

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

OR

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

For transition period from _____ to _____

Commission File Number 001-40234



PureCycle Technologies, Inc.
(Exact name of registrant as specified in its charter)

State
Delaware

86-2293091
(I.R.S. Employer
Identification Number)

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:

Title of each class	Trading Symbols	Name of each exchange on which registered
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, 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, and three quarters of one warrant	PCTTU	The Nasdaq Stock Market LLC

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

None.

Indicate by a check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 Accelerated filer
Non-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 of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 June 30, 2022, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$ 718.3 million based on a closing price of \$7.42 as reported on the Nasdaq Capital Market on that date. Solely for purposes of this disclosure, shares of common stock held by executive officers, directors, and beneficial holders of 10% or more of the outstanding common stock of the registrant as of such date have been excluded because such persons may be deemed to be affiliates.

As of March 13 2023, there were 163,671,123 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement (the "Proxy Statement") for the 2023 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2022.

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CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report on Form 10-K. 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 this Annual Report on Form 10-K entitled "Risk Factors," those discussed and identified in 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 (both in the United States, Europe and internationally);
- PCT's ability to comply on an ongoing basis with the numerous regulatory requirements applicable to the UPR resin and PCT's facilities (both in the United States, Europe and internationally);
- 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;
- PCT's ability to scale and build its first commercial-scale recycling facility in Lawrence County, Ohio (the "Ironton Facility") in a timely and cost-effective manner;
- PCT's ability to complete the necessary funding with respect to, and complete the construction of, its first U.S. multi-line facility, located in Augusta, Georgia (the "Augusta Facility"), 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;
- 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 PureCycle'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);
- the potential impact of climate change on the company, including physical and transition risks, higher regulatory and compliance costs, reputational risks, and availability of capital on attractive terms;
- operational risk; and
- the risk that the COVID-19 pandemic ("COVID-19"), including any new and emerging variants and the efficacy and distribution of vaccines may have an adverse effect on PCT's business operations, as well as PCT's financial condition and results of operations.

PCT undertakes no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K 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.

Item 1. Business

Overview

PCT is commercializing a patented purification recycling technology (the "Technology"), originally developed by The Procter & Gamble Company ("P&G"), for restoring waste polypropylene into resin with near-virgin characteristics, 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. We are finalizing construction and commissioning at our first commercial scale recycling facility (the "Ironton Facility"), which is expected to have capacity of approximately 107 million pounds/year when fully operational. The plant is expected to be fully operational later in 2023. Our goal is to create an important new segment of the global polypropylene market that will assist multinational entities in meeting their sustainability goals, provide consumers with polypropylene-based products that are sustainable, and reduce 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 the 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.

PCT intends to build new recycling production facilities globally. In addition to the Ironton Facility and our first U.S. facility with multiple lines for both Feed PreP and purification ("multi-line facility") to be located in Augusta, Georgia (the "Augusta Facility"), we currently expect the next plants to be located in Ulsan, South Korea under a joint venture and the Port of Antwerp in Belgium. The Augusta Facility will be our first scaled up multi-line facility model. Pre-engineering for the design and installation of multiple commercial lines at the Augusta Facility is currently underway and is expected to create efficiencies across the construction and permitting processes. Further, we have placed orders for our long-lead equipment for the Augusta Facility, with operations expected to begin sometime in late 2024, pending timely completion of project financing.

PCT is pursuing a leading role in solvent-based polypropylene recycling. The Company's Feedstock Evaluation Unit ("FEU"), which has been operational since July 2019, is a smaller scale replica of the Ironton Facility currently under construction. The FEU was designed to simulate commercial production and validate for PCT's customers and suppliers the viability of our process, which has helped PCT secure 20+ year signed offtake agreements and feedstock supply agreements with large multi-national partners and industry participants. Based on the testing PCT has performed and continues to perform through the FEU and independent labs, PCT believes a sufficient number of feedstock sources have been identified that are suitable for its purification technology. PCT has partnered with suppliers to provide the required mix and quality of feedstock necessary to meet its offtake requirements at Ironton, and believes it will be able source feedstock sufficient to support future operations in the U.S., Europe, and Asia.

The Technology has been evaluated by third parties with a focus on the Technology's efficacy and commercial scalability. Certain of our strategic partners have conducted testing on PCT's UPR resin. In these evaluations, PCT's UPR resin compared favorably to virgin polypropylene in common Food & Beverage industry benchmarks for melt flow and mechanical properties, purity, odor, and function (lift decay, hinge break, and impact resistance).

Industry Background

Currently, polypropylene is one of the largest contributors to the global plastics waste crisis. Each year more than 170 billion pounds of polypropylene are manufactured and incorporated into a wide array of consumer facing and industrial products. Only approximately 5% of polypropylene is collected and recycled annually, compared to approximately 19% of polyethylene terephthalate ("PET"). Many of the advantages attributed to polypropylene (strength, toughness, elasticity) also contribute to its problematic waste stream after initial use. Due to its chemical makeup, polypropylene does not react with diluted bases and acids. Consequently,

polypropylene does not break down and can remain a pollutant in our oceans, landfills, and food chain for centuries. Despite these environmental consequences, polypropylene utilization continues to increase, with a projected 3.5% average annual growth rate over the next 5 years.

In response to these issues, multinational companies have partnered with non-governmental organizations (“NGOs”) and trade associations to encourage recycling of plastics. Significant capital has been raised to combat the global plastics crisis, including multinational collaboration, ocean clean-up initiatives, new plastic economies, and global infrastructure investments. Furthermore, over 450 multinationals have signed commitments focused on, among other things, the reuse, recycling, or composting of all plastic packaging. Numerous multinationals have taken this pledge even further by committing to reduce the use of virgin plastic packaging by 50% by 2025. These commitments are being driven by consumer demand for sustainable products, which is expected to continue to drive many multinational corporations to source sustainable materials to achieve publicly announced sustainability objectives.

While there are a range of ways that plastics can be recycled today, there are very limited options available for polypropylene. The current options are chemical and mechanical recycling, both of which have significant drawbacks that have resulted in extremely low recycling rates. Chemical recycling requires further processing to become a viable product for fuel or plastic, which results in substantially higher energy expenditure, carbon dioxide (“CO₂”) emissions, and inflated cost. Mechanical recycling, while more energy efficient than chemical recycling, does not remove all of the waste contaminants from the end product, leading to wide variation in end product quality and low-value end uses.

PureCycle’s Solution: Ultra-Pure Recycled Polypropylene

PCT’s recycling technology is a purification recycling process that uses a combination of solvent, temperature and pressure. Waste stream polypropylene is returned to near-virgin condition through a novel configuration of commercially available equipment and unit operations. The 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 with minimal controlled alteration of the physical characteristics 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 unique super-critical fluid extraction process does not require chemical reactions.

Key benefits of the Technology include:

- most equipment is standard processing equipment, commercially available and widely used;
- it uses a physical separation/purification process without chemical reactions;
- it is expected to utilize approximately one fourth the amount of energy required to produce virgin polypropylene resin; and
- its ability to recycle a wide range of polypropylene waste.

Our UPR resin technology results in near-virgin equivalent quality and color, and substantially improved odor profile compared to traditional recycled polypropylene. UPR resin provides our customers with 100% recycled content without compromising appearance, purity, odor or performance in finished products.

The Product: UPR resin

Polypropylene has multiple applications including packaging and labeling for consumer products, piping, ropes, cabling and plastic parts for many industries and, in particular, the automotive industry. It is one of the most commonly used plastics in the world due to its flexibility as a “living hinge” on consumer product lids (e.g., shampoo, condiments) since it typically will not break when bent even after multiple movements and ranges of motion.

PCT’s unique purification process separates colors, odors, and contaminants through a physical separation process. This process and end product quality have been tested and validated by P&G, prospective offtake partners, and independent third party labs. When compared to virgin resin, PCT’s UPR resin expresses near

identical mechanical properties across Melt Flow Index (a measure of viscosity), Tensile Modulus (measure of stiffness), and Impact Strength (a measure of sudden resistance to force).

PCT has leveraged strategic partners with expertise in operations, the use of additives to improve the physical properties of polymers, and consumer packaged goods companies to conduct early testing to confirm that the product meets the expectations of the end users and offtake partners.

Offtake and Customers

Based on current offtake subscription agreements and letters of intent (“LOIs”), PCT intends to market and sell the UPR resin to a wide range of industries, including but not limited to: resin distributors, resin converters, consumer goods manufacturers, food and beverage producers, toy manufacturers and personal care goods producers. Polypropylene is used in a variety of end markets, including consumer packaged goods, electronics, automotive, building & construction, household goods and agriculture. Due to a growing awareness around sustainability and many multinational companies shifting their strategic focus to sustainability as a key differentiator, PCT intends to provide UPR resin to a diversified customer base across most, if not all, of these end markets over time.

Feedstock Supply

Over 150 billion pounds of polypropylene waste feedstocks are generated every year across multiple industries. Most of these feedstocks are untapped by the market today and are disposed of in landfills and oceans. These feedstocks include flexible and rigid packaging, plastic waste from textiles, and large business segments including consumer products, medical, automotive, industrial, and agricultural.

PCT’s efforts to reliably and cost-effectively source quality polypropylene waste feedstock are ongoing and primarily consist of purchasing pre-sorted polypropylene waste feedstock from various suppliers and purchasing non-sorted plastic waste that PCT itself sorts through its Feed PreP facilities. PCT’s polypropylene waste feedstock sourcing strategy will evolve as the market for polypropylene waste feedstock evolves.

The Processing Facilities

The Feedstock Evaluation Unit

The FEU is an 11,000 square foot facility located adjacent to the commercial line being built at the Ironton Facility in Lawrence County, Ohio with over 1 mile of stainless-steel piping. The facility was completed in July 2019 and has been producing UPR resin product since that time. The FEU is considered a pilot scale replica of the larger commercial line at the Ironton Facility. It serves the strategic purpose of determining if new feedstock streams are of sufficient quality before introducing them into the commercial line at the Ironton Facility, as well as providing sample UPR resin to prospective customers. Quantities of offtake from the FEU have been provided to offtake partners for evaluation. To date, the product produced is within ranges acceptable under contractual offtake agreements. While the commercial line is undergoing commissioning activities and is expected to be operational in the second quarter of 2023, the FEU will remain a critical component for testing feedstock.

Ironton Facility

Located on the same site as the FEU, PCT commenced construction in October 2020 on the Ironton Facility, which is expected to be operational in the second quarter of 2023. The approximately 150,000 square foot facility houses commercial-scale equipment designed to process 182 tons of feedstock per day into UPR resin and will also be used for feedstock pre-processing and feedstock storage. An additional building has been leased for feedstock pre-processing research and development. The Ironton Facility is expected to have UPR resin capacity of approximately 107 million pounds/year when fully operational. We expect the Ironton Facility to be fully operational later in 2023.

Augusta Facility

PCT announced that it had secured the site location for its second purification facility in Augusta, Georgia on July 29, 2021 following an extensive and comprehensive evaluation across the Southeast, Central and Eastern United States. Ultimately, the Southeast was targeted given its ideal location for access to feedstock and

multiple ports creating numerous options for exporting the UPR resin overseas. Augusta also provides a strong labor market, optimized infrastructure with access to electricity and natural gas at the site boundary, and an advanced supply chain with interstate and rail access to reduce transportation costs.

The Augusta Facility will be the Company's first multi-line facility, currently expected to be comprised of up to eight purification lines, and is designed to ultimately produce approximately 130 million pounds annually per line. The engineering design has been completed and much of the long-lead equipment has been ordered.

Global Facilities

PCT announced that it secured a site for its first European purification facility in Antwerp, Belgium on January 17, 2023. The location was selected after a thorough review, including proximity to sources of feedstock and likely offtake partners. The location of the facility, within the Port of Antwerp, is expected to provide logistics advantages for shipment of product and receipt of feedstock. PCT also completed its joint venture agreement with SK geo centric Co., Ltd., on October 20, 2022 to establish the Company's first Asian purification facility in Ulsan, South Korea.

PreP Facilities

PCT is developing 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.

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 new challenges obtaining the necessary water and sewer permits to operate 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 under its 11-year lease agreement for the Central Florida facility. PCT is also evaluating alternative preprocessing sites in Central Florida. On August 24, 2022, PCT signed a lease for a future PreP facility in Denver, Pennsylvania, which is expected to be operational by the end of 2023, provided we obtain the financing and permits necessary for operational readiness.

Government Regulation

PCT is subject to laws and regulations administered by various federal, state and local government agencies in the United States that prescribe the requirements and establish the standards for quality and safety, regulate PCT's products, and the manufacturing, labeling, marketing, promotion, and advertising thereof.

PCT is also subject to labor and employment laws, laws governing advertising, privacy laws, safety regulations, marketing claims and other laws, including but not limited to consumer protection regulations that regulate retailers or govern the promotion and sale of merchandise. PCT's operations, and those of its suppliers, are subject to various laws and regulations relating to environmental protection and worker health and safety matters.

FDA Requirements

Recycled polypropylene in food packaging applications in the U.S. is regulated by the U.S. Food and Drug Administration ("FDA"). The FDA has established certain requirements for the use of polypropylene in food packaging, as well as guidelines for the use of recycled plastics in food packaging. On a voluntary basis, companies may ask FDA to issue a Letter of No Objection ("LNO") to provide assurance to customers regarding regulatory compliance and safety of systems that recycle polymers.

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.

Environmental and Workplace Safety Laws

PCT is subject to air, water, waste and other environmental, commercial and workplace safety laws and regulations at the federal, state, and local level in the United States including requirements of the Environmental Protection Agency ("EPA"), the Occupational Safety and Health Administration ("OSHA"), and the Federal Trade Commission ("FTC").

Recycled polypropylene for use in non-food packaging uses complies with or is exempt from EPA's requirements under the Toxic Substances Control Act ("TSCA"), since polypropylene (Chemical Abstracts Service Registry Number (CASRN) 9003-07-0) is approved for use on the TSCA Chemical Substances Inventory and the manufacture of polymers is exempt from TSCA Chemical Data Reporting. Additive selection will also comply with the TSCA.

PCT is subject to local, state and federal laws and regulations that address the release of hazardous substances into the air, water and land, and the storage, handling, disposal and transportation of hazardous materials. PCT holds various state and local licenses and permits, some of which are perpetual, and others which renew periodically. These include both environmental and general business licenses. Larger multi-line locations may also fall under federal Title V permitting rules.

OSHA and the delegated states implement the Occupational Safety and Health Act and relevant state counterparts. In relevant part, this requires hazard identification and communication about materials used or produced in operations to employees, state and local government authorities and citizens. Other workplace safety rules, such as those governing confined space entry and process safety management, also apply to PCT's operations, and PCT's facility is subject to OSHA inspection. PCT's operations are subject to privacy laws and federal and state laws governing labor and employment matters such as minimum wage, overtime, working conditions and employment eligibility requirements.

The FTC requires that marketing and advertising by PCT and its feedstock suppliers be truthful, non-misleading, not deceptive to consumers, and consistent with the Guides for the Use of Environmental Marketing Claims, 16 C.F.R. Part 260, concerning recycling claims. The federal Lanham Act and federal antitrust laws govern PCT's business activities and advertising claims. State law equivalents of false advertising claims laws apply and these laws may differ from each other in significant ways. They often are not preempted by federal laws.

Regulation Outside the United States

The commercialization of our product in countries other than the U.S. may require that PCT, or companies with whom PCT partners for such foreign commercialization, obtain necessary approvals for food packaging use under foreign regulatory regimes comparable to that of the FDA. Applicable approval processes and ongoing requirements in international markets vary from country to country and may involve more time and expense

than that required to obtain approvals in the U.S. We intend to meet these requirements ourselves or through distributors as required.

Intellectual Property

Pursuant to the License Agreement, P&G has granted PCT a license to utilize P&G's intellectual property, and PCT has granted a sublicense of P&G intellectual property back to P&G under the terms of the License Agreement, with a limited right to sublicense by P&G (the "Grant Back") subject to volume and geographic restrictions. Under the Grant Back, for five years after the effective date of the License Agreement, the aggregate tonnage that may be produced under the Grant Back will be capped at 500,000 metric tons per year worldwide. Beyond year 5, that aggregate annual tonnage will be expanded to enable modest expansion across each of the six regions worldwide (generally, North America, Europe, China, Asia, Africa and Latin America).

PCT has a limited right to sublicense the technology to PCT affiliates and select third parties with the consent of P&G. All fourteen filed and granted patents are utility patents (as opposed to design patents and applications). All of the patents relate to the same core PCT technology processes. This patent estate covers the proprietary process by which waste polypropylene is converted into ultra-pure recycled polypropylene, specifically the method for separating and purifying polymers from the reclaimed and contaminated polypropylene, polyethylene and other polymers. The License Agreement also governs the ownership of process improvements. Improvements (as defined in the License Agreement) invented by PCT are owned by PCT and are licensed back to P&G for the purpose of selling licensed product, while Improvements (as defined in the License Agreement) invented by P&G or jointly by P&G and PCT are owned by P&G and licensed to PCT. The license may become non-exclusive if PCT fails to make payments or undergoes a change of control without the prior written consent of P&G. If PCT defaults under the License Agreement and the License Agreement is terminated, P&G fails to perform its obligations under these agreements, or PCT's relationship with P&G is otherwise damaged or severed, this could have a material adverse effect on PCT's business, results of operations or financial performance. In addition, P&G's failure to consent to future sublicenses by PCT to PCT affiliates and select third parties would limit PCT's ability to expand as contemplated by its current business plan.

The License Agreement will terminate upon the later of (a) the expiration of the last Licensed Patent (as defined in the License Agreement) to expire and (b) the expiry date of the warrant between PCT and P&G (which was executed on October 16, 2020). Under the License Agreement, fourteen Utility Patents were filed and granted by the United States Patent and Trademark Office ("USPTO"). Each Utility Patent will expire on the 20-year anniversary of the original application filing date. Together, these fourteen Utility Patents make up the Licensed Patents.

Human Capital Resources

Employees & Demographics. As of December 31, 2022, PCT employed 177 team members. None of PCT's employees are represented by a labor union. With respect to demographics, approximately 30% of our employees are female and 70% are male. We will continue to expand in 2023 as we start-up the Ironton Facility, continue construction of Feed PreP and Augusta facilities, and begin our global expansion.

Talent & Retention. With a keen focus on talent acquisition, we have managed to hire some of the top talent in the industry. Our robust talent acquisition program enables us to identify the right candidates through various sources (i.e. professional networks and internal referrals). Additionally, we strive to promote internally, if applicable. For the year ended December 31, 2022, we experienced net growth in headcount of 49%.

Compensation Practice & Pay Equality. As PCT evolves and expands operations, Human Resources in partnership with the leadership team will continue to evaluate the existing workforce to ensure that best practices are maintained across the entire team without risk of inequality. Pay structures will be reviewed annually to ensure best practices in a competitive market and, as part of that review, compensation will be realigned where appropriate for existing team members and new hires.

Website Access to Securities and Exchange Commission Reports

PCT makes available free of charge, in the "Investors – SEC Filings & Reports" section of its website at <https://www.purecycle.com/>, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as practicable after the Company files them with, or furnishes them to, the SEC. The information on the

Company's website is not incorporated by reference into this Annual report on Form 10-K. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

You should carefully review this section in addition to the other information appearing in this Annual Report on Form 10-K, including our consolidated financial statements and related notes, for important information regarding risks and uncertainties that affect us. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, results of operations, and future prospects could be materially and adversely affected.

Risks Related to PCT's Status as a pre-revenue Early Commercial Stage Company

PCT is a pre-revenue early commercial stage company, and may never achieve or sustain profitability.

PCT is commercializing a recycling technology that was developed by The Procter & Gamble Company ("P&G"). P&G granted PCT a worldwide license under an Amended and Restated Patent License Agreement dated July 28, 2020, between P&G and PCT (the "License Agreement") for a proprietary process of restoring waste polypropylene into ultra-pure recycled ("UPR") resin products through an extraction and filtration purification process (the "Technology").

PCT relies principally on the commercialization of UPR resin as well as the Technology and related licenses to generate future revenue growth. To date, such products and services have delivered no revenue. Also, UPR resin product offerings and partnering revenues are in their very early stages. PCT believes that commercialization success is dependent upon the ability to significantly increase the number of purification plants, feed pre-processing facilities ("Feed PreP facilities"), feedstock suppliers and offtake partners as well as strategic partners that utilize UPR resin and the Technology via licensing agreements. PCT is a pre-revenue early commercial stage company that evaluates various strategies to achieve its financial goals and commercialization objectives on an ongoing basis. In this regard, PCT's production methodology is designed to achieve these objectives, including with respect to future plant size, capacity, cost, geographic location, sequencing, timing, and aggregation/de-aggregation (with respect to Feed PreP facilities) and is subject to change as a result of modifications to business strategy or market conditions. Furthermore, if demand for UPR resin products and the Technology does not increase as quickly as planned, PCT may be unable to increase revenue levels as expected. PCT is currently not profitable. Even if PCT succeeds in increasing adoption of UPR resin products by target markets, maintaining and creating relationships with existing and new offtake partners, feedstock suppliers and customers, and developing and commercializing additional plants, market conditions, particularly related to pricing and feedstock costs, may result in PCT not generating sufficient revenue to achieve or sustain profitability.

PCT's business is not diversified.

PCT's initial commercial success depends on its ability to profitably operate its first commercial-scale plant in Ohio (the "Ironton Facility") and the Feedstock Evaluation Unit (the "FEU") and its ability to complete construction and profitably and successfully operate the Ironton Facility, the first multi-line facility to be located in Augusta, Georgia (the "Augusta Facility"), and future Feed PreP facilities.

PCT's continued commercial success depends on its ability to profitably and successfully operate the Ironton Facility, the Augusta Facility and future Feed PreP facilities; to start and complete construction and profitably and successfully operate its first commercial-scale European plant located in Antwerp, Belgium (the "NextGen Facility") and to start and complete construction and profitably and successfully operate its first commercial-scale Asian plant located in Ulsan, South Korea (the "South Korean Facility").

Other than the future production and sale of UPR resin products, there are currently no other lines of business or other material sources of revenue. Such lack of diversification may limit PCT's ability to adapt to changing business conditions and could have an adverse effect on PCT's business, financial condition, results of operations and prospects.

The License Agreement sets forth certain performance and pricing targets which, if missed, could result in a termination or conversion of the license granted under the License Agreement.

Pursuant to the License Agreement, P&G has granted PCT a license to utilize certain P&G intellectual property. The intellectual property is tied to the proprietary purification process by which waste polypropylene may be converted to UPR resin, referred to as the Technology. The License Agreement sets forth certain performance targets for the Ironton Facility and future facilities which, if missed, could result in a termination of the license granted under the License Agreement (if PCT is unable to make UPR resin at certain production volumes and at certain prices within a certain time frame). The License Agreement also sets forth certain performance and pricing targets for the Ironton Facility and future facilities which, if missed, could result in conversion of the license to a non-exclusive license (if PCT's UPR resin is unable to meet certain purification thresholds within a certain period of time after the start of the Project or PCT is unable or unwilling to provide P&G with UPR resin at certain prices from the first plant). In the event the License Agreement is terminated or converted to a non-exclusive license, this could have a material adverse effect on PCT's business, financial condition, results of operations and prospects.

PCT's outstanding secured and unsecured indebtedness (including at the Project), ability to incur additional debt and the provisions in the agreements governing PCT's debt, and certain other agreements, could have a material adverse effect on PCT's business, financial condition, results of operations and prospects.

As of December 31, 2022, PCT had total consolidated debt of \$233.5 million. PCT has not yet begun commercial operations and does not have any sources of revenue. PCT's debt service obligations could have important consequences to PCT for the foreseeable future, including the following: (i) PCT's ability to obtain additional financing for capital expenditures, working capital or other general corporate purposes may be impaired; (ii) a substantial portion of PCT's cash flow from operating activities must be dedicated to the payment of principal and interest on PCT's debt, thereby reducing the funds available to us for PCT's operations and other corporate purposes; and (iii) PCT may be or become substantially more leveraged than some of its competitors, which may place PCT at a relative competitive disadvantage and make us more vulnerable to changes in market conditions and governmental regulations.

PCT is required to maintain compliance with certain financial and other covenants under its debt agreements. There are and will be operating and financial restrictions and covenants in certain of PCT's debt agreements, including the Loan Agreement, as well as certain other agreements to which PCT is or may become a party. These limit, among other things, PCT's or its subsidiaries' ability to incur certain additional debt, create certain liens or other encumbrances, sell assets, and transfer ownership interests and transactions with affiliates of PCT. These covenants could limit PCT's ability to engage in activities that may be in PCT's best long-term interests. PCT's failure, or perceived failure, to comply with certain covenants in these agreements could result in an Event of Default (as defined therein) under the various debt agreements, allowing lenders to accelerate the maturity for the debt under these agreements and to foreclose upon any collateral securing the debt. An Event of Default would also adversely affect PCT's ability to access its borrowing capacity and pay debt service on its outstanding debt, likely resulting in acceleration of such debt or in a default under other agreements containing cross-default provisions. Under such circumstances, PCT might not have sufficient funds or other resources to satisfy all of its obligations. In addition, the limitations imposed by PCT's financing agreements on its ability to pay dividends, incur additional debt and to take other actions might significantly impair PCT's ability to obtain other financing, generate sufficient cash flow from operations to enable PCT to pay its debt or to fund other liquidity needs. Such consequences would adversely affect PCT's business, financial condition, results of operations and prospects.

PCT faces risks and uncertainties related to litigation, regulatory actions and investigations.

PCT may become subject to, and may become a party to, a variety of litigation, other claims, suits, regulatory actions and investigations. For example, 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 the federal securities laws, which were subsequently consolidated into a single complaint (the "Complaint"). The Complaint alleges that PCT, certain senior members of management and others made false and/or misleading statements in press releases and public filings regarding the Technology, PCT's business and PCT's prospects. Separately, 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 against certain senior members of PCT's

management, PCT's directors and others 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. Both the Complaint and the shareholder derivative action rely on information included in a research report published on May 6, 2021 by Hindenburg Research LLC (the "Hindenburg Report"). PCT may incur significant expenses as a result of legal matters relating to the Hindenburg Report. The total cost associated with these matters will depend on many factors, including the duration of these matters and any related finding.

In addition, from time to time, PCT may also be involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with our feedstock suppliers and offtake partners as well as strategic partners, intellectual property disputes, additional volatility in the market price of our securities, and other business matters. Any such claims or investigations may be time-consuming, costly, divert management resources, or otherwise have a material adverse effect on PCT's business, financial condition, results of operations and prospects.

The results of litigation and other legal proceedings are inherently uncertain and adverse judgments or settlements may result in materially adverse monetary damages or injunctive relief against PCT. Any claims or litigation, even if fully indemnified or insured, could damage PCT's reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. The litigation and other legal and regulatory proceedings described under Legal Proceedings in Note 14, Contingencies, to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K are subject to future developments and management's view of these matters may change in the future.

Risks Related to PCT's Operations

PCT's business, financial condition, results of operations and prospects may be adversely affected by the impact of the global outbreak of COVID-19.

The United States is being affected by the COVID-19 pandemic, the full effect of which on global financial markets as well as national, state and local economies is unknown. There can be no assurances as to the materiality, the severity, the emergence of new or worsening variants, the actions taken by individuals and both private and governmental entities to contain the virus or treat its impact, and the duration of negative economic conditions caused by the pandemic.

Certain of PCT's contractors and other third-parties in the global supply chain for materials and equipment that are currently being used to construct the Ironton Facility have been adversely impacted by COVID-19, specifically with respect to the receipt of certain equipment from overseas, which has impacted PCT's ability to timely complete the Ironton Facility. If any of PCT's other contractors or other third-parties in the global supply chain for materials, equipment or labor that are currently being used to construct the Ironton Facility or may be used by PCT in the future to construct additional facilities, including the Augusta Facility and the Feed PreP facilities, are or become further adversely impacted by, and/or the restrictions or shortages (material, equipment or labor) resulting from, the COVID-19 pandemic, PCT's ability to timely complete the Ironton Facility or begin and complete construction on additional facilities, including the Augusta Facility and Feed PreP facilities, may be further disrupted.

There may be additional unknown risks presented by the COVID-19 pandemic that could impact PCT's operating results. For example, the deadly global outbreak and continuing spread of COVID-19 could have an adverse effect on the value, operating results and financial condition of PCT's business; as well as the ability of PCT to maintain operations and grow revenue generated from offtake partners and customers and could delay or prevent completion of the Ironton Facility, the Augusta Facility or Feed PreP facilities, or result in additional costs or reduced revenues, all of which could have an adverse effect on PCT's business, financial condition, results of operations and prospects.

Construction of the Ironton Facility will not be completed in the originally-expected timeframe and may not be completed in a cost-effective manner. This and any further delays in the construction of the Ironton Facility could severely impact PCT's business, financial condition, results of operations and prospects.

PCT will not be able to achieve completion of the Ironton Facility in the expected timeframe, and may not be able to achieve completion of the Ironton Facility in a cost-effective manner or at all due to a variety of factors, including, but not limited to, a stoppage of work, shortages of material, equipment or labor and increased costs,

each as a result of the COVID-19 outbreak or the emergence of new or worsening variants of COVID-19, unexpected construction problems, supply chain issues or severe weather. Further significant unexpected delays in construction could result in additional costs or reduced revenues, and could limit the amount of UPR resin products that PCT can produce, which could severely impact PCT's business, financial condition, results of operations and prospects, and impact PCT's ability to comply with certain covenants under its debt agreements, including the Loan Agreement.

The construction and commissioning of any new project, including the Augusta Facility and the Feed PreP facilities, is dependent on a number of contingencies some of which are beyond PCT's control. There is also a risk that significant unanticipated costs or delays could arise due to, among other things, errors or omissions, unanticipated or concealed construction site conditions, including subsurface conditions, unforeseen technical issues or increases in plant and equipment costs, insufficiency of water supply and other utility infrastructure, or inadequate contractual arrangements. Should significant unanticipated costs arise, this could have a material adverse impact on PCT's business, financial performance and operations. No assurance can be given that construction will be completed, or will be completed without further delay, or as to whether PCT, which has provided a Guaranty of Completion of the Ironton Facility, will have sufficient funds available to complete construction. If the Ironton Facility is not completed, funds are not likely to be available to pay debt service on PCT's outstanding debt.

Initially, PCT will rely on a single facility for all of its operations.

Initially, PCT will rely solely on the operations at the Ironton Facility. Adverse changes or developments affecting the Ironton Facility could impair PCT's ability to produce UPR resin and its business, prospects, financial condition and results of operations. Any shutdown or period of reduced production at the Ironton Facility, which may be caused by regulatory noncompliance or other issues, as well as other factors beyond its control, such as severe weather conditions, natural disaster, fire, power interruption, work stoppage, disease outbreaks or pandemics (such as COVID-19), equipment failure, delay in supply delivery, or shortages of material, equipment, or labor, would significantly disrupt PCT's ability to grow and produce UPR resin products in a timely manner, meet its contractual obligations and operate its business. PCT's equipment is costly to replace or repair, and PCT's equipment supply chains may be disrupted in connection with pandemics, such as COVID-19, trade wars or other factors. If any material amount of PCT's machinery were damaged, it would be unable to predict when, if at all, it could replace or repair such machinery or find co-manufacturers with suitable alternative machinery, which could adversely affect PCT's business, financial condition, results of operations and prospects. Performance guarantees may not be sufficient to cover damages or losses, or the guarantors under such guarantees may not have the ability to pay. Any insurance coverage PCT has may not be sufficient to cover all of its potential losses and may not continue to be available to PCT on acceptable terms, or at all.

Cyber risk and the failure to maintain the integrity of PCT's operational or security systems or infrastructure, or those of third parties with which PCT does business, could have a material adverse effect on PCT's business, financial condition, results of operations and prospects.

PCT is subject to an increasing number of information technology vulnerabilities, threats and targeted computer crimes which pose a risk to the security of its systems and networks and the confidentiality, availability and integrity of data. Disruptions or failures in the physical infrastructure or operating systems that support PCT's businesses, offtake partners, feedstock suppliers and customers, or cyber attacks or security breaches of PCT's networks or systems, could result in the loss of customers and business opportunities, legal liability, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensatory costs, and additional compliance costs, any of which could materially adversely affect PCT's business, financial condition, results of operations and prospects. While PCT attempts to mitigate these risks, PCT's systems, networks, products, solutions and services remain potentially vulnerable to advanced and persistent threats.

PCT also maintains and has access to sensitive, confidential or personal data or information in its business that is subject to privacy and security laws, regulations and customer controls. Despite PCT's efforts to protect such sensitive, confidential or personal data or information, PCT's facilities and systems and those of its customers, offtake partners, feedstock suppliers and third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming and/or human errors that could lead to the compromise of sensitive, confidential or personal data or information or improper use of PCT's systems and software.

PCT may be unable to sufficiently protect its proprietary rights and may encounter disputes from time to time relating to its use of the intellectual property of third parties.

PCT relies on its proprietary intellectual property, including registered trademarks and certain licensed intellectual property under the License Agreement and other documents to market, promote and sell UPR resin products. PCT monitors and protects against activities that might infringe, dilute, or otherwise harm its trademarks and other intellectual property and relies on the relevant patent, trademark and other laws of the U.S. and other countries. However, PCT may be unable to prevent third parties from using its intellectual property without authorization. In addition, the laws of some non-U.S. jurisdictions, particularly those of certain emerging markets, provide less protection for PCT's proprietary rights than the laws of the U.S. and present greater risks of counterfeiting and other infringement. To the extent PCT cannot protect its intellectual property, unauthorized use and misuse of PCT's intellectual property could harm its competitive position and have a material adverse effect on PCT's business, financial condition, results of operations and prospects.

Despite PCT's efforts to protect these rights, unauthorized third parties may attempt to duplicate or copy the proprietary aspects of its technology and processes. PCT's competitors and other third parties independently may design around or develop similar technology or otherwise duplicate PCT's services or products such that PCT could not assert its intellectual property rights against them. In addition, PCT's contractual arrangements may not effectively prevent disclosure of its intellectual property and confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure. Measures in place may not prevent misappropriation or infringement of PCT's intellectual property or proprietary information and the resulting loss of competitive advantage, and PCT may be required to litigate to protect its intellectual property and proprietary information from misappropriation or infringement by others, which is expensive, could cause a diversion of resources and may not be successful.

PCT also may encounter disputes from time to time concerning intellectual property rights of others, and it may not prevail in these disputes. Third parties may raise claims against PCT alleging that PCT, or consultants or other third parties retained or indemnified by PCT, infringe on their intellectual property rights. Some third-party intellectual property rights may be extremely broad, and it may not be possible for PCT to conduct its operations in such a way as to avoid all alleged violations of such intellectual property rights. Given the complex, rapidly changing and competitive technological and business environment in which PCT operates, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against PCT may cause PCT to spend significant amounts to defend the claim, even if PCT ultimately prevails, pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies or other intellectual property (temporarily or permanently), cease offering certain products or services, or incur significant license, royalty or technology development expenses.

Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies such as PCT. Even in instances where PCT believes that claims and allegations of intellectual property infringement against it are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of PCT's management and employees. In addition, although in some cases a third party may have agreed to indemnify PCT for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations. In other cases, insurance may not cover potential claims of this type adequately or at all, and PCT may be required to pay monetary damages, which may be significant.

Climate change, or legal, regulatory or market measures to address climate change may materially adversely affect our financial condition and business operations.

Climate change resulting from increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere could present risks to PCT's future operations from natural disasters and extreme weather conditions, such as hurricanes, tornadoes, earthquakes, wildfires or flooding. Such extreme weather conditions could pose physical risks to PCT's facilities and disrupt operation of PCT's supply chain and may impact operational costs. The impacts of climate change on global resources may result in scarcity, which could in the future impact PCT's ability to access sufficient equipment and materials in certain locations and result in increased costs. Concern over climate change could result in new legal or regulatory requirements designed to mitigate the effects of climate change on the environment. If such laws or regulations are more stringent than current legal or regulatory requirements, PCT may experience increased compliance burdens and costs to meet

the regulatory obligations and may adversely affect raw material sourcing, manufacturing operations and the distribution of PCT's products.

PCT may be negatively impacted by volatility in the political and economic environment, such as the crisis in Ukraine, economic downturns and increases in interest rates, and a period of sustained inflation, which could have an adverse impact on PCT's business, financial condition, results of operations and prospects.

Trade, monetary and fiscal policies, and political and economic conditions may substantially change, and credit markets may experience periods of constriction and variability. These conditions may impact PCT's business. Further rising inflation may negatively impact PCT's business and raise its costs, specifically with respect to the construction of the Ironton Facility, the Augusta Facility, future purification facilities and various Feed PreP facilities. While PCT will take actions, wherever possible, to reduce the impact of the effects of inflation, in the case of sustained inflation, it could become increasingly difficult to effectively mitigate the increases to PCT's costs. If PCT is unable to take actions to effectively mitigate the effect of the resulting higher costs, PCT's business, financial condition, results of operations and prospects could be adversely impacted.

The Federal Reserve recently raised interest rates multiple times in response to concerns about inflation and it may raise them again. Higher interest rates, coupled with reduced government spending and volatility in financial markets may increase economic uncertainty and affect PCT's offtake partners, feedstock suppliers and potential customers. Similarly, the ongoing military conflict between Russia and Ukraine has created extreme volatility in the global capital markets and is expected to have further global economic consequences, including disruptions of the global supply chain and energy markets. Furthermore, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity concerns. Any such volatility, disruptions or market-wide liquidity concerns may adversely affect PCT's business or the third parties on whom it relies. If the equity and credit markets deteriorate, including as a result of political or economic unrest or war, it may make necessary debt or equity financing, such as the financing necessary to fund the construction of the Augusta Facility (which financing must be obtained by June 30, 2023 or else PCT may need to abandon the Augusta Facility), future purification facilities and currently contemplated and future Feed PreP facilities and otherwise finance PCT's expansion, more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. Increased inflation rates can adversely affect PCT by increasing its costs, including labor and employee benefit costs. In addition, higher inflation, macro turmoil, uncertainty and market-wide liquidity concerns could also adversely affect PCT's offtake partners, feedstock suppliers and potential customers, which could have an adverse impact on PCT's business, financial condition, results of operations and prospects.

Risks Related to PCT's Production of UPR Resin

There is no guarantee the Technology is scalable to commercial-scale operation.

The Technology is based upon generally available commercial equipment to process contaminated polypropylene into clean recycled polypropylene product. Certain of the equipment to be utilized in the Ironton Facility has not operated with the same feedstock in a commercial mode. While PCT has constructed the FEU to demonstrate the process using the same or similar equipment (except at a smaller scale) as the commercial-scale Ironton Facility, the FEU does not operate at a commercial-scale. The collective test data was used to design the Ironton Facility equipment for commercial scale and testing under the intended operating conditions and configuration for the commercial-scale operation to verify reproducibility of results including color, melt flow index, moldability (tensile modulus and other measures) and the odor of the final PCT-produced polypropylene product. While that testing indicated that the FEU can generate recycled polypropylene product that on average meets all of its key parameter targets, PCT cannot guarantee these results will be achieved in commercial-scale operation. Further, of the four quality parameters for UPR resin, odor is the most difficult to characterize and measure. PCT's goal is to generate product that will significantly reduce the odor of the offtake and be comparable or nearly comparable to virgin polypropylene with respect to level of odor, but PCT cannot guarantee that the Ironton Facility will be capable of achieving the quality parameters of UPR resin, performance guarantees or meeting the requirements of the currently applicable environmental permits. The Ironton Facility's failure to achieve the quality parameters for UPR resin and performance guarantees or meet the requirements of the currently applicable environmental permits could impact PCT's business, financial

condition, results of operations and prospects if the possible shortfalls versus specification are not effectively remedied per contract.

Furthermore, PCT's first multi-line facility, the Augusta Facility, which will be located in Augusta, Georgia, will be PCT's first scaled up multi-line facility model. PCT is currently working on pre-engineering for the design and installation of multiple commercial lines at the Augusta Facility and there is no guaranty that these efforts will be successful. If the Augusta Facility fails to achieve the expected efficiencies, including across the construction and permitting processes, as well as fails to reduce average capital expenditures per plant and reduce overall operating costs, PCT's business, financial condition, results of operations and prospects could be materially adversely impacted.

PCT may not be successful in finding future strategic partners for continuing development of additional offtake and feedstock opportunities.

PCT may seek to develop additional strategic partnerships to increase feedstock supply and offtake amount due to capital costs required to develop the UPR resin product or manufacturing constraints. PCT may not be successful in efforts to consummate existing strategic endeavors, or establish such strategic partnerships and other alternative arrangements for the UPR resin product or Technology because PCT's research and development pipeline may be insufficient, PCT's product may be deemed to be at too early of a stage of development for collaborative effort or third parties may not view PCT's product as having the requisite potential to demonstrate commercial success.

If PCT is unable to reach agreements with existing or future collaborators on a timely basis, on acceptable terms or at all, PCT may have to curtail the development of UPR resin product, reduce or delay the development program, delay potential commercialization, reduce the scope of any sales or marketing activities or increase expenditures and undertake development or commercialization activities at PCT's own expense. If PCT elects to fund development or commercialization activities on its own, PCT may need to obtain additional expertise and additional capital, which may not be available on acceptable terms or at all. If PCT fails to enter into collaborations and does not have sufficient funds or expertise to undertake the necessary development and commercialization activities, PCT may not be able to further develop product candidates and PCT's business, financial condition, results of operations and prospects may be materially and adversely affected.

PCT's failure to secure waste polypropylene could have a negative impact on PCT's business, financial condition, results of operations and prospects.

PCT's ability to procure a sufficient quantity and quality of post-industrial and post-consumer waste that contains polypropylene as feedstock is dependent upon certain factors outside of PCT's control including, but not limited to, changes to pricing levels for waste polypropylene, recycled polypropylene and non-recycled polypropylene, shortages in supply, interruptions affecting suppliers (including those due to operational restraints, industrial relations, transportation difficulties, accidents or natural disasters), or the introduction of new laws or regulations that make access to waste polypropylene more difficult or expensive. Additionally, while PCT believes it has sourced sufficient feedstock of desirable quality, it cannot guarantee that feedstock suppliers will have sufficient quantities available and at the appropriate specifications in accordance with their respective agreements with PCT. If feedstock is not available to PCT in sufficient quantity and of requisite quality, PCT's business, financial condition, results of operations and prospects could be materially adversely impacted.

Because PCT's global expansion requires sourcing feedstock and supplies from around the world, including Asia and Europe, changes to international trade agreements, tariffs, import and excise duties, taxes or other governmental rules and regulations could adversely affect PCT's business, financial condition, results of operations and prospects.

PCT's global expansion model will require sourcing feedstock from suppliers around the world. The U.S. federal government or other governmental bodies may propose changes to international trade agreements, tariffs, taxes and other government rules and regulations. If any restrictions or significant increases in costs or tariffs are imposed related to feedstock sourced from Asia, Europe, or elsewhere, as a result of amendments to existing trade agreements, and PCT's supply costs consequently increase, PCT may be required to raise UPR resin product prices, which may result in decreased margins, the loss of customers, and a material adverse effect on PCT's financial results. The extent to which PCT's margins could decrease in response to any future tariffs is uncertain. PCT continues to evaluate the impact of effective trade agreements, as well as other recent

changes in foreign trade policy on its supply chain, costs, sales and profitability, which could negatively impact PCT's business, financial condition, results of operations and prospects. Any such impact could be material.

There is no guarantee the Feed PreP facilities will be viable or achieve the expected efficiencies.

In conjunction with the Augusta Facility and other future purification facilities, PCT will also build and operate Feed PreP facilities in locations geographically near the feed sources in an effort to optimize PCT's supply chain economics. These Feed PreP facilities are expected to employ feedstock processing systems with advanced sorting capabilities that can handle various types of plastics in addition to polypropylene (designated as no. 5 plastic), such as plastic bales between no. 1 and no. 7. There is no guarantee that the Feed PreP facilities will be successful. If the feedstock processing systems don't operate as expected, or in a commercially viable manner or are constrained from receiving permits necessary to operate the facilities by city, country or state regulations; the Feed PreP facilities fail to achieve the expected efficiencies, including due to increased shipping costs; as well as fail to reduce average expenditures on feedstock and reduce overall operating costs, PCT's business, financial condition, results of operations, and prospects could be materially adversely impacted.

There is no guarantee the "Feedstock+" pricing model will be successful.

PCT's Feedstock+ pricing model employs a fixed price above PCT's cost to procure the feedstock, which is then divided by a set yield-loss, in an effort to pass on the cost of feedstock to de-risk PCT's operating margins. There is no guarantee that the "Feedstock+" pricing model will be successful and that most of or all of the counterparties will enter into offtake agreements with PCT using this pricing model in sufficient numbers or at all. Additionally, counterparties may attempt to reduce or even eliminate the fixed price above PCT's cost to procure the feedstock, which would reduce and potentially eliminate the effort to de-risk PCT's operating margins. If PCT is unable to incorporate its "Feedstock+" pricing model into its future offtake agreements, in part or at all, or unable to negotiate a sufficiently high fixed price above PCT's cost to procure the feedstock, PCT's business, financial condition, and results of operations and prospects could be materially adversely impacted.

Risks Related to the Market for UPR Resin

The market for UPR resin is still in the development phase and the acceptance of UPR resin by manufacturers and potential customers is not guaranteed.

The customer approval process for UPR resin products may take longer than expected and certain potential customers may be slow to accept the product produced by PCT or may not accept it at all. PCT has agreed to a strategic partnership term sheet to enter into an offtake agreement with a term of 20 years, whereby PCT guarantees the UPR resin products to meet specific criteria for color and opacity. There is no odor specification in the offtake agreements. Any such changes to the strategic partnership term sheet may require modifications to PCT's executed offtake agreements for (i) the Ironton Facility, and (ii) the Augusta Facility. Pursuant to the strategic partnership term sheet and PCT's executed offtake agreements, PCT must provide samples of the product to each customer so that the customer may determine if the product meets specifications, regulatory and legal requirements, customer's internal policies, and technical, safety, and other qualifications for UPR resin use in the customer's products. The inability of PCT to provide product of sufficient quantity and quality for sale pursuant to the offtake agreements is likely to materially adversely affect PCT's business, financial condition, results of operations and prospects. Furthermore, future market trends for recycled product, changes in brand owner strategies and changes in consumer preferences for circular or low carbon footprint products could reduce PCT's customer's demand for UPR resin, which would be likely to materially adversely affect PCT's business, financial condition, results of operations and prospects.

Certain of PCT's offtake agreements are subject to index pricing, and fluctuation in index prices may adversely impact PCT's financial results.

While PCT expects the price of its UPR resin to continue to command a premium over the price of virgin resin and generally not be subject to fluctuations in the price of virgin polypropylene, there is no guarantee of this result. Certain of PCT's current offtake agreements contain pricing for PCT's products at both fixed prices and Index prices. PCT is using Information Handling Services provided by IHS Markit Ltd ("IHS") as it relates to the monthly market movement price mechanism index known as "Global Plastics & Polymers Report, Month-End: Polypropylene (PP)" and "Homopolymer (GP Inj. Mldg.)," with the price description terms of "Contract-market; HC Bulk, Delivered; Ex-Discounts, rebates" (delivered via railcar), based on the lower value listed in "Cts/Lb." Over the last year the index has been as high as \$1.24 in March 2022 and as low as \$0.69 in December 2022.

Should the modeled index price forecasted by IHS be materially lower than the IHS estimate, PCT's business, financial condition, results of operations and prospects may be materially adversely impacted.

Competition could reduce demand for PCT's products or negatively affect PCT's sales mix or price realization. Failure to compete effectively by meeting consumer preferences, developing and marketing innovative solutions, maintaining strong customer service and distribution relationships, and expanding solutions capabilities and reach could adversely affect PCT's business, financial condition, results of operations and prospects.

While PCT expects to produce unique UPR resin products, PCT operates in a competitive global market for polypropylene sources — virgin and recycled polypropylene. Competitors or new entrants might develop new products or technologies which compete with PCT and its proprietary Technology. PCT cannot predict changes that might affect its competitiveness or whether existing competitors or new entrants might develop products that reduce demand for PCT's UPR resin products. The development of new products or technologies which compete with PCT's UPR resin products may have a material adverse effect on PCT's business, financial condition, results of operations and prospects.

In addition, PCT has granted a sublicense of P&G intellectual property back to P&G under the terms of the License Agreement, with a limited right to sublicense by P&G (the "Grant Back"). Under the Grant Back, for five years after the effective date of the License Agreement, the aggregate tonnage that may be produced under the Grant Back will be capped at a certain level per year worldwide. Beyond year 5, that aggregate annual tonnage will be expanded for each of the six regions worldwide. P&G has agreed that territory under the Grant Back will exclude the start of construction of a plant within a certain radius of the Ironton Facility for five years from the effective date of the License Agreement. If P&G is able to establish production, either on its own or through a sublicense agreement with another partner, in any territory, P&G production will remain capped within that territory beyond the 5 years. If P&G sublicenses the P&G intellectual property under the Grant Back to other manufacturers, UPR resin production and supply could increase, adversely impacting PCT's business, financial condition, results of operations and prospects.

Risks Related to Regulatory Developments

PCT may not be able to meet applicable regulatory requirements for the use of PCT's UPR resin in food grade applications, and, even if the requirements are met, complying on an ongoing basis with the numerous regulatory requirements applicable to the UPR resin and PCT's facilities will be time-consuming and costly.

The use of UPR resin in food grade applications is subject to regulation by the U.S. Food and Drug Administration ("FDA"). The FDA has established certain guidelines for the use of recycled plastics in food packaging, as set forth in the "Guidance for Industry - Use of Recycled Plastics in Food Packaging: Chemistry Considerations (August 2006)." In order for the UPR resin to be used in food grade applications, PCT will request one or more Letters of No Objection ("LNO") from the FDA.

On September 10, 2021, PCT filed for an FDA 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 September LNO submission also defines the feedstock sources for the Company's planned commercial recycling process, and the September 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 a request 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 process for obtaining further LNOs will include FDA evaluation of both the PCT purification process, the Technology, as well as the recycled feedstock resin. 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. In addition, as needed, individual surrogate challenge testing and migration studies will be conducted to simulate articles in contact with food. Surrogate challenge testing can be used in lieu of, or in conjunction with, migration testing for the FDA's evaluation of PCT's Technology. The need for migration testing is informed by the results from the surrogate challenge testing.

The process of obtaining FDA regulatory approval requires the expenditure of substantial time, of up to one year, and significant financial resources. The FDA could refuse to approve further LNO applications (in whole or in part), a decision may be delayed if the FDA has questions about the data or other aspects of the filing, or the review schedule may be extended if there are a significant number of LNO requests pending since the FDA is under no time limit to decide on LNO requests. All of the above would have an adverse effect on PCT's business, financial condition, results of operations and prospects.

Furthermore, changes in regulatory requirements, laws and policies, or evolving interpretations of existing regulatory requirements, laws and policies, may result in increased compliance costs, delays, capital expenditures and other financial obligations that could adversely affect PCT's business, financial condition, results of operations and prospects.

PCT expects to encounter regulations in most if not all of the countries in which PCT may seek to expand, and PCT cannot be sure that it will be able to obtain necessary approvals in a timely manner or at all. If PCT's UPR resin does not meet applicable regulatory requirements in a particular country or at all, then PCT may face reduced market demand in those countries and PCT's business, financial condition, results of operations and prospects will be adversely affected.

The various regulatory schemes applicable to PCT's UPR resin will continue to apply following initial approval. Monitoring regulatory changes and ensuring our ongoing compliance with applicable requirements is time-consuming and may affect PCT's business, financial condition, results of operation and prospects. If PCT fails to comply with such requirements on an ongoing basis, PCT may be subject to fines or other penalties, or may be prevented from selling UPR resin products, and PCT's business, financial condition, results of operation and prospects may be harmed.

The operation of and construction of the Ironton Facility is subject to governmental regulation.

Under the loan agreement entered into in connection with PCT's outstanding Revenue Bonds (the "Loan Agreement"), PCT must: (i) not commence construction or operation of the Ironton Facility prior to receipt of all applicable permits and easements required for the particular phase of construction or operation; (ii) abide by the terms and conditions of all such permits and easements; and (iii) operate the Ironton Facility at all times in the manner required or permitted by such permits and easements.

PCT has not identified any technical or engineering circumstances that it believes would prevent the issuance of the key permits and approvals required for construction and operation of the Ironton Facility in the ordinary course consistent with the planned construction of the Ironton Facility. Delays in or failure to obtain and maintain any required permit or approval, or delay in satisfying or failure to satisfy any condition or requirement or any approval or permit could delay or prevent completion of the Ironton Facility or result in additional costs or reduced revenues. Federal, state and local statutory and regulatory requirements applicable to construction and operation of the Ironton Facility are subject to change. No assurance can be given that PCT or any other affected party will be able to comply with such changes. Additional statutory or regulatory requirements may be imposed upon both the Ironton Facility and the Augusta Facility, as well as any additional facilities, which might materially increase costs of operation or maintenance.

Legislative, regulatory or judicial developments could affect PCT's business, financial condition, results of operations and prospects.

PCT is subject to extensive air, water and other environmental and workplace safety laws and regulations at the federal and state level. In addition, PCT will be subject to additional regulatory regimes upon expanding to new regions, including foreign regulatory authorities in the European Union ("EU") such as the European Commission, the European Food Safety Authority ("EFSA"), and similar regulatory authorities elsewhere, such as in Asia. Some of these laws require or may require PCT to operate under a number of environmental permits. These laws, regulations and permits can often require pollution control equipment or operational changes to limit actual or potential impacts to the environment. These laws, regulations and permit conditions may change and become more difficult to comply with. A violation of these laws, regulations or permit conditions could result in substantial fines, damages, criminal sanctions, permit revocations and/or a plant shutdown. Any such action may have a material adverse effect on PCT's business, financial condition, results of operations and prospects.

Risks Related to Human Capital Management

PCT is dependent on management and key personnel, and PCT's business would suffer if it fails to retain its key personnel and attract additional highly skilled employees.

PCT's success is dependent on the specialized skills of its management team and key operating personnel. This may present particular challenges as PCT operates in a highly specialized industry sector, which may make replacement of its management team and key operating personnel difficult. A loss of the managers or key employees, or their failure to satisfactorily perform their responsibilities, could have an adverse effect on PCT's business, financial condition, results of operations and prospects.

PCT's future success will depend on its ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of its organization, particularly research and development, recycling technology, operations and sales. Trained and experienced personnel are in high demand and may be in short supply. Many of the companies with which PCT competes for experienced employees have greater resources than PCT does and may be able to offer more attractive terms of employment. In addition, PCT invests significant time and expense in training employees, which increases their value to competitors that may seek to recruit them. PCT may not be able to attract, develop and maintain the skilled workforce necessary to operate its business, and labor expenses may increase as a result of a shortage in the supply of qualified personnel, which will negatively impact PCT's business, financial condition, results of operations and prospects.

Risks Related to PCT's common stock

Certain current and former stockholders of PCT have the right to elect a certain number of directors to PCT's board of directors.

The terms of the Investor Rights Agreement provide a majority of those stockholders of ROCH party to such agreement (which does not include public stockholders of ROCH) the right to elect two directors to the board of directors of PCT for a period of two years following the Closing Date, provided that in the event a majority of the holders of the Pre-PIPE Shares (as defined in the Investor Rights Agreement) choose to select one of such designees, they are entitled to so choose one until the Pre-PIPE Investors (as defined in the Investor Rights Agreement) no longer hold 10% or more of PCT's outstanding common stock and such stockholders of ROCH are entitled to choose the other. Pursuant to these provisions and effective upon the consummation of the Business Combination, ROCH designated Mr. Fernando Musa to serve on PCT's board of directors and the holders of the Pre-PIPE Shares designated Mr. Jeffrey Fielier. As a result of the percentage of PCT common stock represented by parties to the Investor Rights Agreement following the Closing Date, it is unlikely that public stockholders of PCT will have the ability to effectively influence the election of directors during the period these provisions of the Investor Rights Agreement are applicable. While the directors designated pursuant to the Investor Rights Agreement are obligated to act in accordance with their applicable fiduciary duties, their interests may be aligned with the interests of the investors they represent, which may not always coincide with our corporate interests or the interests of PCT's other stockholders.

Pursuant to a letter agreement entered into between Pure Crown LLC ("Pure Crown") and PCT, dated October 5, 2020, Pure Crown is entitled to select one director to the board of directors of PCT (the "Pure Crown Director"), and Pure Crown designated Ms. Tanya Burnell as the current Pure Crown Director. For so long as

Pure Crown has this right to select one director to the board of PCT, any vacancy with respect to the Pure Crown Director may only be filled by Pure Crown.

Furthermore, pursuant to the board representation agreement entered into with Sylebra Capital Management (an entity affiliated with the Pre-PIPE Investors, "Sylebra Capital") in connection with the Offering (as defined below), Sylebra Capital has been granted the right to designate (i) one person to be nominated for election to the Board so long as Sylebra Capital together with its affiliates beneficially owns at least 10.0% of the Company's common stock, and (ii) two persons to be nominated for election to the Board so long as Sylebra Capital together with its affiliates beneficially owns at least 15.0% of the Company's common stock, subject to certain exceptions, including that Sylebra Capital together with its affiliates will not be entitled to designate more than two nominees. Accordingly, Sylebra Capital is currently entitled to designate two directors for nomination, and has designated Jeff Fieler (as an affiliate of the Pre-PIPE holders) and Dan Coombs to serve on the board of PCT.

Future offerings of debt or offerings or issuances of equity securities by PCT may adversely affect the market price of PCT's common stock or otherwise dilute all other stockholders.

In the future, PCT may attempt to obtain financing or further increase PCT's capital resources by issuing additional shares of PCT's common stock or offering debt or other equity securities, including commercial paper, medium-term notes, senior or subordinated notes, debt securities convertible into equity or shares of preferred stock. PCT also expects to grant equity awards to employees, directors, and consultants under PCT's stock incentive plans. The implementation of PCT's business strategy could require substantial additional capital in excess of cash from operations. PCT would expect to obtain the capital required for the implementation of its business strategy through a combination of additional issuances of equity, corporate indebtedness and/or cash from operations, which may be effectuated through private financings.

Issuing additional shares of PCT's common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of PCT's existing stockholders or reduce the market price of PCT's common stock or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of PCT's available assets prior to the holders of PCT's common stock. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit PCT's ability to pay dividends to the holders of PCT's common stock. PCT's decision to issue securities in any future offering will depend on market conditions and other factors beyond PCT's control, which may adversely affect the amount, timing and nature of PCT's future offerings.

General Risk Factors

PCT may be unable to obtain additional financing to fund the operations and growth of the business.

PCT requires additional financing to fund its operations or growth. The failure to secure additional financing could have a material adverse effect on the continued development or growth of PCT. Such financings may result in dilution to stockholders, issuance of securities with priority as to liquidation and dividend and other rights more favorable than common stock, imposition of debt covenants and repayment obligations, or other restrictions that may adversely affect its business. In addition, PCT may seek additional capital due to favorable market conditions or strategic considerations even if it believes that it has sufficient funds for current or future operating plans. There can be no assurance that financing will be available to PCT on favorable terms, or at all. The inability to obtain financing when needed may make it more difficult for PCT to operate its business or implement its growth plans.

PCT identified certain material weaknesses in its internal control over financial reporting. If PCT is unable to remediate these material weaknesses, or if PCT identifies additional material weaknesses in the future or otherwise fails to maintain an effective system of internal controls, PCT may not be able to accurately or timely report its financial condition or results of operations, which may adversely affect PCT's business and stock price.

In connection with the preparation of PCT's consolidated financial statements for the years ended December 31, 2022 and 2021, certain material weaknesses were identified in PCT's internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of PCT's interim or annual

consolidated financial statements will not be prevented or detected on a timely basis. Two of the material weaknesses identified as of December 31, 2021 remained unremediated as of December 31, 2022. Although PCT was able to remediate some of the material weaknesses identified as of December 31, 2021, it cannot guarantee that other material weaknesses will not arise in the future (which could be similar to those which were remediated).

These material weaknesses could result in a misstatement of substantially all of PCT's accounts or disclosures, which would result in a material misstatement to the interim or annual consolidated financial statements that would not be prevented or detected. PCT has commenced measures to remediate the identified material weaknesses. PCT will not be able to fully remediate these material weaknesses until certain steps have been completed and have been operating effectively for a sufficient period of time.

If PCT is unable to remediate the material weaknesses, its ability to record, process and report financial information accurately, and to prepare financial statements within the time periods specified by the forms of the SEC, could be adversely affected which, in turn, may adversely affect PCT's reputation and business and the market price of the Company's common stock.

In addition, any such failures could result in litigation or regulatory actions by the SEC or other regulatory authorities, loss of investor confidence, delisting of PCT's securities and harm to PCT's reputation and financial condition, or diversion of financial and management resources from the operation of PCT's business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

PCT owns the land that will be used for the Ironton Facility located in Lawrence County, Ohio. PCT, through a subsidiary, also leases a building and its approximately two acres of land located diagonally from the FEU to use for PCT's operations from the Lawrence Economic Development Commission. The lease was executed in May of 2021 and expires in May 2026, though PCT may extend the lease for up to three additional five-year terms.

PCT leases its corporate headquarters office space, which consists of approximately 14,232 square feet located at 5950 Hazeltine National Drive, Suite 300, Orlando, Florida 32822, and expires in 2027.

In 2021, The Company entered into a new operating lease of commercial land and building for its first Feed PreP facility in Winter Garden, Florida, which expires in August 2032.

In 2021, PCT reached an agreement with The Augusta Economic Development Authority ("AEDA") to build its first U.S. multi-line facility in Augusta, Georgia on a 200-acre site to be developed during up to three phases. The land, buildings and equipment for the facility will be owned by the AEDA and will be leased to the Company under a legal sale-leaseback structure that will provide certain local property tax incentives to the Company as lessee of the property. At the conclusion of the lease in 2044, the Company will have the right to acquire title to the property from the AEDA for a nominal cost.

On October 5, 2022, PCT and the AEDA executed an agreement in which the AEDA agreed to forbear from terminating their initial agreement should PCT obtain financing by December 31, 2022. On December 1, 2022, PCT and the AEDA executed an amendment to the October 5, 2022 agreement, which amends the period during which the AEDA will forbear any action to terminate their initial agreement from December 31, 2022 to June 30, 2023, and requires PCT to fund the initial construction activities for one line at the Augusta facility and close the AEDA land transaction by June 30, 2023. The amendment to the October 5, 2022 agreement also requires PCT to pay the AEDA \$25,000 per month starting in January 2023 until PCT can satisfy certain of its obligations set forth in its agreements. 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.

In 2022, The Company entered into a new operating lease of commercial land and building for a feed PreP facility in Denver, Pennsylvania, which is expected to commence by the end of 2023 with an initial term of 15

years and total minimum lease payments of \$52.3 million. The lease is expected to commence by the end of 2023.

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 over the term of the lease of €27.7 million, subject to annual inflation adjustments. Lease payments will begin July 1, 2023.

Item 3. Legal Proceedings

For a description of the legal proceedings pending against us, see "Legal Proceedings" in Note 14 ("Contingencies") to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K.

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 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our units, common stock and warrants trade on NASDAQ under the symbols “PCT,” “PCTTW” and “PCTTU,” respectively.

Holders of Record

As of March 13, 2023, there were (i) 145 holders of record of our common stock, (ii) 1 holder of record of our units, and (iii) 11 holders of record of our warrants. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of shares of common stock, units, or warrants that are held in the names of various security brokers, dealers, and registered clearing agencies.

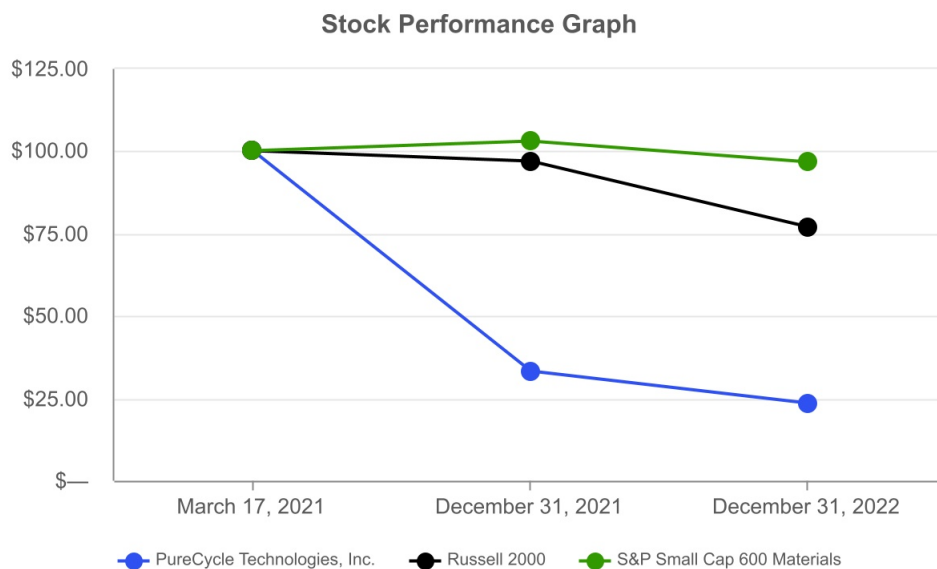
Dividends

We have not paid any dividends on our common stock to date. It is our present intention to retain any earnings for use in our business operations and, accordingly we do not anticipate that the board of directors will declare any dividends in the foreseeable future on our common stock.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on the Company’s common stock to the total returns on the Russell 2000 Stock Index and the Standard & Poor’s (“S&P”) Small Cap 600 Materials Stock Index. The changes for the periods shown in the graph assume that \$100 had been invested in PureCycle stock and each index at the close of trading on the first day subsequent to closing of the Business Combination,

and that all dividends, if any, were reinvested. The graph is presented pursuant to SEC rules and is not meant to be an indication of our future performance.



	March 17, 2021	December 31, 2021	December 31, 2022
PureCycle Technologies, Inc.	\$ 100.00	\$ 33.11	\$ 23.39
Russell 2000	\$ 100.00	\$ 96.88	\$ 77.08
S&P Small Cap 600 Materials	\$ 100.00	\$ 102.88	\$ 96.62

Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12 of this Form 10-K and Note 5, Equity-Based Compensation of the Notes to Consolidated Financial Statements included herein for additional information required.

Recent Sales of Unregistered Securities

On or before March 7, 2022, we entered into subscription agreements (the “Subscription Agreements”) with certain investors (the “Investors”), pursuant to which we agreed to sell to the Investors, in a private placement (the “Private Placement”), an aggregate of approximately 35.7 million shares of Common Stock and Series A Warrants to purchase an aggregate of approximately 17.9 million shares of Common Stock at a price of \$7.00 per share of Common Stock and one-half (1/2) of one Series A Warrant, for gross proceeds of approximately \$250.0 million. The Series A Warrants have an exercise price of \$11.50 per share, will be exercisable beginning on the calendar day following the six month anniversary of the date of issuance, will expire on March 17, 2026 and are redeemable at a price of \$0.01 per Series A Warrant if the last sales price of the Common Stock has been equal to or greater than \$18.00 per share (subject to adjustment for splits, dividends, recapitalizations and other similar events) for any twenty (20) trading days within a thirty (30) trading day period commencing after the Series A Warrants become exercisable. The Private Placement closed on March 17, 2022.

The issuance and sale of the shares of Common Stock and the Series A Warrants pursuant to the Subscription Agreements and the issuance and sale of the shares of Common Stock issuable upon exercise of the Series A Warrants were not registered under the Securities Act of 1933 (the “Securities Act”) and were offered pursuant to the exemption provided in Section 4(a)(2) under the Securities Act and Regulation D promulgated thereunder.

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 fourth quarter of 2022.

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
October 1 to October 31	1,174	9.25	—	—
November 1 to November 30	6,308	7.01	—	—
December 1 to December 31	1,174	6.51	—	—
Total	8,656	\$ 7.25	—	\$ —

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

Item 6. [Reserved]

Item 7. 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 consolidated results of operations and financial condition. The discussion should be read together with the audited consolidated financial statements, together with related notes thereto, included elsewhere in this 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 expects to commence commissioning activities at its first commercial-scale plant in Lawrence County, Ohio (referred to herein as the "Ironton Facility"), which is expected to have UPR resin capacity of approximately 107 million pounds/year when fully operational. 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. Full production capacity is expected to be achieved later in 2023. PCT has secured and contracted all the feedstock and product offtake for this initial plant. The Ironton Facility's original budget was \$242.1 million and was

expected to be entirely financed through the \$250 million Revenue Bond offering. As of December 31, 2022, the remaining capital, allocated from the Revenue Bond funds, was \$13.2 million.

Through December 31, 2022, total cash invested in the Ironton Facility was \$280.9 million. PCT currently anticipates the 2023 investment to complete the project could range from \$55.0 million up to \$80.0 million, which would put the higher-end of the project investment at approximately \$361.0 million. This range is dependent upon various contract contingencies and their ultimate resolution. PCT expects to successfully negotiate at least some of these contingencies, which would reduce the remaining 2023 investment to the lower end of the range. In early 2023, PCT negotiated a Limited Waiver (as defined below) with the Revenue Bondholders to remedy an event of default related to PCT's failure to meet certain construction milestones under the Revenue Bonds – see Note 3 (“Notes Payable and Debt Instruments”) to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K for additional information. As part of this Limited Waiver, the Revenue Bondholders agreed to release \$13.2 million from the Trustee account for the Revenue Bonds for use as part of the remaining investment in 2023 to complete the Ironton Facility. In exchange for this Limited Waiver, PCT also agreed to meet certain milestones, pay certain amounts for various purposes to the Trustee (as defined below) and make certain other representations, warranties and covenants, including closing a financing transaction of at least \$150.0 million by March 31, 2023 (which is satisfied by the closing of the Revolving Credit Facility (as defined below)). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Indebtedness – Revenue Bonds” for more information.

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 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.

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 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 close throughout 2023.

On October 5, 2022, PCT and the AEDA executed an agreement in which the AEDA agreed to forbear from terminating their initial agreement should PCT obtain financing by December 31, 2022. On December 1, 2022, PCT and the AEDA executed an amendment to the October 5, 2022 agreement, which amends the period during which the AEDA will forbear any action to terminate their initial agreement from December 31, 2022 to June 30, 2023, and requires PCT to fund the initial construction activities for one line at the Augusta facility and close the AEDA land transaction by June 30, 2023. The amendment to the October 5, 2022 agreement also requires PCT to pay the AEDA \$25,000 per month starting in January 2023 until PCT can satisfy certain of its obligations set forth in its agreements. 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.

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 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 has experienced new 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 under 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 by the end of 2023, 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 also planning to expand its production capabilities into Asia through negotiation of joint ventures with a counterparty 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 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.

Results of Operations

The following table summarizes our operating results for the years ended December 31, 2022, 2021 and 2020:

(in thousands, except %)	Years ended December 31,							
	2022	2021	\$ Change	% Change	2020	\$ Change	% Change	
Costs and expenses								
Operating costs	\$ 26,559	\$ 10,554	\$ 16,005	152 %	\$ 8,603	\$ 1,951	23 %	
Research and development	1,090	1,411	(321)	(23)%	648	763	118 %	
Selling, general and administrative	53,669	57,615	(3,946)	(7)%	27,971	29,644	106 %	
Total operating costs and expenses	81,318	69,580	11,738	17 %	37,222	32,358	87 %	
Interest (income) expense	(2,641)	6,652	(9,293)	(140)%	4,106	2,546	62 %	
Change in fair value of warrants	5,842	1,476	4,366	296 %	11,554	(10,078)	(87)%	
Other expense (income)	227	(206)	433	(210)%	110	(316)	(287)%	
Net loss	\$ 84,746	\$ 77,502	\$ 7,244	9 %	\$ 52,992	\$ 24,510	46 %	

Comparison of the years ended December 31, 2022 and 2021

Operating Costs

The increase was attributable to higher employee costs of \$9.1 million due primarily to increased headcount at the Ironton Facility and Feed PreP facility in Central Florida, increased operational consulting costs to support development of the commercial production process of \$3.0 million, higher rent for operating facilities of \$1.7 million, higher depreciation expense of \$1.3 million, increased site costs of \$0.5 million, and operational travel and other expenses of \$0.4 million.

Research and Development Expenses

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

Selling, General and Administrative Expenses

The decrease was attributable to \$11.8 million lower equity compensation expense due to issuance of executive awards with higher value and shorter duration in 2021 that were not repeated in 2022, a \$1.5 million decrease in professional, legal, and public company expenses due primarily to costs incurred in 2021 related to the Business Combination that were not repeated in 2022, offset by \$5.2 million higher wages and benefits related to increased resources and headcount devoted to development of the Company's administrative functions, increased IT and infrastructure costs of \$1.7 million, higher insurance expense of \$1.1 million, additional taxes and licenses expense of \$0.5 million, and a \$0.9 million increase in other SG&A costs.

Interest Expense

The decrease was primarily attributable to lower interest after full conversion of the Convertible Notes (as defined below) to common stock in the fourth quarter of 2021, as well as higher income earned on available for sale debt securities due to rising interest rates.

Change in fair value of warrants

The increase was attributable to a \$5.8 million net increase in fair value of the liability-classified Series A, RTI and private warrants in 2022 compared to a \$1.5 million increase in fair value of the RTI and Private warrants in 2021.

Comparison of the years ended December 31, 2021 and 2020

Refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for the results of operations discussion for the fiscal year ended December 31, 2021 compared to the fiscal year ended December 31, 2020.

Liquidity and Capital Resources

To date, PCT has not generated any operating revenue. PCT expects to begin to generate revenue in 2023 when the Ironton Facility is expected to become commercially operational. PCT's ongoing operations have, to date, been funded by a combination of equity financing through the issuance of units and debt financing through the issuance of Convertible Senior Secured Notes, which were fully converted to equity in the fourth quarter of 2021 (the "Convertible Notes"), a series of tax-exempt and taxable bonds, (the "Revenue Bonds"), and the Closing of the Business Combination. Additionally, in March of 2022, PCT consummated an offering pursuant to which it sold to certain investors, in a private placement, an aggregate of 35.7 million shares of PCT's common stock and warrants to purchase an aggregate of 17.9 million shares of PCT's 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.

The following is a summary of the components of our current liquidity. The Debt Securities Available for Sale represent investment holdings in highly liquid debt securities and commercial paper with an average maturity of less than one year. 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 recently placed funds in an escrow account to support certain initial construction commitments for the Augusta Facility. These funds are recorded in Restricted Cash below.

(in millions)	December 31, 2022	December 31, 2021
Cash	\$ 63.9	\$ 33.4
Debt Securities Available for Sale	98.6	167.4
Unrestricted Liquidity	\$ 162.5	\$ 200.8
Less: Other Ironton Set-aside	54.6	50.7
Available Unrestricted Liquidity	\$ 107.9	\$ 150.1
Ironton Facility Construction	\$ 13.2	\$ 121.3
Liquidity Reserve	50.5	50.0
Capitalized Interest and Debt Reserve	38.0	55.6
Other Required Reserves Ironton	21.2	—
Augusta Construction Escrow	39.4	—
Letters of Credit and Other Collateral	1.3	3.5
Restricted Cash (current and non-current)	\$ 163.6	\$ 230.4
Bonds and Notes Payable	\$ 233.5	\$ 232.5
Add: Discount and Issuance Costs	16.1	17.1
Gross Bonds and Notes Payable	\$ 249.6	\$ 249.6

As of December 31, 2022, PCT had \$107.9 million of Available Unrestricted Liquidity. The Ironton set-aside amount of \$54.6 million, together with the Liquidity Reserve of \$50.5 million, relates to the Ironton Guaranty that requires PureCycle to maintain at least \$100.0 million of cash on its balance sheet in addition to other required operational reserves of \$4.6 million. Our ability to continue as a going concern is dependent on our ability to raise the necessary capital and begin revenue generation in 2023.

PCT currently anticipates that investments in 2023 to complete the Ironton Facility could range from \$55.0 million to \$80.0 million. This range is dependent upon various contract contingencies and their ultimate resolution. PCT expects to successfully negotiate at least some of these contingencies, which would reduce the remaining 2023 investment to the lower end of the range. In early 2023, PCT negotiated a Limited Waiver with the Revenue Bondholders to remedy an event of default related to PCT's failure to meet certain construction milestones under the Revenue Bonds – see Note 3 (“Notes Payable and Debt Instruments”) to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K for additional information. As part of this Limited Waiver, the Revenue Bondholders agreed to release \$13.2 million from the Trustee account for the Revenue Bonds for use as part of the remaining investment in 2023 to complete the Ironton Facility. Also, in conjunction with the Limited Waiver, PCT agreed to fund additional capitalized interest of approximately \$12.3 million. This additional capitalized interest reserve funds PCT's Revenue Bond interest payments through June 30, 2024. Certain of the funds described above and including the Ironton set-aside amount will be moved to restricted cash accounts for the benefit of the Ironton Project and/or the Revenue Bondholders as part of the Limited Waiver. In exchange for this Limited Waiver, PCT also agreed to meet certain milestones, pay certain amounts for various purposes to the Trustee and make certain other representations, warranties and covenants, including closing a financing transaction of at least \$150.0 million by March 31, 2023 (which is satisfied by the closing of the Revolving Credit Facility (as defined below)). See “Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Indebtedness – Revenue Bonds” for more information.

PCT also has other capital commitments of approximately \$21.2 million related to long-lead equipment and pre-construction work for the Augusta Facility and \$41.4 million for equipment and leases related to future Feed PreP and purification facilities. There are also ongoing monthly costs associated with managing the company.

Pursuant to the requirements of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 205-40, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the consolidated financial statements included in this Annual Report on Form 10-K are issued. This evaluation does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented or are not within control of the Company as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

PCT believes that its current level of Unrestricted Available Liquidity is not sufficient to fund operations, outstanding commitments, and further its future growth plans. The conditions described above raise 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 consolidated financial statements included in this Annual Report on Form 10-K.

In an effort to alleviate these conditions, on March 15, 2023, PCT entered into a \$150.0 million revolving credit facility (the "Revolving Credit Facility") pursuant to a Credit Agreement (the "Revolving Credit Agreement") 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 June 30, 2024. 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 – see Note 3 ("Notes Payable and Debt Instruments") to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K for additional information. After considering management's plans to mitigate these conditions, including adjustment of expenditure timing and execution of the Sylebra Revolving Credit Facility, 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 actual construction costs for the Ironton Facility, 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 our 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 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.

PCT has no 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 %)	Years ended December 31,							
	2022	2021	\$ Change	% Change	2020	\$ Change	% Change	
Net cash used in operating activities	\$ (65,478)	\$ (54,507)	\$ (10,971)	20 %	\$ (17,953)	\$ 36,554	(204)%	
Net cash used in investing activities	(218,387)	(305,575)	87,188	(29) %	(29,812)	275,763	(925)%	
Net cash provided by financing activities	247,530	293,366	(45,836)	(16) %	378,189	84,823	22 %	
Cash and cash equivalents, beginning of period	263,858	330,574	(66,716)	(20) %	150	(330,424)	(220,283)%	
Cash and cash equivalents, end of period	\$ 227,523	\$ 263,858	\$ (36,335)	(14) %	\$ 330,574	\$ 66,716	20 %	

Comparison of the years ended December 31, 2022 and 2021

Cash Flows from Operating Activities

The \$11.0 million increase in net cash used in operating activities for the year ending December 31, 2022 compared to the same period in 2021 was primarily attributable to higher cash payments for employee costs of approximately \$16.9 million, receipt of the \$5.0 million Total pre-payment in 2021 that was not present in 2022, a \$2.4 million increase in lease-related payments in 2022, and \$1.1 million increase in debt financing costs for the period, offset by \$13.9 million lower transaction and other related payments that were paid as part of the Business Combination in 2021, a decrease of \$1.6 million related to the Impact License agreement payment in 2021 that was not repeated in 2022, and \$1.1 million of net increases in other operating cash activities.

Cash Flows from Investing Activities

The \$87.2 million decrease in net cash used in investing activities for the year ending December 31, 2022 compared to the same period in 2021 was attributable to \$200.2 million in maturities and sales of available for sale debt securities and \$36.8 million lower purchases of available for sale debt securities, offset by \$149.8 million of additional capital expenditure payments related to construction of the Company's operating facilities.

Cash Flows from Financing Activities

The \$45.8 million decrease in net cash provided by financing activities for the year ending December 31, 2022 related to the same period in 2021 was primarily attributable to \$298.5 million from the closing of the Business Combination, net of capitalized issuance costs, as well as issuance of additional \$1.0 million in equity in the fourth quarter of 2021. This decrease was offset by \$249.2 million in proceeds from the 2022 PIPE Offering, net of related issuance costs, and a decrease in debt issuance costs of \$4.5 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, SOPA, the Trustee, PCT, PCTO Holdco 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 (collectively, the "Company Parties") entered into a Limited Waiver and First Supplemental Indenture (the "Limited Waiver"), supplementing the Indenture and amending the Loan Agreement and the amended and restated Guaranty (as defined in the Indenture), 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 is 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 shall 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.

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 million of working capital which may be used to support the Ironton Facility (which is satisfied by the closing of the Revolving Credit Facility); (ii) mechanical completion of the Ironton Facility by June 30, 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 approximate \$87.3 million of equity to be deposited with the Trustee is comprised of: (i) a deposit, by March 31, 2023, 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 such term is used 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 Trustee also released \$13.2 million from the Trustee account for the Revenue Bonds for use as part of the remaining investment in 2023 to complete the Ironton Facility in accordance with the Limited Waiver.

Convertible Notes

On October 6, 2020, PureCycle Technologies LLC ("Legacy PCT") entered into a Senior Notes Purchase Agreement (the "Agreement") with certain investors. The Agreement provides for the issuance of Senior Convertible Notes (the "Convertible Notes"). During the fourth quarter of 2021, the entire principal balance of the Convertible Notes was converted into approximately 9.2 million shares of common stock.

For further information regarding PCT's debt instruments, see Note 3 ("Notes Payable and Debt Instruments") to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K.

Sylebra Credit Facility

On March 15, 2023, PCT entered into a \$150 million revolving credit facility (the "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 June 30, 2024. 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.

Comparison of the years ended December 31, 2021 and 2020

Refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for the liquidity and capital resources discussion for the fiscal year ended December 31, 2021 compared to the fiscal year ended December 31, 2020.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date, as well as the reported expenses incurred during the reporting period. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to our financial statements.

We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates.

While our significant accounting policies are described in Note 2 (“Summary of Significant Accounting Policies”) to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K, we believe that the following accounting policies require a greater degree of judgment and complexity.

Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that PCT will continue as a going concern; however, the conditions described above 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.

Warrants

The Company measures the warrants issued to nonemployees at the fair value of the equity instruments issued as of the warrant issuance date and recognizes that amount as selling, general, and administrative expense in accordance with the vesting terms of the warrant agreement. In the event that the terms of the warrants qualify as a liability, the Company accounts for the instrument as a liability recorded at fair value each reporting period through earnings.

The Company has determined that warrants issued to RTI ("RTI Warrants") and its private warrants are a Level 3 fair value measurement and has used the Black-Scholes option pricing model to value these warrants, which requires the input of the following subjective assumptions:

- a) The expected dividends,
- b) The volatility of our common stock price over the expected term,
- c) The length of time warrant holders will retain the warrants before exercising them ("expected term"), and
- d) The risk-free interest rate over the warrant's expected term.

A summary of how each significant assumption was developed for our warrant liabilities is as follows:

- Expected dividend yield: The dividend yield is assumed to be zero since PCT has not historically paid dividends
- Expected volatility: The expected volatility was based on PCT's capital structure and volatility of PCT's stock or publicly-traded warrants.
- Expected term: The expected term is determined based on the expected amount of time the warrants will be held before they are exercised.
- Risk-free interest rate: The risk-free interest rate was based upon quoted market yields for the United States Treasury instruments with terms that were consistent with the expected term of the warrants.

The Company has determined that the Series A Warrants are a level 2 fair value measurement with the only input being the market price of its publicly-traded warrants.

RTI Warrants

The Company initially determined the warrants issued to RTI ("RTI Warrants") in connection with terms of a professional services agreement were equity classified. Accordingly, the warrant units were held at their initial fair value with no subsequent remeasurement.

In connection with the Business Combination discussed in Note 1 ("Organization") to the Notes to the Consolidated Financial Statements, the Company modified the RTI warrant agreement to purchase 971.0 thousand shares of PCT common stock instead of Legacy PCT Class C Units on November 20, 2020. RTI can exercise these warrants upon the first anniversary of Closing of the Business Combination. The warrants expire on December 31, 2024. In connection with the closing of the Business Combination, the Company determined the warrants issued are liability classified under ASC 480. Accordingly, the warrants will be held at their initial

fair value and remeasured at fair value at each subsequent reporting date with changes in the fair value presented in the statements of comprehensive loss.

A summary of the significant assumptions used to estimate the fair value of the RTI Warrants as of December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Expected annual dividend yield	— %	— %
Expected volatility	99.7 %	59.6 %
Risk-free rate of return	4.36 %	0.97 %
Expected option term (years)	2.0	3.0

The Company recognized \$1.5 million of benefit and \$5.2 million of expense related to the change in fair value of the RTI warrant liability for the years ended December 31, 2022 and 2021, respectively.

Public and Private Warrants

Upon the closing of the Business Combination, there were approximately 5.9 million outstanding public and private warrants to purchase shares of the Company's common stock that were issued by ROCH prior to the Business Combination. 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 determined the private warrants are liability classified. Accordingly, the warrants were held at their initial fair value and remeasured at fair value at each subsequent reporting date with changes in the fair value presented in the statements of comprehensive loss.

A summary of the significant assumptions used to estimate the fair value of the private warrants as of December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Expected annual dividend yield	— %	— %
Expected volatility	105.1 %	69.5 %
Risk-free rate of return	4.15 %	1.14 %
Expected option term (years)	3.2	4.2

The Company recognized \$0.2 million and \$3.7 million of benefit related to the change in fair value of the private warrant liability for the years ended December 31, 2022 and 2021, respectively.

If factors change, and we utilize different assumptions, the calculated warrant liabilities and related change in fair value may differ significantly in future periods. Higher volatility and longer expected terms result in an increase to the warrant liabilities and related change in fair value at each measurement date. Future warrant liabilities will increase to the extent that we issue additional warrants, as well as any increase in the market price of PCT's common stock. If there are any modifications or cancellations, this may impact the warrant liabilities and related expense or benefit recognized. Change in fair value of warrant liabilities is presented as its own line item within the consolidated statements of comprehensive loss.

For further information regarding PCT's warrant liabilities, see Note 6 ("Warrants") to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K.

Series A Warrants

Upon closing of the 2022 Pipe Offering, there were approximately 17.9 million outstanding Series A Warrants to purchase shares of the Company's common stock, which were determined to be liability classified. Accordingly, the warrants were and will be 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 loss.

As these warrants have similar redemption features and the same exercise price as the Company's publicly-traded warrants, the market price of the publicly-traded warrants is utilized to value the Series A Warrants. Future warrant liabilities will increase to the extent that there are increases in the market price of the publicly-traded warrants. If there are any modifications or cancellations, this may impact the warrant liabilities and related expense or benefit recognized. Change in fair value of warrant liabilities is presented as its own line item within the consolidated statements of comprehensive loss. The Company recognized \$7.5 million of expense for the year ended December 31, 2022.

For further information regarding PCT's warrant liabilities, see Note 6 ("Warrants") to the Notes to the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K.

Recent Accounting Pronouncements

See the audited consolidated financial statements and Note 2 to the audited consolidated financial statements and audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K 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 7A. Quantitative and Qualitative Disclosures About Market Risk

Inflation Risk

The primary inflationary factors affecting our operations are labor, materials, and energy costs related to construction of our purification plants and Feed PreP facilities. Continued inflationary pressures could affect the global and U.S. economies and could have an adverse impact on our construction costs. While we expect to partially offset inflation and other changes in the costs of construction through our pricing strategies, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that these measures will be successful.

Investments in Debt Securities

Our investment policy is established by the Chief Executive Officer and Chief Financial Officer and is reviewed as needed. Pursuant to this investment policy, as of December 31, 2022, all investments were in debt securities and cash and cash equivalents, which are considered to be available-for-sale and are marked-to-market. We do not use any swaps, options, futures or forward contracts to hedge or enhance our investment portfolio. We manage the market risk related to these investments by holding only highly liquid, minimum "A" rated securities. The weighted average maturity of our investment portfolio is 0.4 years.

Commodity Market Risk

The plastics manufacturing industry is extremely price competitive because of the commodity-like nature of virgin polypropylene resin and its correlation to the price of crude oil. The demand for recycled plastics can also fluctuate with the price of crude oil. If crude oil prices materially decline for an extended period, the cost to manufacture our UPR resin may become comparatively higher than the cost to manufacture virgin polypropylene resin. We believe that the current shifting market expectations toward sustainable sourcing of consumer plastics provides some protection from the risk related to fluctuating commodity prices.

Raw Material Price Risk

We will purchase feedstock for our purification process from various sources. While many of the categories of feedstock we source are available from independent suppliers, feedstock containing high levels of polypropylene is subject to fluctuations in price and availability attributable to a number of factors, including general economic conditions, commodity price fluctuations, the demand by competitors and other industries for the same raw materials and the availability of complementary and substitute materials. The profitability of our business also depends on the availability and proximity of these raw materials to our Feed PreP facilities and purification plants. The choice of feedstock to be used at our facilities is determined primarily by the price, availability, and polypropylene purity and content of waste polypropylene procured. Additionally, the high cost of transportation could favor suppliers located in closer proximity to our facilities. If the quality and polypropylene content of the feedstock is lower, the quality of our UPR resin and efficiencies of our purification process may suffer. Changes in consumer behavior regarding consumption of products utilizing polypropylene, as well as

consumer desire for UPR resin could also impact our business. Increases in feedstock and other raw material costs could have a material adverse effect on our business, financial condition or results of operations. Attempts to hedge against these raw material fluctuations may be insufficient, and our results could be materially impacted if the costs of materials increase. We believe our Feedstock+ pricing model, principally applicable to contracts signed for the Augusta Facility, provides certain protection from the risk of increased prices in obtaining and processing raw materials utilized in our purification process.

Item 8. Financial Statements and Supplementary Data

PureCycle Technologies, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
PureCycle Technologies, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of PureCycle Technologies, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive loss, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 16, 2023 expressed an adverse opinion.

Change in accounting principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for lease arrangements in 2022 due to the adoption of Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842).

Going concern

As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency. Management’s evaluation of the events and conditions and management’s plans to mitigate these matters are also described in Note 1.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Going concern analysis

As described further in Note 1 to the financial statements, the Company has sustained recurring losses and negative cash flows from operations since inception. As of December 31, 2022, the Company has Available Unrestricted Liquidity of \$107.9 million, Restricted Cash of \$163.6 million and a positive working capital of \$197.9 million. During the year ended December 31, 2022, the Company incurred a net loss of \$84.7 million and net cash used in operating activities was \$65.5 million. The conditions described in Note 1 raise substantial doubt regarding the Company's ability to continue as a going concern for a period of at least one year from the date of issuance of the financial statements; however, management believes its plans to mitigate these conditions alleviates this substantial doubt and it believes the Company will be able to meet its obligations as they become due within one year after the date that the financial statements are issued.

We identified the going concern analysis and evaluation of the related disclosures as a critical audit matter. The principal considerations for our determination that the going concern analysis is a critical audit matter are the significant judgements and assumptions made by management in developing the cash flow forecast. There was a high degree of auditor judgement and subjectivity in performing our procedures to evaluate the reasonableness of the cash flow forecast.

Our audit procedures related to the going concern analysis included the following, among others:

- We tested the design and operating effectiveness of controls relating to management's going concern analysis.
- We obtained management's cash flow forecasts covering the going concern assessment period to March 2024. We tested the accuracy of underlying data used in preparing the cash flow forecast by determining whether there was adequate support, including agreeing committed financing to third-party support.
- We evaluated the reasonableness of the cash flow forecast by comparing to historical operating results to consider management's ability to accurately forecast and performing sensitivity analysis on cash expenditures and commitments.
- We performed testing over the significant assumptions used in developing the Company's cash flow forecast to assess the accuracy of the Company's forecast. The key assumptions evaluated by the audit team included the following:
 - the probability of meeting the milestones as required in the Limited Waiver.
 - the probability of successfully obtaining additional financing arrangements.
 - Remaining investment to complete the Ironton Plant.
- We evaluated management's forecasted cash needs in the context of other audit evidence obtained, including but not limited to, board of director and committee minutes, presentations and communications with investors and third parties, and significant contracts entered into during 2022 to determine whether the other audit evidence supported or contradicted the cash flow forecast.
- We tested the subsequent event activity including, but not limited to, the Limited Waiver and additional financing arrangements entered into through March 16, 2023.
- We assessed the appropriateness of the disclosures included within the consolidated financial statements relating to liquidity and going concern.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2019.

Chicago, Illinois
March 16, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
PureCycle Technologies, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of PureCycle Technologies, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, because of the effect of the material weaknesses described in the following paragraphs on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management’s assessment.

- The Company 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.
- The Company lacks formal processes and controls that resulted in an ineffective control environment, which led to an inadequate review of the financial statements and financial reporting.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2022. The material weaknesses identified above were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2022 consolidated financial statements, and this report does not affect our report dated March 16, 2023, which expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements

in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other information

We do not express an opinion or any other form of assurance on management's remediation plans related to the currently reported material weaknesses in internal control over financial reporting as of December 31, 2022. In addition, we do not express an opinion or any other form of assurance on management's remediation of previously reported material weaknesses in internal control over financial reporting as of December 31, 2021.

/s/ GRANT THORNTON LLP

Chicago, Illinois
March 16, 2023

PureCycle Technologies, Inc.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2022	2021
ASSETS		
<i>(in thousands except per share data)</i>		
CURRENT ASSETS		
Cash	\$ 63,892	\$ 33,417
Debt securities available for sale	98,592	167,365
Restricted cash – current	68,850	141,855
Prepaid expenses and other current assets	4,883	2,712
Total current assets	236,217	345,349
Restricted cash – non-current	94,781	88,586
Prepaid expenses and other non-current assets	5,483	5,535
Operating lease right-of-use assets	19,136	—
Property, plant and equipment, net	505,719	225,214
TOTAL ASSETS	\$ 861,336	\$ 664,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,667	\$ 1,401
Accrued expenses	35,102	35,526
Accrued interest	1,532	1,532
Total current liabilities	38,301	38,459
NON-CURRENT LIABILITIES		
Deferred revenue	5,000	5,000
Bonds payable – non-current	233,513	232,508
Warrant liability	55,883	6,113
Operating lease right-of-use liabilities	16,620	—
Other non-current liabilities	1,136	1,069
TOTAL LIABILITIES	\$ 350,453	\$ 283,149
COMMITMENT AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares - \$0.001 par value, 250,000 shares authorized; 163,550 and 127,647 shares issued and outstanding as of December 31, 2022 and December 31, 2021	164	128
Additional paid-in capital	753,885	539,423
Accumulated other comprehensive loss	(641)	(237)
Accumulated deficit	(242,525)	(157,779)
TOTAL STOCKHOLDERS' EQUITY	510,883	381,535
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 861,336	\$ 664,684

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

PureCycle Technologies, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years ended December 31,		
	2022	2021	2020
<i>(in thousands except per share data)</i>			
Costs and expenses			
Operating costs	\$ 26,559	\$ 10,554	\$ 8,603
Research and development	1,090	1,411	648
Selling, general and administrative	53,669	57,615	27,971
Total operating costs and expenses	81,318	69,580	37,222
Interest (income) expense	(2,641)	6,652	4,106
Change in fair value of warrants	5,842	1,476	11,554
Other expense (income)	227	(206)	110
Total other expense	3,428	7,922	15,770
Net loss	\$ (84,746)	\$ (77,502)	\$ (52,992)
Loss per share			
Basic and diluted	\$ (0.54)	\$ (0.75)	\$ (1.96)
Weighted average common shares			
Basic and diluted	155,957	102,913	28,732
Other comprehensive loss:			
Unrealized loss on debt securities available for sale	\$ (404)	\$ (237)	\$ —
Total comprehensive loss	\$ (85,150)	\$ (77,739)	\$ (52,992)

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

PureCycle Technologies, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	For the Year ended December 31, 2022													
	Common stock		Class A		Class B Preferred		Class B-1 Preferred		Class C		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount				
<i>(in thousands)</i>														
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
Forfeiture of restricted stock	(33)	—	—	—	—	—	—	—	—	—	—	—	—	—
Share repurchase	(212)	—	—	—	—	—	—	—	—	—	(1,639)	—	—	(1,639)
Equity based compensation	434	1	—	—	—	—	—	—	—	—	10,840	—	—	10,841
Unrealized loss on available for sale debt securities	—	—	—	—	—	—	—	—	—	—	—	(404)	—	(404)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(84,746)	(84,746)
Balance, December 31, 2022	163,550	\$ 164	—	\$ —	—	\$ —	—	\$ —	—	\$ —	\$ 753,885	\$ (641)	\$ (242,525)	\$ 510,883

	For the Year ended December 31, 2021													
	Common stock		Class A		Class B Preferred		Class B-1 Preferred		Class C		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount				
<i>(in thousands)</i>														
Balance, December 31, 2020	—	\$ —	3,612	\$ 88,081	1,938	\$ 20,071	1,105	\$ 41,162	775	\$ 11,967	\$ 31,182	\$ —	\$ (80,714)	\$ 111,749
Conversion of stock	—	—	34,386	(88,043)	18,690	(20,050)	15,217	(41,146)	5,936	(11,960)	161,199	—	—	—
Balance at December 31, 2020, effect of reverse recapitalization conversion	—	\$ —	37,998	\$ 38	20,628	\$ 21	16,322	\$ 16	6,711	\$ 7	\$ 192,381	\$ —	\$ (80,714)	\$ 111,749
Issuance of units upon vesting of Legacy PCT profits interests	—	—	—	—	—	—	—	—	116	—	239	—	—	239
Redemption of vested profit units	—	—	—	—	—	—	—	—	(5)	—	(36)	—	—	(36)
Removal of beneficial conversion feature upon adoption of ASU 2020-06	—	—	—	—	—	—	—	—	—	—	(31,075)	—	437	(30,638)
Merger Recapitalization	81,754	82	(37,998)	(38)	(20,628)	(21)	(16,322)	(16)	(6,822)	(7)	—	—	—	—
ROCH Shares Recapitalized, Net of Redemptions, Warrant Liability and Issuance Costs of \$27.9 million	34,823	35	—	—	—	—	—	—	—	—	293,931	—	—	293,966
Issuance of shares upon conversion of Convertible Notes	9,165	9	—	—	—	—	—	—	—	—	61,787	—	—	61,796
Issuance of restricted stock awards	1,775	2	—	—	—	—	—	—	—	—	(2)	—	—	—
Issuance of common stock	236	1	—	—	—	—	—	—	—	—	999	—	—	1,000
Exercise of warrants	17	—	—	—	—	—	—	—	—	—	196	—	—	196
Forfeiture of restricted stock	(23)	(1)	—	—	—	—	—	—	—	—	1	—	—	—
Share repurchase	(131)	—	—	—	—	—	—	—	—	—	(1,695)	—	—	(1,695)
Reclassification of redeemable warrant to liability	—	—	—	—	—	—	—	—	—	—	(33)	—	—	(33)
Equity based compensation	31	—	—	—	—	—	—	—	—	—	22,730	—	—	22,730
Unrealized loss on available for sale debt securities	—	—	—	—	—	—	—	—	—	—	—	(237)	—	(237)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(77,502)	(77,502)
Balance, December 31, 2021	127,647	\$ 128	—	\$ —	—	\$ —	—	\$ —	—	\$ —	\$ 539,423	\$ (237)	\$ (157,779)	\$ 381,535

PureCycle Technologies, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY – CONTINUED

	For the Year ended December 31, 2020												Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Common stock		Class A		Class B Preferred		Class B-1 Preferred		Class C							
<i>(in thousands)</i>	Shares	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount						
Balance, December 31, 2019	—	\$ —	2,581	\$ 387	1,728	\$ 1,898	630	\$ 23,656	436	\$ 4,054	\$ 107	\$ —	\$ (27,722)	\$ 2,380		
Conversion of stock	—	—	24,575	(360)	16,660	(1,880)	8,670	(23,647)	3,625	(4,050)	29,937	—	—	\$ —		
Balance at December 31, 2019, effect of reverse recapitalization conversion	—	\$ —	27,156	\$ 27	18,388	\$ 18	9,300	\$ 9	4,061	\$ 4	\$ 30,044	\$ —	\$ (27,722)	\$ 2,380		
Issuance of units	—	—	10,842	11	2,240	3	7,022	7	370	—	125,655	—	—	125,676		
Issuance of units upon vesting of Legacy PCT profits interests	—	—	—	—	—	—	—	—	2,288	3	5,623	—	—	5,626		
Redemption of vested profit units	—	—	—	—	—	—	—	—	(8)	—	(16)	—	—	(16)		
Beneficial conversion feature upon issuance of convertible notes	—	—	—	—	—	—	—	—	—	—	31,075	—	—	31,075		
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(52,992)	(52,992)		
Balance, December 31, 2020	—	\$ —	37,998	\$ 38	20,628	\$ 21	16,322	\$ 16	6,711	\$ 7	\$ 192,381	\$ —	\$ (80,714)	\$ 111,749		

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

PureCycle Technologies, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Years ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net loss	\$ (84,746)	\$ (77,502)	\$ (52,992)
Adjustments to reconcile net loss to net cash used in operating activities			
Equity-based compensation	10,840	22,636	5,626
Non-cash issuance of shares	—	333	333
Fair value change of warrants	5,842	1,476	11,554
Depreciation expense	3,613	2,281	1,896
Accretion of debt instrument discounts	237	223	48
Amortization of debt issuance costs	767	2,389	173
(Accretion) amortization of (discount) premium on debt securities	(432)	584	—
Operating lease amortization expense	1,596	—	—
Issuance costs attributable to warrants	—	109	—
Gain on extinguishment of secured term loan	—	(314)	—
Amortization of beneficial conversion feature	—	—	648
Loss on exercise of warrants	—	—	211
Changes in operating assets and liabilities			
Prepaid expenses and other current assets	(2,171)	(2,265)	275
Prepaid expenses and other non-current assets	52	(2,645)	(890)
Accounts payable	85	(293)	234
Accrued expenses	1,201	(9,320)	14,725
Accrued interest	—	2,801	206
Deferred revenue	—	5,000	—
Operating right-of-use liabilities	(2,362)	—	—
Net cash used in operating activities	\$ (65,478)	\$ (54,507)	\$ (17,953)
Cash flows from investing activities			
Purchase of property, plant, and equipment	(287,189)	(137,388)	(29,812)
Purchase of debt securities, available for sale	(192,388)	(229,183)	—
Maturity of debt securities, available for sale	188,509	37,800	—
Sale of debt securities, available for sale	72,681	23,196	—
Net cash used in investing activities	\$ (218,387)	\$ (305,575)	\$ (29,812)
Cash flows from financing activities			
Proceeds from issuance of common stock	206,071	1,000	107,170
Proceeds from issuance of warrants	43,929	—	—
Payments to repurchase shares	(1,639)	(1,695)	—
Common stock issuance costs	(775)	—	—
Other (payments) proceeds from financing activities	(56)	238	298
Proceeds from ROCH and PIPE financing, net of issuance costs	—	298,461	—
Bond issuance costs	—	(4,067)	(8,550)
Convertible notes issuance costs	—	(480)	(3,358)
Payments on promissory notes	—	(91)	(6,142)
Issuance of bonds	—	—	244,075
Issuance of convertible notes	—	—	60,000
Payments on promissory note from related parties	—	—	(12,600)
Payments on advances from related parties	—	—	(2,704)
Net cash provided by financing activities	\$ 247,530	\$ 293,366	\$ 378,189
Net (decrease) increase in cash and restricted cash	(36,335)	(66,716)	330,424
Cash and restricted cash, beginning of period	263,858	330,574	150
Cash and restricted cash, end of period	\$ 227,523	\$ 263,858	\$ 330,574
Supplemental disclosure of cash flow information			
Non-cash operating activities			
Interest paid during the period, net of capitalized interest	\$ 1,300	\$ 1,495	\$ 2,141
Non-cash investing activities			
Additions to property, plant, and equipment in accrued expenses	\$ 26,386	\$ 29,797	\$ 11,893
Additions to property, plant, and equipment in accounts payable	\$ 817	\$ 636	\$ —

PureCycle Technologies, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Additions to property, plant, and equipment in accrued interest	\$	1,424	\$	1,424	\$	3,849
Non-cash financing activities						
Issuance of common stock on conversion of convertible notes	\$	—	\$	61,796	\$	—
PIK interest on convertible notes	\$	—	\$	3,492	\$	—
Initial fair value of acquired warrant liability	\$	—	\$	4,604	\$	—
Issuance of shares upon exercise of warrants	\$	—	\$	—	\$	18,173
Beneficial conversion feature of convertible notes	\$	—	\$	—	\$	31,075
Conversion of accounts payable to promissory notes	\$	—	\$	—	\$	1,541
Capitalization of bond issuance costs — additions to accrued expense	\$	—	\$	—	\$	2,646

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

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Formation and Organization

PureCycle Technologies, Inc. ("PureCycle", "PCT" or the "Company") was formed as a Delaware limited liability company ("LLC") on September 15, 2015 ("Date of Formation"), as Advanced Resin Technologies, LLC. In November 2016, the Company changed its name from Advanced Resin Technologies, LLC to PureCycle Technologies LLC ("PCT LLC" and "Legacy PCT").

PureCycle's wholly-owned subsidiaries are businesses whose planned principal operations are to conduct business as a polypropylene recycler using PureCycle's patented recycling process. PureCycle, Inc. is a holding company and all operations are conducted by its subsidiaries. Developed and licensed to PureCycle by Procter & Gamble ("P&G"), the patented recycling process separates color, odor and other contaminants from plastic waste feedstock to transform it into virgin-like resin. The Company is currently constructing its facility and conducting research and development activities to operationalize the licensed technology.

On November 16, 2020, the Company entered into a certain agreement and plan of merger (the "Merger Agreement and Plan of Merger"), by and among PCT, Roth CH Acquisition I Co. ("ROCH"), Merger Sub Corp., Merger Sub LLC, and Roth CH Acquisition I Co. Parent Corp. ("ParentCo").

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 one 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 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.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company. The consolidated financial statements are presented in U.S. Dollars. Intercompany balances and transactions were eliminated

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

upon consolidation. The accompanying consolidated 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 periods presented.

Reclassifications

Certain amounts in prior periods have been reclassified to conform with the report classifications for the year ended December 31, 2022, noting the Company has reflected the reverse recapitalization pursuant to the Business Combination for all periods presented within the audited consolidated balance sheets and statements of stockholders' equity.

Reverse Recapitalization

The Business Combination was accounted for as a reverse recapitalization and ROCH was treated as the "acquired" company for accounting purposes. The Business Combination was accounted for as the equivalent of Legacy PCT issuing stock for the net assets of ROCH, accompanied by a recapitalization. Accordingly, all historical financial information presented in these consolidated financial statements represents the accounts of Legacy PCT "as if" Legacy PCT is the predecessor to the Company. The units and net loss per unit, prior to the Business Combination, have been adjusted to share amounts reflecting the exchange ratios established in the Business Combination.

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 has not yet begun commercial operations and does not have any sources of revenue. The following is a summary of the components of our current liquidity (in thousands):

	As of	
	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 63,892	\$ 33,417
Debt securities available for sale	\$ 98,592	\$ 167,365
Unrestricted liquidity	\$ 162,484	\$ 200,782
Less: Other Ironton set-aside	\$ 54,560	\$ 50,713
Available unrestricted liquidity	\$ 107,924	\$ 150,069
Restricted Cash (current and non-current)	\$ 163,631	\$ 230,441
Working capital	\$ 197,916	\$ 306,890
Accumulated deficit	\$ (242,525)	\$ (157,779)
	For the twelve months ended	
	December 31, 2022	December 31, 2021
Net loss	\$ (84,746)	\$ (77,502)

PureCycle Technologies, Inc.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

As of December 31, 2022, we had \$ 107.9 million of Available Unrestricted Liquidity. The Ironton set-aside amount of \$ 54.6 million, together with the Liquidity Reserve of \$50.5 million, relates to the Ironton Guaranty that requires PureCycle to maintain at least \$ 100.0 million of cash on its balance sheet in addition to other required operational reserves of \$4.6 million. A portion of this Guaranty requirement will be released when certain conditions have been met (refer to Note 3 – Notes Payable and Debt Instruments for further information).

PCT currently anticipates the 2023 investment to complete the Ironton Facility could range from \$ 55.0 million up to \$80.0 million. This range is dependent upon various contract contingencies and their ultimate resolution. PCT expects to successfully negotiate at least some of these contingencies, which would reduce the remaining 2023 investment to the lower end of the range. In early 2023, PCT negotiated the Limited Waiver with the Revenue Bondholders to remedy an event of default related to PCT's failure to meet certain construction milestones under the Revenue Bonds – see Note 3 – Notes Payable and Debt Instruments for additional information. As part of this Limited Waiver, the Revenue Bondholders agreed to release \$13.2 million from the Trustee account for the Revenue Bonds for use as part of the remaining investment in 2023 to complete the Ironton Facility. Also, in conjunction with the Limited Waiver, PCT agreed to fund additional capitalized interest of approximately \$12.3 million. This additional capitalized interest reserve funds PCT's Revenue Bond interest payments through June 30, 2024. Certain of the funds described above and including the Ironton set-aside amount will be moved to restricted cash accounts for the benefit of the Ironton Project and/or the Revenue Bondholders as part of the Limited Waiver. In exchange for this Limited Waiver, PCT also agreed to meet certain milestones, pay certain amounts for various purposes to the Trustee and make certain other representations, warranties and covenants, including closing a financing transaction of at least \$150.0 million by March 31, 2023 (which is satisfied by the closing of the Revolving Credit Facility (as defined below)). See Note 3 – Notes Payable and Debt Instruments for additional information.

PCT also has other capital commitments of approximately \$ 21.2 million related to long-lead equipment and pre-construction work for the Augusta Facility and \$41.4 million for equipment and leases related to future Feed PreP and purification facilities. There are also ongoing monthly costs associated with managing the company.

Pursuant to the requirements of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 205-40, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the consolidated financial statements included in this Annual Report on Form 10-K are issued. This evaluation does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented or are not within control of the Company as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

PCT believes that its current level of Unrestricted Available Liquidity is not sufficient to fund operations, outstanding commitments, and further its future growth plans. The conditions described above raise 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 consolidated financial statements included in this Annual Report on Form 10-K.

In an effort to alleviate these conditions, on March 15, 2023, PCT entered into a \$ 150 million revolving credit facility (the "Revolving Credit Facility") pursuant to a Credit Agreement (the "Revolving Credit Agreement") 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 June 30, 2024. 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 – see Note 3 – Notes Payable and Debt Instruments for additional information. After

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

considering managements plans to mitigate these conditions, including adjustment of expenditure timing and execution of the Sylebra Revolving Credit Facility, 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 actual construction costs for the Ironton Facility, 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 our 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 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.

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. The Company's cash and cash equivalents balance represents cash and money market funds deposited with financial institutions, as well as commercial paper 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.

Restricted Cash

Proceeds from the issuance of revenue bonds are restricted for use in construction of the production facility. 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 have been 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.

Bond Issuance Costs

The Company has incurred costs which are directly attributable to the Company's revenue bond financing. These costs include items such as document preparation costs, underwriting fees, and other external, incremental expenses paid to advisors that directly relate to the financing. Upon successful completion of the bond offering in 2020, these costs were reclassified to reduce the carrying amount of the bond liability and will

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

be amortized ratably over the term of the bond using the effective interest method. During the years ended December 31, 2022 and 2021, the Company incurred \$0 and \$4.0 million respectively, of capitalized bond issuance costs. As of December 31, 2022 and 2021, the Company has capitalized bond issuance costs totaling \$11.1 million and \$11.8 million, which are recorded as an offset to Bonds payable - non-current on the consolidated balance sheet.

Property, Plant and Equipment

As of December 31, 2022 and 2021, the Company's property, plant and equipment consists of building, land, office equipment and furniture, machinery and equipment, fixtures and furnishings and construction in progress. All property, plant and equipment are located within the United States. Property, plant and equipment are recorded at cost and are depreciated over their estimated useful lives, unless the useful life is indefinite, using the straight-line method over the following table:

Building	39 years
Land	Indefinite
Office equipment and furniture	7 years
Machinery and equipment	3-10 years
Fixtures and Furnishings	5 years

Construction in progress relates to costs capitalized in conjunction with major improvements that have not yet been placed in service, and accordingly are not currently being depreciated. The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. In accordance with ASC 835, *Interest*, the Company capitalizes all interest incurred on tax exempt project indebtedness. The capitalized interest is recorded as part of the asset to which it relates over the asset's estimated useful life. Interest cost capitalized as of December 31, 2022 and 2021 totaled \$ 17.1 million and \$ 17.1 million respectively.

As of December 31, 2022, the Company determined that there were no indicators of impairment and did not recognize any impairment of its property, plant and equipment.

Operating Costs

Operating costs are expensed as incurred. Operating costs consist of facility employee personnel costs, expense for supplies and materials, depreciation, transportation and other operating related expense.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development expenses consist of expenses for services provided by third parties, and payroll and benefits of those employees engaged in research, design and development activities, costs related to design tools, license expenses related to intellectual property, and supplies and services.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses are expensed as incurred. Selling, general, and administrative expenses consist of personnel costs, allocated facilities expenses, facility rent, repairs and utilities, office insurance, travel, sales and marketing costs.

Income Taxes

Prior to the Business Combination on March 17, 2021, the Company was a limited liability company ("LLC") and had elected to be treated as a partnership for income tax purposes, with the Company's taxable income or loss being allocated to its stockholders. As an LLC, the Company was not directly liable for income taxes for federal purposes. The Company was, however, subject to annual state LLC franchise taxes and state LLC fees. As of the date of the Business Combination, the operations of the Company ceased to be taxed as a partnership resulting in a change in tax status for federal and state income tax purposes.

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Management has evaluated the Company's tax positions, including its previous status as a pass-through entity for federal and state tax purposes, and has determined that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements. The Company's reserve for penalties and interest ("P&I") related to uncertain tax positions was zero as of December 31, 2022 and 2021. As a policy election, the Company will accrue future P&I on unrecognized tax benefits through income tax expense in the consolidated statements of comprehensive loss.

Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260, *Earnings per Share*. Basic (loss) earnings per share is computed by dividing (loss) income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available to common stockholders by the weighted- average number of shares of common shares outstanding during the period increased to include the number of additional common shares that would have been outstanding if the potentially dilutive securities had been issued, using the treasury stock method.

Equity-Based Compensation

The Company issues grants of incentive shares to select employees and service providers. The equity-based compensation cost for the incentive shares is measured at the grant date based on the fair value of the award and recognized on a straight-line basis over the requisite service period, which is the vesting period. The Company evaluates modifications in accordance with ASC 718, *Compensation – Stock Compensation* ("ASC 718"). The Company accounts for forfeitures as they occur for its equity-based awards.

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.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses for the period presented. The Company's most significant estimates and judgments involve valuation of the Company's liability-classified warrants and related fair value assumptions. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from these estimates.

Segment Information

Under ASC 280, *Segment Reporting*, operating segments are defined as components of an enterprise where discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), in deciding how to allocate resources and in assessing performance. The Company has one component. Therefore, the Company's Chief Executive Officer, who is also the CODM, makes decisions and manages the Company's operations as a single operating segment, which is conducting business as a plastic recycler. To date, the Company has not begun production and measures performance on a consolidated basis.

Fair Value of Financial Instruments

The Company applies fair value accounting in accordance with ASC 820, *Fair Value Measurements* ("ASC 820") for valuation of financial instruments. ASC 820 defines fair value and establishes a framework for measuring fair value and making disclosures about fair value measurements. This framework applies to all

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

financial assets and liabilities that are being measured and reported at fair value and for disclosures of fair value.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In July 2018, ASU 2018-10, *Codification Improvements to Topic 842, Leases*, was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. Furthermore, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method in addition to the existing modified retrospective transition method by allowing a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. Furthermore, on June 3, 2020, the FASB deferred by one year the effective date of the new leases standard for private companies, private not-for-profits (“NFPs”) and public NFPs that have not yet issued (or made available for issuance) financial statements reflecting the new standard. The Company adopted Topic 842 and applicable technical updates as of January 1, 2022 using the modified retrospective transition method. See Note 15 – Leases for further details.

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. ASU 2016-13 is effective for the Company beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption to have a material impact on the consolidated financial statements.

NOTE 3 – NOTES PAYABLE AND DEBT INSTRUMENTS

Long-term debt consists of the following at December 31, 2022 and 2021:

	Years ended December 31,	
	2022	2021
Revenue Bonds	\$ 249,550	\$ 249,550
Less: Original issue discount and debt issuance costs classified as a reduction to long-term debt	(16,037)	(17,042)
Bonds payable - long-term	\$ 233,513	\$ 232,508

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

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 (“Completion 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 Guaranty, PureCycle 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, one in the aggregate principal amount of each series of Revenue Bonds, in favor of SOPA, which were assigned to the Trustee on October 7, 2020.

(in thousands)

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 National Association, as escrow agent. Funds in the trust accounts and operating revenue escrow account will be disbursed by the Trustee when certain conditions are met, and will be used to pay costs and expenditures related to the development of the Ironton Facility, make required interest and principal payments (including sinking fund redemption amounts) and any premium, in certain circumstances required under the Indenture, to redeem the Revenue Bonds.

As conditions for closing 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 the amount upon the Closing of the Business Combination. In addition, PureCycle must maintain at least \$75.0 million of cash on its balance sheet as of July 31, 2021 and \$100.0 million of cash on its balance sheet as of January 31, 2022, in each case, including the Liquidity Reserve. The Company has met this requirement as of December 31, 2022.

The Revenue Bonds are recorded within Bonds payable in the consolidated balance sheet. The Company incurred \$19.4 million, \$19.3 million, and \$4.3 million of interest cost during the years ended December 31, 2022, 2021, and 2020 respectively. As the Revenue Bond proceeds will be 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. The Company capitalized \$17.1 million, \$17.1 million, and \$4.0 million of interest cost during the twelve months ended December 31, 2022, 2021, and 2020 respectively. As of December 31, 2022, the fair value of the Revenue Bonds was \$184.1 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 judgment is required in interpreting the information and in developing the

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 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 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.

PureCycle Technologies, Inc.

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Principal repayments due on the Revenue Bonds payable over the next five years are as follows (in thousands):

Years ending December 31,	Amount
2023	\$ —
2024	6,975
2025	16,730
2026	7,570
2027	25,105
Thereafter	193,170
Total principal repayments	249,550
Less: Original issue discount and debt issuance costs classified as a reduction to long-term debt	(16,037)
Bonds payable - long-term	\$ 233,513

On March 15, 2023, SOPA, the Trustee, PCT, PCTO Holdco 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 (collectively, the “Company Parties”) 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 is 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 shall 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.

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 is satisfied by the closing of the Revolving Credit Facility); (ii) mechanical completion of the Ironton Facility by June 30, 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 to be deposited with the Trustee is comprised of: (i) a deposit, by March 31, 2023, 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 such term is used 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 Trustee also released \$13.2 million from the Trustee account for the Revenue Bonds for use

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

as part of the remaining investment in 2023 to complete the Ironton Facility in accordance with the Limited Waiver.

Convertible Notes

On October 6, 2020, Legacy PCT entered into a Senior Notes Purchase Agreement (the “Agreement”) with certain investors. During the fourth quarter of 2021, the entire \$63.5 million principal balance of the Notes was converted into 9.2 million shares of common stock.

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

	Years ended December 31,		
	2022	2021	2020
Contractual interest expense	\$ —	\$ 2,975	\$ 662
Amortization of deferred financing costs	—	1,712	300
Effective interest rate	— %	8.94 %	9.05 %

Sylebra Credit Facility

On March 15, 2023, PCT entered into a \$ 150 million revolving credit facility (the “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 June 30, 2024. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

guaranty the obligations under the Revolving Credit Agreement and grant security interests in substantially all of their respective assets.

NOTE 4 - STOCKHOLDERS' EQUITY

The consolidated statements of stockholders' equity reflect the reverse recapitalization as discussed in Note 1 as of March 17, 2021. As Legacy PCT was deemed the accounting acquirer in the reverse recapitalization with ROCH, all periods prior to the consummation date reflect the balances and activity of Legacy PCT. The consolidated balances and the audited consolidated financial statements of Legacy PCT, as of December 31, 2020, and the share activity and per share amounts in these consolidated statements of equity were retroactively adjusted, where applicable, using the recapitalization exchange ratio of 10.52 for Legacy PCT Class A Units. Legacy PCT Class B Preferred Units were converted into shares of PCT common stock at a share conversion factor of 10.642 whereas Legacy PCT Class B-1 Preferred Units were converted into shares of PCT common stock at an average share conversion factor of 14.768 as a result of the reverse recapitalization. Legacy PCT Class C Units were converted into shares of PCT common stock at a share conversion factor of 9.32, 7.40, or 2.747, based on the distribution threshold of the Class C Unit.

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 250.0 million shares of common stock with a par value of \$0.001. As of December 31, 2022 and December 31, 2021, 163.6 million and 127.6 million shares are issued and outstanding, respectively.

Preferred Stock

As of December 31, 2022, 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**

In connection with the Business Combination, on March 17, 2021, our stockholders approved the PureCycle Technologies, Inc. 2021 Equity and Incentive Compensation Plan (the "Plan").

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 of the Company.

As of December 31, 2022, approximately 12.1 million shares of common stock are authorized for issuance under the Plan, of which approximately 6.4 million 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

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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.

For RSUs issued prior to approval of 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. Fair value of the RSUs is estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions:

	2022	2021
Expected annual dividend yield	— %	— %
Expected volatility	— %	49.1 %
Risk-free rate of return	— %	0.1 %
Expected option term (years)	0	0.2

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 for the twelve months ending December, 2021 was determined using an initial public offering scenario.

On December 11, 2021, the Company and Michael Dee entered into a separation agreement (the "Separation Agreement"), which sets forth the terms of his transition and certain benefits he is eligible to receive, including continued vesting of 667.0 thousand RSU awards from his July 8, 2021 RSU Agreement, 50% of which vested on March 17, 2022 with the other 50% vesting upon commissioning of the Company's first commercial plant. This was accounted for as an equity award modification under ASC 718, which resulted in adjustment of the award value to reflect the fair value at the modification date and acceleration of the recognition schedule to match his remaining service period, which ended on January 15, 2022 (the "Separation Date").

A summary of restricted stock activity for the years ended December 31, 2022 and 2021 is as follows (in thousands except per share data):

	Number of RSU's	Weighted average grant date fair value	Weighted average remaining recognition period
Non-vested at December 31, 2020	762	1.39	
Granted	2,745	18.14	
Vested	(800)	8.71	
Forfeited	(36)	3.34	
Non-vested at December 31, 2021	2,671	14.33	3.38
Granted	1,525	7.49	
Vested	(982)	5.89	
Forfeited	(454)	9.76	
Non-vested at December 31, 2022	2,760	11.92	2.74

Equity-based compensation cost is recorded within the selling, general and administrative expenses and operating costs in the consolidated statements of comprehensive loss, and totaled approximately \$11.2 million, \$16.6 million, and \$5.6 million for the years ended December 31, 2022, 2021, and 2020, respectively.

PureCycle Technologies, Inc.

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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:

	2022	2021
Expected annual dividend yield	— %	— %
Expected volatility	— %	47.5 %
Risk-free rate of return	— %	0.7 %
Expected option term (years)	0	4.5

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.

The Separation Agreement included provisions for accelerated vesting of 613.0 thousand Stock Options previously granted on March 17, 2021, which were scheduled to vest in equal installments on each anniversary date for three years after the date of grant and vested in full at the Separation Date. This was accounted for as an equity award modification under ASC 718, which resulted in adjustment of the award value to reflect the fair value at the modification date and acceleration of the recognition schedule to match his remaining service period, which ends on the Separation Date.

A summary of stock option activity for the years ended December 31, 2022 and 2021 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, 2020	—	\$ —	—
Granted	613	28.90	7.00
Exercised	—	—	—
Forfeited	—	—	—
Balance, December 31, 2021	613	\$ 28.90	6.21
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Balance, December 31, 2022	613	\$ 28.90	4.04
Exercisable	613	—	—

Equity-based compensation cost is recorded within the selling, general and administrative expenses within the consolidated statements of comprehensive loss. The Company recorded a benefit of approximately \$0.2 million due to fair value adjustments related to modification under the Separation Agreement, and expense of approximately \$1.6 million and \$0, for the years ended December 31, 2021, and 2020, respectively. There were

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

no stock options granted during 2022. The weighted average grant-date fair values of options granted during the year ended December 31, 2021 was \$ 11.41. There were no stock options exercised during 2022 or 2021.

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 performance objectives related to production at the Company’s operational manufacturing facilities by December 31, 2023 and will vest on the date the attainment of such performance objectives is determined by the Committee, subject to the participant’s continued employment with the Company through December 31, 2023. The Company has also issued PSUs that vest if the market price of the Company’s common stock exceeds a defined target during the performance period (“Market PSUs”).

As of December 31, 2022, and 2021, the outstanding PSUs issued by the Company were 1.1 million and 424 thousand, respectively. As of December 31, 2022, the performance-based provisions have 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 Company recognizes compensation expense for the Market PSUs equal to the fair value of the equity-based compensation awards and is recognized on a straight-line basis over the derived service period. The fair value and derived service period of the Market PSUs is estimated on the date of grant using a Monte Carlo simulation with the following assumptions:

	2022	2021
Expected annual dividend yield	— %	— %
Expected volatility	— %	54.8 %
Risk-free rate of return	— %	0.3 %
Expected option term (years)	0	2.7

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.

The Separation Agreement included provisions for continued vesting of 200.0 thousand Market PSU awards from the July 8, 2021 PSU Agreement, which will vest if the market price of the Company’s common stock exceeds a defined target during the performance period. This was accounted for as an equity award modification under ASC 718. As the fair value of the award at the date of modification was less than the grant date fair value and all cost for these awards was recognized prior to the modification, there was no impact related to the modified awards.

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A summary of the PSU activity for the years ended December 31, 2022 and 2021 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, 2020	—	\$ —	
Granted	424	18.65	
Vested	—	—	
Forfeited	—	—	
Balance, December 31, 2021	424	\$ 18.65	2.00
Granted	1,020	7.53	
Vested	—	—	
Forfeited	(384)	10.58	
Balance, December 31, 2022	1,060	\$ 10.87	1.70

Equity-based compensation cost is recorded within selling, general and administrative expenses within the consolidated statements of comprehensive loss. The Company recognized a benefit of \$0.2 million for the year ended December 31, 2022 due to favorable expense adjustments related to reassessment of goal attainment probability for several tranches of PSU awards, and expense of approximately \$4.4 million and \$0 for the years ended December 31, 2021, and 2020, respectively.

NOTE 6 - WARRANTS

Warrants issued to purchase Legacy PCT Class C Units

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 loss.

A summary of the RTI warrant activity for the years ended December 31, 2022 and 2021 is as follows (in thousands, except per share data, as adjusted to show the effect of the reverse recapitalization as described in Note 1):

	Number of warrants	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding at December 31, 2020	971	\$ 5.56	\$ 0.03	4.00
Granted	—	—	—	0
Exercised	—	—	—	0
Outstanding at December 31, 2021	971	\$ 5.56	\$ 0.03	3.00
Granted	—	—	—	0
Exercised	—	—	—	0
Outstanding at December 31, 2022	971	\$ 5.56	\$ 0.03	2.00
Exercisable	971			

The Company recognized \$ 1.5 million of benefit for the year ended December 31, 2022, and \$ 5.2 million and \$0 of expense for the years ended December 31, 2021 and December 31, 2020, respectively. Refer to Note 12 – Fair Value of Financial Instruments for further information.

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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.

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-day 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 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 December 31, 2022 and 2021. The Company recognized \$0.2 million, \$3.7 million and \$0 of benefit related to the change in fair value of the Private Warrants for the years ended December 31, 2022, 2021, and 2020, respectively. 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

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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 has classified the Series A Warrants as a liability pursuant to ASC 815.

As of December 31, 2022, there were approximately 17.9 million Series A Warrants outstanding. The Company recognized \$ 7.5 million of expense for the year ended December 31, 2022. Refer to Note 12 – Fair Value of Financial Instruments for further information.

NOTE 7 - RELATED PARTY TRANSACTIONS

Purchase of leased property

On October 8, 2020, Legacy PCT purchased property that it was previously leasing from Innventure1, LLC, a related party, as an operating lease. The property was sold to Legacy PCT for \$2.7 million. On the date of the sale, the lease that previously existed between Innventure1, LLC and Legacy PCT was terminated. Additionally, \$0.9 million of closing costs were also incurred and capitalized as part of this property purchase. The Company allocated \$ 1.2 million to land, \$0.2 million to land improvements and \$2.3 million to buildings.

NOTE 8 – NET 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.

As result of the reverse recapitalization, the Company has retroactively adjusted the weighted average shares outstanding prior to the Business Combination to give effect to the Exchange Ratio used to determine the number of shares of common stock into which they were converted.

PureCycle Technologies, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share (“EPS”) calculations for the years ended December 31, 2022, 2021 and 2020 (in thousands, except per share data):

	Years ended December 31,		
	2022	2021	2020
Numerator:			
Net loss attributable to PureCycle	\$ (84,746)	\$ (77,502)	\$ (52,992)
Less cumulative earnings to preferred stockholder	—	—	3,307
Net loss attributable to common stockholders	\$ (84,746)	\$ (77,502)	\$ (56,299)
Denominator:			
Weighted average common shares outstanding, basic and diluted	155,957	102,913	28,732
Net loss per share attributable to common stockholder, basic and diluted	\$ (0.54)	\$ (0.75)	\$ (1.96)

The weighted-average outstanding common share equivalents were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive. As of December 31, 2022 and 2021, the Company had outstanding instruments of approximately 24.7 million and 6.9 million vested but not exercised warrants, 0.6 million and 0 vested but not exercised stock options, 2.6 million and 2.3 million non-vested restricted stock units, 1.1 million and 0.4 million non-vested performance stock units, and 4.0 million and 4.0 million contingently-issuable shares related to the Earnout 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:

<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

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

<i>(in thousands)</i>	As of December 31, 2021		
	Cost	Accumulated Depreciation	Net Book Value
Building	\$ 12,029	\$ 695	\$ 11,334
Machinery and equipment	20,016	4,183	15,833
Leasehold improvements	2,902	154	2,748
Fixtures and furnishings	104	37	67
Land improvements	150	12	138
Land	1,150	—	1,150
Construction in process	193,944	—	193,944
Total property, plant and equipment	\$ 230,295	\$ 5,081	\$ 225,214

Depreciation expense is recorded within operating costs in the consolidated statements of comprehensive loss and amounted to \$ 3.6 million, \$2.3 million, and \$1.9 million for the years ended December 31, 2022, 2021, and 2020, 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 agreement, P&G provides 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 provides 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 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 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.

As of December 31, 2022 and December 31, 2021, the Company is in Phase 3 of the agreement and has recorded \$ 2.0 million within prepaid expenses and other non-current assets in the 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 consolidated balance sheets and will be ratably amortized over the term of the underlying patent using the straight-line method. In May 2021, the Company began using the technology covered by the Impact agreement and commenced amortization as of this date. The remaining balance related to the prepaid initial license fee was \$0.2 million and \$0.2 million in prepaid expenses and other current assets as of December 31, 2022 and 2021, respectively, and \$2.1 million and \$2.3 million in prepaid expenses and other non-current assets as of December 31, 2022 and 2021, respectively.

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 (“recycled PP”). 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 during the year ended December 31, 2021 to the Company and recorded as deferred revenue in the consolidated balance sheets.

Strategic Alliance Agreement

On December 13, 2018, Legacy PCT entered into a strategic alliance agreement with Nestec Ltd. (“Nestle”), which expires on December 31, 2023. Upon execution of the agreement, Nestle committed to provide \$1.0 million to Legacy PCT 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 2021. 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.

Legacy 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 as of December 31, 2022 and December 31, 2021. 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

Historically, Legacy PCT was a limited liability company which had elected to be treated as a partnership for income tax purposes. As such, the Company was not directly liable for income taxes for federal purposes. As of the date of the Business Combination (March 2021), the operations of the Company ceased to be taxed as a partnership resulting in a change in tax status for federal and state income tax purposes. This change in tax status requires immediate recognition of any deferred tax assets or liabilities as of the transaction date as the Company will now be directly liable for income taxes. The recognition of these initial deferred balances, if any, would be recorded as additional tax expense in the period of the transaction. In addition, the Company will accrue current and deferred tax expense based on ongoing activity from that date.

Loss from continuing operations before income taxes, classified by source of income, were as follows (in thousands):

	Years ended December 31,		
	2022	2021	2020
Domestic	\$ (84,746)	\$ (77,502)	\$ (52,992)
Total	\$ (84,746)	\$ (77,502)	\$ (52,992)

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The components of the provision (benefit) for income taxes were as follows (in thousands):

	Years ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ —	\$ —	\$ —
State and local	—	—	—
Foreign	—	—	—
Total current provision (benefit)	\$ —	\$ —	\$ —
Deferred:			
Federal	—	—	—
State and local	—	—	—
Foreign	—	—	—
Total deferred provision (benefit)	\$ —	\$ —	\$ —
Total provision (benefit) for income taxes	\$ —	\$ —	\$ —

The effective tax rate differs from the statutory tax rates as follows (in thousands):

	Years ended December 31,					
	2022		2021		2020	
Tax at statutory federal rate	\$ (17,797)	21.0 %	\$ (16,275)	21.0 %	\$ —	— %
Rates different than the statutory rate	—	— %	2,677	(3.5)%	—	— %
State income tax	(1,433)	1.7 %	—	— %	—	— %
Compensation expense	805	(0.9)%	2,973	(3.8)%	—	— %
Warrant expense and other permanent items	1,247	(1.5)%	241	(0.3)%	—	— %
Change in tax status	—	— %	(4,100)	5.3 %	—	— %
Tax Credits	(3,571)	4.2 %	—	— %	—	— %
Prior period adjustment	(1,880)	2.2 %	—	— %	—	— %
Tax rate change	(712)	0.8 %	—	— %	—	— %
Valuation allowance	24,136	(28.5)%	15,205	(19.6)%	—	— %
Other	(795)	0.9 %	(721)	0.9 %	—	— %
Provision (benefit) for income taxes	\$ —	— %	\$ —	— %	\$ —	— %

Deferred income tax assets and liabilities result primarily from temporary differences in the recognition of various expenses for tax and financial statement purposes, and from the recognition of the tax benefits of net operating loss carryforwards.

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The components of the deferred income tax assets and liabilities were as follows (in thousands):

	Years ended December 31,	
	2022	2021
Deferred tax assets:		
Net operating losses and tax credit carry-forward	\$ 32,918	\$ 3,585
Stock-based compensation	1,837	728
Start-up expenses	10,301	10,819
Property, plant, and equipment	—	1,107
Interest expense carryforwards	—	306
Deferred revenue	1,370	1,090
Lease liabilities	4,604	—
Other	859	788
Gross deferred tax asset	\$ 51,889	\$ 18,423
Less valuation allowance	(39,340)	(15,205)
Net deferred tax asset	\$ 12,549	\$ 3,218
Deferred tax liabilities:		
Research and experimental expenses	(1,662)	(2,691)
Property, plant, and equipment	(5,821)	—
Right of use assets	(4,415)	—
Other accruals	(651)	(527)
Total deferred tax liability	\$ (12,549)	\$ (3,218)
Net deferred tax asset (liability)	\$ —	\$ —

As of December 31, 2022, the Company has \$ 128.8 million of gross U.S. federal net operating loss carryforward, \$ 2.0 million post apportioned gross state net of operating loss carryforwards, and \$3.9 million of research and development tax credit carryforwards. As of December 31, 2021, the Company had \$ 14.9 million of gross U.S. federal net operating loss carryforward, \$0.1 million post apportioned gross state net of operating loss carryforwards, and \$ 0.3 million of research and development tax credit carryforwards. The attributes will be available to offset future income tax liabilities. The U.S. federal net operating losses can be carried forward indefinitely, the state net operating losses in certain jurisdictions can be carried forward indefinitely while certain jurisdictions expire at various dates, and the research and development tax credit can be carried forward for up to 20 years.

Valuation allowances are established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. The valuation allowance on our deferred tax assets was \$39.3 million as of December 31, 2022 and 15.2 million as of December 31, 2021, resulting in a net change of \$ 24.1 million year-over-year. The valuation allowance mainly relates to U.S. federal and state net operating loss carryforwards and start-up expenses. As the Company is pre-revenue, insufficient projected taxable income and lack of other sources of taxable income gives rise to need of a valuation allowance.

As of December 31, 2022 and 2021, the Company does not have any accumulated undistributed earnings and profits in foreign operations, as the Company did not perform any activities in foreign locations during the year.

As of December 31, 2022 and 2021, the Company has not recorded an amount of gross unrecognized tax benefits for uncertain tax positions for the current or prior year planned tax filing positions. No unrecognized tax benefits are applicable for prior periods.

The Company files returns in the U.S. federal jurisdiction and in various state jurisdictions based on existing tax laws. The Company remains generally subject to examination in the U.S. for year beginning on or after January 1, 2019, however, for any tax years prior to March 2021, such audits are not expected to impact the Company

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

while the Company operated as a flow-through entity. The Company is not currently under audit in any jurisdiction.

The Company actively monitors domestic and global tax law changes to account for the effects in the period the legislation is enacted, as applicable.

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.

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.

PureCycle Technologies, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
Liabilities measured and recorded at Fair Value on a recurring basis

As of December 31, 2022 and December 31, 2021, 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 follow (in thousands):

	December 31, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	\$ 51,250	\$ —	\$ —	\$ 51,250	\$ 27,389	\$ —	\$ —	\$ 27,389
Restricted cash equivalents - current	\$ 68,850	\$ —	\$ —	\$ 68,850	\$ 141,855	\$ —	\$ —	\$ 141,855
Restricted cash equivalents - noncurrent	\$ 94,781	\$ —	\$ —	\$ 94,781	\$ 88,586	\$ —	\$ —	\$ 88,586
Investments:								
Commercial paper, available for sale	\$ —	\$ 32,756	\$ —	\$ 32,756	\$ —	\$ 76,930	\$ —	\$ 76,930
Corporate Bonds, available for sale	—	58,442	—	58,442	—	84,588	—	84,588
Municipal bonds, available for sale	—	7,394	—	7,394	—	5,847	—	5,847
Total investments	\$ —	\$ 98,592	\$ —	\$ 98,592	\$ —	\$ 167,365	\$ —	\$ 167,365
Liabilities								
Warrant liability:								
RTI warrants	\$ —	\$ —	\$ 3,670	\$ 3,670	\$ —	\$ —	\$ 5,175	\$ 5,175
Private warrants	—	—	784	784	—	—	938	938
Series A Warrants	—	51,429	—	51,429	—	—	—	—
Total warrant liability	\$ —	\$ 51,429	\$ 4,454	\$ 55,883	\$ —	\$ —	\$ 6,113	\$ 6,113

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 for both initial measurement upon close of the Business Combination and subsequent measurement using the following assumptions:

	December 31, 2022	December 31, 2021
Expected annual dividend yield	— %	— %
Expected volatility	105.1 %	69.5 %
Risk-free rate of return	4.15 %	1.14 %
Expected option term (years)	3.2	4.2

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 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 \$ 0.8 million and \$0.9 million on December 31, 2022 and December 31, 2021, respectively.

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

A summary of the private warrants activity from December 31, 2021 to December 31, 2022 is as follows (in thousands):

	Fair value (Level 3)
Balance at December 31, 2021	\$ 938
Change in fair value	(154)
Balance at December 31, 2022	\$ 784

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 the Black-Scholes option pricing model to calculate its fair value as of December 31, 2022 using the following assumptions:

	December 31, 2022	December 31, 2021
Expected annual dividend yield	— %	— %
Expected volatility	99.7 %	59.6 %
Risk-free rate of return	4.36 %	0.97 %
Expected option term (years)	2	3

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 December 31, 2022, the expected volatility was calculated based on the specific volatility of PCT's publicly-traded common stock. For December 31, 2021, 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, 2021 to December 31, 2022 are as follows (in thousands):

	Fair value (Level 3)
Balance at December 31, 2021	\$ 5,175
Change in fair value	(1,505)
Balance at December 31, 2022	\$ 3,670

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

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 cash equivalents 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 are comprised of highly liquid investments with minimum “A” rated securities and, as of December 31, 2022, consist of corporate entity commercial paper and securities and municipal bonds. The debt securities are reported at fair value with unrealized gains or losses recorded in accumulated other comprehensive income in the 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 December 31, 2022 and December 31, 2021 (in thousands):

	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

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
Commercial Paper	\$ 76,961	\$ —	\$ (31)	\$ 76,930
Corporate Bonds	84,771	—	(183)	84,588
Municipal Bonds	5,870	—	(23)	5,847
Total	\$ 167,602	\$ —	\$ (237)	\$ 167,365

The following table summarizes the fair value and amortized cost bases of the Company's available-for-sale investments by contractual maturity of December 31, 2022 and December 31, 2021 (in thousands):

	December 31, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 92,253	\$ 91,669	\$ 117,164	\$ 117,100
Due after one year through 5 years	6,981	6,923	50,438	50,265
Total	\$ 99,234	\$ 98,592	\$ 167,602	\$ 167,365

Debt securities as of December 31, 2022 had an average remaining maturity of 0.43 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

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 years ended December 31, 2022 and 2021, 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 – CONTINGENCIES***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 December 31, 2022.

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" 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. On December 28, 2021, Lead Plaintiffs filed their brief in opposition to the PCT Defendants' and Byron Roth's motions to dismiss. On January 18, 2022, the PCT Defendants filed a reply to Lead Plaintiffs' brief.

On August 4, 2022, the U.S. District Court for the Middle District of Florida dismissed the Class Action Lawsuits, without prejudice. The Court provided the Lead Plaintiffs until August 18, 2022 to file a second amended complaint. Plaintiffs filed their second amended complaint on August 18, 2022. On September 15, 2022, the PCT Defendants and Byron Roth each filed a motion to dismiss the second amended complaint and the Lead Plaintiffs filed their opposition to the motions to dismiss on October 20, 2022. Defendants were granted leave to file a reply and filed the reply on October 31, 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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.

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. 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.

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.

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE 15 - Leases

The Company adopted ASC Topic 842, Leases, as of January 1, 2022 and has applied its transition provisions at the beginning of the period of adoption (i.e. on the effective date), and did not restate comparative periods. Under this transition provision, the Company has applied the legacy guidance under ASC Topic 840, Leases, including its disclosure requirements, in the comparative periods presented.

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 have 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.

Upon adoption, the Company recognized right-of-use assets and lease liabilities for operating leases in the amount of \$ 12.3 million and \$12.7 million, respectively.

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 11 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 11 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 consolidated balance sheet. Depreciation on financing lease assets is included in operating costs on the consolidated statement of comprehensive 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.

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

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 year ended December 31, 2022 that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during the year ended December 31, 2022 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 expected to commence by the end of 2023.

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. Lease payments will begin July 1, 2023.

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

	<u>December 31, 2022</u>
Lease Cost	
Operating lease cost	\$ 2,227
Short-term lease cost	360
Total lease cost	\$ 2,587
Other Information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 2,895
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 8,427
Weighted-average remaining lease term (in years) - operating leases	7.7
Discount Rates	
Weighted-average discount rate - operating leases	4.7 %

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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

	December 31, 2022
Operating Leases	
Operating lease right-of-use assets	\$ 19,136
Accrued expenses	\$ 2,188
Other long-term liabilities	16,620
Total operating lease liabilities	\$ 18,808

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

Year Ending	Operating Leases
2023	\$ 3,015
2024	3,083
2025	3,136
2026	3,056
2027	2,694
2028	1,586
Thereafter	5,888
Total future minimum lease payments	\$ 22,458
Less: Imputed interest	(3,650)
Present value of lease liabilities	\$ 18,808

NOTE 16 - SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements for the period ended December 31, 2022, management has evaluated events through March 16, 2023 to determine whether any events required recognition or disclosure in the consolidated financial statements. The following subsequent events were identified through the date of these consolidated financial statements:

Antwerp Lease

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. Refer to Note 15 – Leases for further information.

Sylebra Credit Facility

On March 15, 2023, PCT entered into a \$ 150 million revolving credit facility (the "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 June 30, 2024. 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.

Revenue Bond Waiver

On March 15, 2023, SOPA, the Trustee, PCT, PCTO Holdco LLC (the pledgor under an Equity Pledge and Security Agreement (as defined in the Indenture), pursuant to which the pledgor pledged certain interests to

PureCycle Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

secure obligations of PCO under various Financing Documents (as defined in the Indenture) relating to the Revenue Bonds) and PCO (collectively, the “Company Parties”) entered into a Limited Waiver and First Supplemental Indenture (the “Limited Waiver”), supplementing the Indenture and amending the Loan Agreement and the amended and restated Guaranty (as defined in the Indenture), 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. Refer to Note 3 - Notes Payable and Debt Instruments for further information.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedure

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, as amended, 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 December 31, 2022 (the end of the period covered by this Annual Report on Form 10-K), due to material weaknesses in internal control over financial reporting, as described below. Notwithstanding such material weaknesses in internal control over financial reporting, our principle executive and financial officers have concluded that the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K, present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in conformity with GAAP.

Currently Reported Material Weaknesses

In connection with the preparation of PCT's consolidated financial statements for the years ended December 31, 2022, and 2021, certain material weaknesses were identified in PCT's internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of PCT's interim or annual consolidated financial statements will not be prevented or detected on a timely basis. Certain of the material weaknesses identified for the year ended December 31, 2021 were remediated during 2022. The unremediated material weaknesses as of December 31, 2022 is described below:

- 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; and
- 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.

These material weaknesses could result in a material misstatement of certain of PCT's accounts or disclosures, which would result in a material misstatement to the annual consolidated financial statements that would not be prevented or detected. PCT has concluded that these material weaknesses arose because, as a recently public company, it did not have sufficient processes and personnel necessary to design and execute the internal controls required to satisfy the IT requirements of a public company, as well as the financial reporting requirements under the shortened reporting timeframe associated with recently becoming a large-accelerated filer.

Remediation Plans for Currently Reported Material Weaknesses

PCT has commenced measures to remediate the identified material weaknesses, which are described below:

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.

Remediation of Previously Reported Material Weaknesses

As previously reported in PCT's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, management identified certain material weaknesses in PCT's internal control over financial reporting, described as follows:

- PCT did not have sufficient, qualified personnel to determine the appropriate accounting treatment for its complex agreements or transactions that required technical accounting analysis;
- PCT's lack of sufficient personnel also resulted in inadequate segregation of duties in the design and operation of the internal controls over financial reporting and;
- PCT did not design and maintain effective controls surrounding the completeness and cutoff of expenses and payables, such that certain expenses paid by a related entity on behalf of PCT were not appropriately allocated to PCT, and certain transactions were recorded in the period when the invoice was received rather than accrued in the period when the activity took place.

Prior to becoming a public company in March 2021, management began taking steps to identify and implement changes to PCT's internal controls over financial reporting to remediate the control deficiencies described above that led to the material weaknesses, with continued improvements being introduced throughout 2021 and 2022. These measures include:

- Hiring multiple, qualified accounting personnel to review and determine the appropriate accounting treatment for its complex accounting transactions;
- Hiring multiple personnel and limiting access or reviewing actions pertaining to certain financial transactions so that proper segregation of duties in internal controls over financial reporting is achieved;
- Designing and implementing formal processes and controls, which include proper reviews and documentation of transactions, reconciliations of accounts, and designing and implementing policies and procedures, among other activities;
- Designing and implementing processes, reviews, analytics, and questionnaires involving key employees within the organization to specifically address accuracy, validity, completeness and cutoff of expenses and payables for both normal, recurring transactions and related party transactions; and
- Formalizing training and communication to educate both financial and non-financial employees on the importance of effective internal controls.

These actions resulted in an improved internal control environment that was in place for a sufficient period of time to allow for PCT's management to conclude, based on evidence obtained in validating the design and implementation of these controls, that these material weaknesses have been fully remediated as of December 31, 2022.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company, including the principal executive and financial officers, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f)

and 15d-15(f) of the Exchange Act, which requires that internal controls are designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of PCT's internal control over financial reporting as of December 31, 2022, based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Because of material weaknesses in PCT's internal control over financial reporting pertaining to the design and operating effectiveness of controls involving certain IT general controls, management has concluded that PCT's internal control over financial reporting was not effective as of December 31, 2022. These material weaknesses did not result in a material misstatement in the Company's audited financial statements for the year ended December 31, 2022.

The Company's independent registered public accounting firm, Grant Thornton LLP, has issued an adverse audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. They have also audited PCT's consolidated financial statements included in this Annual Report on Form 10-K and have issued an unqualified opinion.

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 Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, PCT's internal control over financial reporting.

ITEM 9B. Other Information

Not applicable.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in the Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022 (the "Proxy Statement") and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be included in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be included in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. Exhibit and Financial Statement Schedules.

(a) List of documents filed as part of this Annual Report on Form 10-K :

1. *Financial Statements of the Registrant*: See “Index to Consolidated Financial Statements” at “Item 8. Financial Statements and Supplementary Data” herein.
2. *Financial Statement Schedules*: All schedules are omitted for the reason that the information is included in the financial statements or the notes thereto or that they are not required or are not applicable.

(b) Exhibits:

The exhibits listed in the following index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

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	Amended and Restated Bylaws of PureCycle Technologies, Inc (incorporated herein by reference to Exhibit 3.2 to the Company’s Registration Statement on Form S-1, as amended (File No. 333-251034))
4.1	Description of Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934*
4.2	Specimen Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-4, as amended (File No. 333-250847))
4.3	Specimen Unit Certificate (incorporated herein by reference to Exhibit 4.14 to the Company’s Registration Statement on Form S-1, as amended (File No. 333-251034))
4.4	Specimen Warrant Certificate (included in Exhibit 4.2) (incorporated herein by reference to Exhibit 4.2 to the Company’s Registration Statement on Form S-1, as amended (File No. 333-251034))
4.5	Warrant Agreement between Continental Stock Transfer & Trust Company and Roth CH Acquisition I Co. (incorporated herein by reference to Exhibit 4.3 to the Company’s Registration Statement on Form S-1, as amended (File No. 333-251034))
4.6	The Indenture of Trust, dated as of October 1, 2020, between Southern Ohio Port Authority and UMB Bank, N.A. (incorporated herein by reference to Exhibit 4.6 to the Company’s Registration Statement on Form S-4, as amended (File No. 333-250847)) †
4.7	Form of Series 2020A Bond (included as Exhibit A-1 to the Indenture of Trust filed as Exhibit 4.6 to this Annual Report) (incorporated herein by reference to Exhibit 4.7 to the Company’s Registration Statement on Form S-4, as amended (File No. 333-250847))
4.8	Form of Series 2020B Bond (included as Exhibit A-2 to the Indenture of Trust filed as Exhibit 4.6 to this Annual Report) (incorporated herein by reference to Exhibit 4.8 to the Company’s Registration Statement on Form S-4, as amended (File No. 333-250847))
4.9	Form of Series 2020C Bond (included as Exhibit A-3 to the Indenture of Trust filed as Exhibit 4.6 to this Annual Report) (incorporated herein by reference to Exhibit 4.9 to the Company’s Registration Statement on Form S-4, as amended (File No. 333-250847))
4.10	Redeemable Conditional Warrant to Purchase Securities of Roth CH Acquisition I Co. Parent Corp., dated November 16, 2020, by and between Roth CH Acquisition I Co. Parent Corp., PureCycle Technologies LLC, and Recycled Resin Investors, LLC (incorporated herein by reference to Exhibit 4.10 to the Company’s Registration Statement on Form S-4, as amended (File No. 333-250847))
4.11	Amended and Restated Guaranty of Completion, made and entered into as of May 11, 2021 and effective as of October 7, 2020, by PureCycle Technologies LLC, a Delaware limited liability company (the “Guarantor”), in favor of UMB Bank, N.A., a national banking association, as trustee (incorporated herein by reference to Exhibit 4.6 to the Company’s Quarterly Report on Form 10-Q filed on May 19, 2021)**

- 4.12 [Form of Series A Warrant \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 9, 2022\)](#)
- 10.1 [PIPE Registration Rights Agreement \(incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on November 16, 2020\)](#)
- 10.2 [Form of Investor Rights Agreement \(incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1, as amended \(File No. 333-251034\)\)](#)
- 10.3 [Loan Agreement, dated as of October 1, 2020, by and between Purecycle: Ohio LLC and Southern Ohio Port Authority \(incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\) †](#)
- 10.4 [Form of the Series 2020A Promissory Note \(included as Exhibit A-1 to the Loan Agreement filed as Exhibit 10.3 to this Registration Statement\) \(incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.5 [Form of the Series 2020B Promissory Note \(included as Exhibit A-2 to the Loan Agreement filed as Exhibit 10.3 to this Registration Statement\) \(incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.6 [Form of the Series 2020C Promissory Note \(included as Exhibit A-3 to the Loan Agreement filed as Exhibit 10.3 to this Registration Statement\) \(incorporated herein by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.7 [Guaranty of Completion, dated as of October 7, 2020, by PureCycle Technologies LLC in favor of UMB Bank, N.A. \(incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\) †](#)
- 10.8 [Security Agreement, dated as of October 7, 2020, by and between Purecycle: Ohio LLC and UMB Bank, N.A. \(incorporated herein by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\) †](#)
- 10.9 [Side Letter Agreement, dated as of October 5, 2020, by and between PureCycle Technologies LLC and Pure Crown LLC \(incorporated herein by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\) †](#)
- 10.10 [Amended and Restated Patent License Agreement, dated July 28, 2020, by and between PureCycle Technologies LLC and The Procter & Gamble Company \(incorporated herein by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)*](#)
- 10.11 [PureCycle Technologies, Inc. 2021 Equity and Incentive Compensation Plan \(incorporated herein by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.12 [Form of PureCycle Technologies, Inc. Restricted Stock Agreement \(incorporated herein by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.13 [Amended and Restated Purchase Option Agreement, dated November 20, 2020, by and between PureCycle Technologies LLC, Roth CH Acquisition Co. Parent Corp., and AptarGroup, Inc. \(incorporated herein by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1, as amended \(File No. 333-251034\)\)](#)
- 10.14 [CEO Executive Employment Agreement between Michael Otworth and PureCycle Technologies LLC, dated November 14, 2020 \(incorporated herein by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.15 [Executive Employment Agreement between David Brenner and PureCycle Technologies LLC, dated November 14, 2020 \(incorporated herein by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.16 [Form of PureCycle Technologies LLC Restrictive Covenants Agreement \(incorporated herein by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.17 [Technology Sublicense Agreement, dated November 13, 2019, by and between PureCycle Technologies LLC and Impact Laboratories Limited \(incorporated herein by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.18 [Amendment and Addendum to Technology Sublicense Agreement, dated May 27, 2020, by and between PureCycle Technologies LLC and Impact Laboratories Limited \(incorporated herein by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)
- 10.19 [Second Amendment and Addendum to Technology Sublicense Agreement, dated December 15, 2020, by and between PureCycle Technologies LLC and Impact Laboratories Limited \(incorporated herein by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-4, as amended \(File No. 333-250847\)\)](#)

- 10.20 [Nonqualified Stock Option Agreement, dated March 17, 2021, by and between PureCycle Technologies, Inc. and Michael Dee \(incorporated herein by reference to Exhibit 10.31 to the Company's Registration Statement on Form S-1, as amended \(File No. 333-251034\)\)](#)
- 10.21 [Amendment, dated May 10, 2021, to Nonqualified Stock Option Agreement, dated March 17, 2021, by and between PureCycle Technologies, Inc. and Michael Dee \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 14, 2021\)](#)
- 10.22 [Form of Indemnification Agreement \(incorporated herein by reference to Exhibit 10.32 to the Company's Registration Statement on Form S-1, as amended \(File No. 333-251034\)\)](#)
- 10.23 [Side Letter agreement, dated February 12, 2021, by and between PureCycle Technologies, Inc. and The Procter & Gamble Company amending certain provisions of the Amended and Restated Patent License Agreement, dated July 28, 2020, by and between PureCycle Technologies LLC and The Procter & Gamble Company \(incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed on May 19, 2021\)**](#)
- 10.24 [PureCycle Technologies, Inc. Executive Severance Plan, dated May 10, 2021 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 14, 2021\)](#)
- 10.25 [Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement for Employees \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 14, 2021\)](#)
- 10.26 [Form of Notice of Grant of Performance-Based Restricted Stock Units and Performance-Based Restricted Stock Units Award Agreement for Employees \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 14, 2021\)](#)
- 10.27 [Form of Notice of Grant of Restricted Stock and Restricted Stock Agreement for CFO \(incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 14, 2021\)](#)
- 10.28 [Form of Notice of Grant of Performance-Based Restricted Stock Units and Performance-Based Restricted Stock Units Agreement for CFO \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 14, 2021\)](#)
- 10.29 [Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement for Directors \(incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on August 12, 2021\)](#)
- 10.30 [Separation Agreement, dated December 11, 2021, by and between PureCycle Technologies, Inc. and Michael E. Dee \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, as amended, filed on December 15, 2021\)](#)
- 10.31 [Form of Subscription Agreement \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 9, 2022\)](#)
- 10.32 [Board of Representation Agreement \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 9, 2022\)](#)
- 10.33 [Separation Agreement, dated May 11, 2022, by and between PureCycle Technologies, Inc. and David Brenner \(incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 11, 2022\)](#)
- 10.34 [Separation Agreement, dated August 7, 2022, by and between PureCycle Technologies, Inc. and Michael Otworth \(incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 11, 2022\)](#)
- 10.35 [Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement for Executive Chairman \(incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 11, 2022\)](#)
- 10.36 [Limited Waiver and First Supplemental Indenture, dated as of March 15, 2023, among the Southern Ohio Port Authority, UMB Bank, N.A., as Trustee, PureCycle Technologies, Inc., PCTO Holdco LLC and PureCycle: Ohio LLC \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 15, 2023\)](#)
- 10.37 [Revolving Credit Agreement, dated as of March 15, 2023, among PureCycle Technologies, Inc., as the Borrower, PureCycle Technologies Holdings Corp. and PureCycle Technologies, LLC, as Guarantors, Sylebra Capital Partners Master Fund, LTD, Sylebra Capital Parc Master Fund, and Sylebra Capital Menlo Master Fund, as Lenders and Madison Pacific Trust Limited, as the Administrative Agent \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 15, 2023\)](#)
- 21.1 [Subsidiaries of the Registrant. *](#)
- 23.1 [Consent of Grant Thornton LLP. *](#)
- 31.1 [Rule 13a - 14\(a\) Certification by Dustin Olson, Chief Executive Officer, for the fiscal year ended December 31, 2022. *](#)

- 31.2 [Rule 13a - 14\(a\) Certification by Lawrence Somma, Chief Financial Officer, for the fiscal year ended December 31, 2021.*](#)
- 32.1 [Section 1350 Certification by Dustin Olson, Chief Executive Officer, for the fiscal year ended December 31, 2021.*](#)
- 32.2 [Section 1350 Certification by Lawrence Somma, Chief Financial Officer, for the fiscal year ended December 31, 2021.*](#)

* Filed herewith.

** Certain portions of the exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

† 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.

ITEM 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: March 16, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> /s/ Dustin Olson </u> Dustin Olson	Chief Executive Officer and Director (Principal Executive Officer)	March 16, 2023
<u> /s/ Lawrence Somma </u> Lawrence Somma	Chief Financial Officer (Principal Financial Officer)	March 16, 2023
<u> /s/ Melissa Trednick </u> Melissa Trednick	Corporate Controller (Principal Accounting Officer)	March 16, 2023
<u> /s/ Dan Coombs </u> Dan Coombs	Executive Chairman and Director	March 16, 2023
<u> /s/ Tanya Burnell </u> Tanya Burnell	Director	March 16, 2023
<u> /s/ Dr. John Scott </u> Dr. John Scott	Director	March 16, 2023
<u> /s/ Jeffrey Fieler </u> Jeffrey Fieler	Director	March 16, 2023
<u> /s/ Timothy Glockner </u> Timothy Glockner	Director	March 16, 2023
<u> /s/ Fernando Musa </u> Fernando Musa	Director	March 16, 2023
<u> /s/ Allen Jacoby </u> Allen Jacoby	Director	March 16, 2023
<u> /s/ Steven Bouck </u> Steven Bouck	Director	March 16, 2023

**Description of Registrant's Securities Registered
Pursuant to Section 12 of the Securities and Exchange Act of 1934**

The following description of capital stock of PureCycle Technologies, Inc. (the "Company", "PCT", "we", "our" and "us") is intended as a summary only and is qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation ("Amended and Restated Certificate of Incorporation") and Amended and Restated Bylaws ("Amended and Restated Bylaws"), which are filed as Exhibits 3.1 and 3.2 to our Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read these documents and the applicable portion of the Delaware General Corporation Law, as amended (the "DGCL") and our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws carefully and in their entirety because they describe your rights as a holder of shares of our Common Stock.

Common Stock

Our authorized capital stock consists of 250,000,000 shares of common stock, par value \$0.001 per share ("Common Stock"), and 25,000,000 shares of undesignated preferred stock, par value \$0.001 per share.

Holders of the Company's Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The holders of the Company's Common Stock 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. The Company's Common Stock will not be subject to further calls or assessment by the Company. There will be no redemption or sinking fund provisions applicable to the Company's Common Stock. All shares of the Company's Common Stock that are outstanding are fully paid and non-assessable. The rights, powers, preferences and privileges of holders of the Company's Common Stock will be subject to those of the holders of any shares of the Company's preferred stock the Company may authorize and issue in the future.

When a quorum is present at any meeting, any matter other than the election of directors to be voted upon by the stockholders at such meeting will be decided by a majority vote of the holders of shares of capital stock present or represented at the meeting and voting affirmatively or negatively on such matter. At all meetings of stockholders for the election of directors at which a quorum is present, a plurality of the votes cast will be sufficient to elect such directors.

Preferred Stock

The Amended and Restated Certificate of Incorporation authorizes the Company's board of directors to establish one or more series of preferred stock. Unless required by law or by the Nasdaq Capital Market ("NASDAQ"), the authorized shares of preferred stock will be available for issuance without further action by you. The Company's board of directors is authorized to fix from time to time before issuance the number of preferred shares to be included in any such series and the designation, powers, preferences and relative participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof. The authority of the Company's board of directors with respect to each such series will include, without limiting the generality of the foregoing, the determination of any or all of the following:

- the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;
- the voting powers, if any, and whether such voting powers are full or limited in such series;
- the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;
- whether dividends, if any, will be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;
- the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Company;
- the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock, or any other security, of the Company or any other corporation or other entity, and the rates or other determinants of conversion or exchange applicable thereto;
- the right, if any, to subscribe for or to purchase any securities of the Company or any other corporation or other entity;
- the provisions, if any, of a sinking fund applicable to such series; and
- any other relative, participating, optional, or other special powers, preferences or rights and qualifications, limitations, or restrictions thereof;
- all as may be determined from time to time by the Company's board of directors and stated or expressed in the resolution or resolutions providing for the issuance of such preferred stock (collectively, a "Preferred Stock Designation").

The Company could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of the Company's Common Stock might believe to be in their best interests or in which the holders of the Company's Common Stock might receive a premium for their Company Common Stock over its market price. Additionally, the issuance of preferred stock may adversely affect the rights of holders of the Company's Common Stock by restricting dividends on the Company's Common Stock, diluting the voting power of the Company's Common Stock or subordinating the liquidation rights of the Company's Common Stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of the Company's Common Stock. The Company has no current plans to issue any series of preferred stock.

Warrants

As of December 31, 2022, we had 5,868,893 warrants issued and outstanding (the "Warrants"). Pursuant to the Warrant Agreement (as defined below), a warrant holder may exercise its Warrants only for a whole number of shares of Common Stock. This means that only a whole Warrant may be exercised at any given time by a warrant holder. No fractional Warrants were issued upon separation of the Units (as defined below) and only whole Warrants trade on NASDAQ. Each Warrant become exercisable on May 4, 2021 and will expire five years after the completion of the Business Combination (as defined in the Merger Agreement), or earlier upon redemption. The shares of Company Common Stock issuable upon exercise of the Warrants have been registered under the Company's registration statement on Form S-1, as amended (File No. 333-251034), which was declared effective by the Securities and Exchange Commission on July 1, 2021.

The outstanding Warrants may be called for redemption, in whole and not in part, at a price of \$.01 per Warrant:

- at any time after the Warrants become exercisable,
-

- upon not less than 30 days' prior written notice of redemption to each Warrant holder,
- if, and only if, the reported last sale price of the shares of Common Stock equals or exceeds \$18.00 per share, for any 20 trading days within a 30-day trading period commencing after the Warrants become exercisable and ending on the third business day prior to the notice of redemption to Warrant holders, and
- if, and only if, there is a current registration statement in effect with respect to the shares of Common Stock underlying such Warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

The right to exercise will be forfeited unless the Warrants are exercised prior to the date specified in the notice of redemption. On and after the redemption date, a record holder of a Warrant will have no further rights except to receive the redemption price for such holder's Warrant upon surrender of such Warrant.

The redemption criteria for the Warrants have been established at a price which is intended to provide Warrant holders a reasonable premium to the initial exercise price and provide a sufficient differential between the then-prevailing share price and the Warrant exercise price so that if the share price declines as a result of a redemption call, the redemption will not cause the share price to drop below the exercise price of the Warrants.

If the Warrants are called for redemption as described above, management will have the option to require all holders that wish to exercise Warrants to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the Warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the Warrants, multiplied by the difference between the exercise price of the Warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" for this purpose shall mean the average reported last sale price of the Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Warrants. Whether we will exercise our option to require all holders to exercise their Warrants on a "cashless basis" will depend on a variety of factors including the price of the Common Stock at the time the Warrants are called for redemption, ongoing cash needs at such time and concerns regarding dilutive share issuances.

The Warrants have been issued in registered form under a warrant agreement (the "Warrant Agreement") between Continental Stock Transfer & Trust Company, as warrant agent, and Roth CH Acquisition I Co. ("ROCH"). The Warrant Agreement provides that the terms of the Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval, by written consent or vote, of the holders of a majority of the then outstanding Warrants in order to make any change that adversely affects the interests of the registered holders.

The exercise price and number of shares of common stock issuable on exercise of the Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for issuances of shares of Common Stock at a price below the applicable exercise price.

The Warrants may be exercised upon surrender of the Warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the Warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check, for the number of Warrants being exercised. The Warrant holders do not have the rights or privileges of holders of shares of

Common Stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of Common Stock upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Warrant holders may elect to be subject to a restriction on the exercise of their Warrants such that an electing Warrant holder would not be able to exercise their Warrants to the extent that, after giving effect to such exercise, such holder would beneficially own in excess of 9.9% of the shares of Common Stock outstanding.

No fractional shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, upon exercise, the number of shares of Common Stock to be issued to the Warrant holder will be rounded down to the nearest whole number.

Units

As of December 31, 2022, we had 67,590 units issued and outstanding (the “Units”). All Units outstanding reflect a unit consisting of one share of Common Stock and three-quarters of one redeemable Warrant to purchase Common Stock.

Dividends

We have not declared or paid any cash dividends on our Common Stock and do not presently intend to pay any cash dividends in the foreseeable future. The payment of dividends is subject to the discretion of the Company’s board of directors. Our board of directors bases its decisions regarding dividends on, among other things, general business conditions, our financial results, contractual, legal and regulatory restrictions regarding dividend payments and any other factors that the board may consider relevant.

Listing

Our Common Stock, Warrants and Units trade on NASDAQ under the symbols “PCT,” “PCTTW” and “PCTTU,” respectively.

Annual Stockholder Meetings

The Amended and Restated Bylaws provide that annual stockholder meetings will be held wholly or partially by means of remote communication or at such place, within or without the State of Delaware, on such date and at such time as may be determined by the Company’s board of directors, the Chief Executive Officer of the Company (the “Chief Executive Officer”) or the chairman of the board of directors of the Company (the “Chairman”) and as will be designated in the notice of the annual meeting.

Anti-Takeover Effects of the Company’s Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law

The Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws contain and the DGCL contains provisions, which are summarized in the following paragraphs, that are intended to enhance the likelihood of continuity and stability in the composition of the Company’s board of directors. These provisions are intended to avoid costly takeover battles, reduce the Company’s vulnerability to a hostile change of control and enhance

the ability of the Company's board of directors to maximize stockholder value in connection with any unsolicited offer to acquire the Company. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of the Company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of the Company's Common Stock held by stockholders.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of NASDAQ, which would apply if and so long as the Company's Common Stock remains listed on NASDAQ, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock. Additional shares that may be used in the future may be issued for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

The Company's board of directors may generally issue preferred shares on terms calculated to discourage, delay or prevent a change of control of the Company or the removal of the Company's management. Moreover, the Company's authorized but unissued shares of preferred stock will be available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, to facilitate acquisitions and employee benefit plans.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable the Company's board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of the Company's management and possibly deprive the Company's stockholders of opportunities to sell their shares of the Company's Common Stock at prices higher than prevailing market prices.

Classified Board of Directors

The Company's directors, other than those who may be elected by the holders of any future series of preferred stock, will be classified with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible, designated Class I, Class II, and Class III, until the date (the "Sunset Date") of the first annual meeting of the stockholders that is held after the fifth anniversary of the effectiveness of the Amended and Restated Certificate of Incorporation. At any meeting of stockholders at which directors are to be elected prior to the Sunset Date, the number of directors elected may not exceed the greatest number of directors then in office in any class of directors. The directors first elected to Class I will hold office for a term expiring at the annual meeting of stockholders to be held in 2022; the directors first elected to Class II will hold office for a term expiring at the annual meeting of stockholders to be held in 2023; and the directors first elected to Class III will hold office for a term expiring at the annual meeting of stockholders to be held in 2024, with the members of each class to hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Company held prior to the Sunset Date, the successors to the class of directors whose term expires at that meeting will be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are elected and qualified. All directors elected at annual meetings of stockholders held on or after the Sunset Date will be elected for terms expiring at the next annual meeting of stockholders and will not be subject to the classification provisions set forth above. Subject to the rights, if any, of the holders

of any future series of preferred stock to elect additional directors under circumstances specified in a Preferred Stock Designation, directors may be elected by the stockholders only at an annual meeting of stockholders.

Removal of Directors; Vacancies

Subject to the rights, if any, of the holders of any series of preferred stock to elect additional directors under circumstances specified in a Preferred Stock Designation and other than a ROCH Designated Director (as defined in the Investor Rights Agreement), who may be removed for any reason following the expiration of the Director Designation Period (as defined in the Investor Rights Agreement) with the approval of a majority of the directors of the Company (other than the ROCH Designated Directors), the Amended and Restated Certificate of Incorporation provides that, until the Sunset Date, directors may be removed by the stockholders only for cause and following the Sunset Date, directors may be removed by the stockholders with or without cause, in each case, by the affirmative vote of the holders of a majority of the voting power of the outstanding voting stock, voting together as a single class, at any annual meeting or special meeting of the stockholders where the notice of which states that the removal of a director or directors is among the purposes of the meeting and identifies the director or directors proposed to be removed.

Subject to (a) the rights, if any, of the holders of any future series of preferred stock to elect additional directors under circumstances specified in a Preferred Stock Designation and (b) the Investor Rights Agreement, newly created directorships resulting from any increase in the number of directors and any vacancies on the board of directors resulting from death, resignation, disqualification, removal, or other cause will be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the board of directors, or by a sole remaining director. Any director elected in accordance with the preceding sentence will hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred (or, if such directorship was created or vacancy occurred after the Sunset Date, until the next annual meeting of stockholders) and until such director's successor has been elected and qualified. No decrease in the number of directors constituting the board of directors may shorten the term of any incumbent director.

Special Stockholder Meetings

Subject to the rights of the holders of any future series of preferred stock, special meetings of stockholders may be called only (i) by the Chairman, (ii) by the Chief Executive Officer, or (iii) by the Secretary of the Company (the "Secretary") acting at the request of the Chairman, the Chief Executive Officer or a majority of the total number of directors that the Company would have if there were no vacancies on its board of directors. At any annual meeting or special meeting of stockholders, only such business will be conducted or considered as has been brought before such meeting in the manner provided in the Amended and Restated Bylaws.

Requirements for Advance Notification of Director Nominations and Stockholder Proposals

The Amended and Restated Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order for any matter to be properly brought before a meeting, a stockholder will have to comply with advance notice requirements and provide the Company with certain information. Generally, to be timely, a stockholder's notice relating to any nomination or other business to be brought before an annual meeting must be delivered to the Secretary at the Company's principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders.

Notwithstanding the foregoing, in the event that the number of directors to be elected to the board of directors at the annual meeting is increased effective after the time period for which nominations would otherwise be due and there is no public announcement by the Company naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice will also be considered timely, but only with respect to nominees for the additional directorships, if it will be delivered to the Secretary at the principal executive offices of the Company not later than the close of business on the 10th day following the day on which such public announcement is first made by the Company.

To be timely, a stockholder's notice relating to the nomination of a director to the Company's board of directors to be brought before a special meeting, if permitted, will be delivered to the Secretary at the principal executive offices of the Company not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. The Amended and Restated Bylaws also specify requirements as to the form and content of a stockholder's notice. Notwithstanding the foregoing notice requirements, the notice requirements will not apply to director nominations pursuant the Pure Crown Side Letter (as defined in the Amended and Restated Bylaws).

These notice provisions may defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control of the Company.

Consent of Stockholders in Lieu of Meeting

Subject to the rights of the holders of any series of preferred stock, any action required or permitted to be taken by the stockholders may be taken only at a duly called annual or special meeting of stockholders and may not be taken without a meeting by means of any consent in writing of such stockholder.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, the Company's stockholders will have appraisal rights in connection with a merger or consolidation of the Company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of the Company's stockholders may bring an action in the Company's name to procure a judgment in the Company's favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of the Company's shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Amendment of the Amended and Restated Certificate of Incorporation

The Amended and Restated Certificate of Incorporation provides that the Company reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in the Amended and Restated Certificate of Incorporation. Notwithstanding any

inconsistent provision of the Amended and Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of preferred stock required by law, (a) until the Sunset Date, the affirmative vote of the holders of at least 66 2/3% of the voting power, and (b) following the Sunset Date, the affirmative vote of the holders of a majority of the voting power, in the case of each of (a) and (b), of the outstanding capital stock entitled to vote, voting together as a single class, will be required to amend, alter, change or repeal, or adopt any provision inconsistent with, certain provisions, as noted in the Amended and Restated Certificate of Incorporation, or the definition of any capitalized terms used therein or any successor provision.

Amendment of the Amended and Restated Bylaws

The Amended and Restated Bylaws may be amended in any respect or repealed at any time, either (a) at any meeting of stockholders, provided that any amendment or supplement proposed to be acted upon at any such meeting has been properly described or referred to in the notice of such meeting, or (b) by the Company's board of directors, provided that no amendment adopted by the board of directors may vary or conflict with any amendment adopted by the stockholders in accordance with the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws. Notwithstanding the foregoing and anything contained in the Amended and Restated Bylaws, certain provisions of the Amended and Restated Bylaws may not be amended or repealed by the stockholders, and no provision inconsistent therewith may be adopted by the stockholders, without (a) until the Sunset Date, the affirmative vote of the holders of at least 66 2/3% of the Company's outstanding capital stock entitled to vote, voting together as a single class and (b) following the Sunset Date, the affirmative vote of the holders of a majority of the Company's outstanding capital stock entitled to vote, voting together as a single class.

Exclusive Forum Selection

The Amended and Restated Certificate of Incorporation provides that, unless the Company consents in writing to the selection of an alternative forum, (a) the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware) will, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on behalf of the Company, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or stockholder of the Company to the Company or to the Company's stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the DGCL or the Amended and Restated Bylaws or the Amended and Restated Certificate of Incorporation (as either may be amended and/or restated from time to time) or as to which the DGCL confers jurisdiction on the Chancery Court, or (iv) any action, suit or proceeding asserting a claim against the Company governed by the internal affairs doctrine; and (b) subject to the preceding provisions, the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act or the Exchange Act. If any action the subject matter of which is within the scope of clause (a) of the immediately preceding sentence is filed in a court other than the courts in the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder will be deemed to have consented to (1) the personal jurisdiction of the state and federal courts in the State of Delaware in connection with any action brought in any such court to enforce the provisions of clause (a) of the immediately preceding sentence and (2) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder. Any person or entity purchasing or otherwise acquiring or holding any interest in any security of the Company will be deemed to have notice of and consented to such provisions of the Amended and Restated Certificate of Incorporation. Notwithstanding the foregoing, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Securities Act the

Exchange Act, or any other claim for which the federal courts of the United States have exclusive jurisdiction. Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. The Amended and Restated Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of the Company and its stockholders, through stockholders' derivative suits on the Company's behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director for any breach of the director's duty of loyalty to the Company or its stockholders, or if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

The Amended and Restated Certificate of Incorporation provides that the Company must indemnify and advance expenses to the Company's directors and officers to the fullest extent authorized by the DGCL. The Company also is expressly authorized to maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the DGCL. The Company believes that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, advancement and indemnification provisions in the Amended and Restated Certificate of Incorporation may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit the Company and its stockholders. In addition, your investment may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

LIST OF SUBSIDIARIES OF PURECYCLE TECHNOLOGIES, INC.
(As of December 31, 2022)

<u>Subsidiary</u>	<u>State of Jurisdiction Of Incorporation</u>
PureCycle Technologies Holdings Corp.	Delaware
PureCycle Technologies, LLC	Delaware
PureCycle Managed Services, LLC	Delaware
PCTO Holdco, LLC	Delaware
PureCycle: Ohio, LLC	Ohio
PureCycle Technologies Holdings II Corp.	Delaware
PureCycle Augusta, LLC	Delaware
PureCycle PreP, LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 16, 2023, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of PureCycle Technologies, Inc. and subsidiaries on Form 10-K for the year ended December 31, 2022. We consent to the incorporation by reference of said reports in the Registration Statements of PureCycle Technologies, Inc. on Form S-8 (File No. 333-257472) and on Forms S-3 (File No. 333-264580, File No. 333-264581, File No. 333-251034 and File No. 333-257423.)

/s/ GRANT THORNTON LLP

Chicago, Illinois
March 16, 2023

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Dustin Olson, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 16, 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 Annual Report on Form 10-K 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: March 16, 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 Annual Report of PureCycle Technologies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022 (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: March 16, 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 Annual Report of PureCycle Technologies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022 (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: March 16, 2023

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