that it relates to (a) any covenants, agreements, duties or obligations set forth in the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture, this Limited Waiver and Second Supplemental Indenture or the other Financing Documents or Bond Documents, or (b) any actions or omissions of any of the Released Parties in connection with the initiation or continuing exercise of any right or remedy contained in the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture, this Limited Waiver and Second Supplemental Indenture or the other Financing Documents or Bond Documents or at law or in equity with respect to the Indenture, the Loan Agreement, the Guaranty, the Equity Pledge and Security Agreement, the Limited Waiver and First Supplemental Indenture, this Limited Waiver and Second Supplemental Indenture or the other Financing Documents or Bond Documents.

Section 14. New Event of Default. The Company Parties hereby covenant and agree that any failure to comply with the terms and conditions of this Limited Waiver and Second Supplemental Indenture shall be an immediate Event of Default under the Indenture and the Loan Agreement (without, notwithstanding anything to the contrary in the Indenture, the Loan Agreement or any other Financing Document or Bond Document, any grace or cure period) and such Event of Default shall be deemed to have occurred as of January 2, 2023 (and the Company shall be required to pay any accrued and unpaid interest assuming that interest had accrued at the Default Rate from such date). Notwithstanding the foregoing, if the Company fails to meet any of the Milestones, no Event of Default shall have occurred until the Company has failed to meet such Milestone on the date that is ninety days after such Milestone; *provided, however*, that during such ninety-day period, (i) the Company will pay interest from the date of the Milestone requirement until the date that the Milestone is satisfied at the Default Rate, and (ii) notwithstanding anything to the contrary in the Indenture, the Loan Agreement, the Limited Waiver and First Supplemental Indenture, this Limited Waiver and Second Supplemental Indenture or the other Financing Documents or Bond Documents (including, without limitation, Section 7 of this Limited Waiver and Second Supplemental Indenture), the Company (and the Guarantor in the case of the Liquidity Reserve Escrow Fund) shall not have any access to any

funds in the Trust Estate or otherwise held with the Trustee or a third-party (including, without limitation, funds in the Operating Revenue Escrow Fund and the Liquidity Reserve Escrow Fund (as defined in the Guaranty)) pursuant to the Financing Documents until the date that such Milestone is satisfied.

Section 15. Trustee. For the avoidance of doubt, with respect to all matters contained in this Limited Waiver and Second Supplemental Indenture, the Trustee shall have all rights, protections, indemnities and exculpations set forth in the Indenture, the Loan Agreement or any other Financing Document or Bond Document and such rights, protections, indemnities and exculpations are hereby incorporated by reference herein.

Section 16. GOVERNING LAW; Jurisdiction.

(a) Governing Law. This Limited Waiver and Second Supplemental Indenture shall be governed exclusively by the applicable laws of the State of Ohio.

(b) Jurisdiction. To the fullest extent permitted by applicable law, the parties hereto irrevocably submit to the jurisdiction of the United States District Court or the United States Bankruptcy Court for the Southern District of Ohio or any State court located in Scioto County, Ohio or Lawrence County, Ohio, in any suit, action or proceeding based on or arising out of or relating to this Limited Waiver and Second Supplemental Indenture and irrevocably agrees that all claims in respect of such suit or proceeding may be determined in any such court. The parties hereto irrevocably waive, to the fullest extent permitted by law, any objection which they may have to the laying of the venue in any such court. Any final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon the Parties and may be enforced in any courts to the jurisdiction of which each such party is subject by a suit upon such judgment, provided, that service of process is effected upon such party in the manner specified herein or as otherwise permitted by law.

(c) Waiver of Jury Trial. EACH OF THE COMPANY, THE ISSUER, THE HOLDERS AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE BONDS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17. Headings. Section headings in this Limited Waiver and Second Supplemental Indenture are included herein for convenience of reference only and shall not constitute a part of this Limited Waiver and Second Supplemental Indenture for any other purposes.

Section 18. Severability. The illegality or unenforceability of any provision of this Limited Waiver and Second Supplemental Indenture or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Limited Waiver and Second Supplemental Indenture or any instrument or agreement required hereunder.

Section 19. Counterparts. This Limited Waiver and Second Supplemental Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same agreement. In proving this Limited Waiver and Second Supplemental Indenture or any other Financing

Document in any judicial proceedings, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom such enforcement is sought. Any signatures hereto delivered by Electronic Transmission shall be deemed an original signature hereto.

(signature pages follow)

IN WITNESS WHEREOF, the parties hereto have caused this Limited Waiver and Second Supplemental Indenture to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

ISSUER:
SOUTHERN OHIO PORT AUTHORITY

By: /s/ Robert Horton
Name: Robert Horton
Title: Executive Director

COMPANY:

PURECYCLE: OHIO LLC

By: /s/ Brad S. Kalter
Name: Brad S. Kalter
Title: Secretary and General Counsel

GUARANTOR:

PURECYCLE TECHNOLOGIES LLC

By: /s/ Brad S. Kalter
Name: Brad S. Kalter
Title: Secretary and General Counsel

PLEDGOR:

PCTO HOLDCO LLC

By: /s/ Brad S. Kalter
Name: Brad S. Kalter
Title: Secretary and General Counsel

TRUSTEE:
UMB BANK, N.A., as Trustee

By: /s/ Michael G. Slade
Name: Michael G. Slade
Title: Senior Vice President

[Signature Page to Limited Waiver and Second Supplemental Indenture]

Exhibit A-1

Form of Trustee Account Excess Funds Request

Exhibit A-2

Form of Liquidity Reserve Excess Funds Request

Exhibit B

Shared Services Agreement and Consent and Agreement

Exhibit C

Amendment to Liquidity Reserve Escrow Agreement

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Dustin Olson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PureCycle Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

By: /s/ Dustin Olson
Dustin Olson
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Lawrence Somma, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PureCycle Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

By: /s/ Lawrence Somma
Lawrence Somma
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PureCycle Technologies, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 (the "Report"), Dustin Olson, Chief Executive Officer of the Company, certifies, to the best of his knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023

By: /s/ Dustin Olson
Dustin Olson
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PureCycle Technologies, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 (the "Report"), Lawrence Somma, Chief Financial Officer of the Company, certifies, to the best of his knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023

By: /s/ Lawrence Somma
Lawrence Somma
Chief Financial Officer
(Principal Financial Officer)