

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from to

Commission File Number: 001-40234



PureCycle Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

86-2293091

(State or other jurisdiction of incorporation or organization)

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

5950 Hazeltine National Drive, Suite 300

Orlando, Florida 32822

(877) 648-3565

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

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

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

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

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

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

Large accelerated filer ☒
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

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

As of August 4, 2023, there were approximately 163,991,927 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

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

PART I - FINANCIAL INFORMATION

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

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

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

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

PureCycle Technologies, Inc.

PART I - FINANCIAL INFORMATION — CONTINUED

- 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; and
- operational risk.

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

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

PureCycle Technologies, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS		
	(Unaudited)	
<i>(in thousands)</i>	June 30, 2023	December 31, 2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 28,885	\$ 63,892
Debt securities available for sale	—	98,592
Restricted cash – current	36,098	68,850
Prepaid expenses and other current assets	10,867	4,883
Total current assets	75,850	236,217
Restricted cash – non-current	151,345	94,781
Prepaid expenses and other non-current assets	7,108	5,483
Operating lease right-of-use assets	29,891	19,136
Property, plant and equipment, net	628,818	505,719
TOTAL ASSETS	\$ 893,012	\$ 861,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 10,861	\$ 1,667
Accrued expenses	35,323	35,102
Current portion of long-term debt	6,426	—
Accrued interest	1,746	1,532
Total current liabilities	54,356	38,301
NON-CURRENT LIABILITIES		
Deferred revenue	5,000	5,000
Long-term debt, less current portion	247,370	233,513
Related party note payable	36,443	—
Warrant liability	87,031	55,883
Operating lease right-of-use liabilities	27,371	16,620
Other non-current liabilities	1,221	1,136
TOTAL LIABILITIES	\$ 458,792	\$ 350,453
COMMITMENT AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares - \$ 0.001 par value, 450,000 shares authorized; 163,796 and 163,550 shares issued and outstanding as of June 30, 2023 and December 31, 2022	\$ 164	\$ 164
Additional paid-in capital	758,999	753,885
Accumulated other comprehensive loss	—	(641)
Accumulated deficit	(324,943)	(242,525)
TOTAL STOCKHOLDERS' EQUITY	434,220	510,883
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 893,012	\$ 861,336

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

PureCycle Technologies, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
<i>(in thousands except per share data)</i>				
Costs and expenses				
Operating costs	\$ 14,023	\$ 6,449	\$ 22,516	\$ 10,497
Research and development	160	250	553	589
Selling, general and administrative	13,618	12,954	26,553	27,701
Total operating costs and expenses	27,801	19,653	49,622	38,787
Interest expense (income), net	2,449	(176)	1,173	268
Change in fair value of warrants	26,313	(4,495)	31,148	1,340
Other expense	13	22	475	41
Total other expense	28,775	(4,649)	32,796	1,649
Net loss	\$ (56,576)	\$ (15,004)	\$ (82,418)	\$ (40,436)
Loss per share				
Basic and diluted	\$ (0.35)	\$ (0.09)	\$ (0.50)	\$ (0.27)
Weighted average common shares				
Basic and diluted	163,739	163,249	163,664	148,413
Other comprehensive loss				
Unrealized (loss) gain on debt securities available for sale	\$ —	(460)	641	(800)
Total comprehensive loss	\$ (56,576)	\$ (15,464)	\$ (81,777)	\$ (41,236)

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

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

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

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

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

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

	Six months ended June 30,	
(in thousands)	2023	2022
Cash flows from operating activities		
Net loss	\$ (82,418)	\$ (40,436)
Adjustments to reconcile net loss to net cash used in operating activities		
Equity-based compensation	5,418	6,438
Fair value change of warrants	31,148	1,340
Depreciation expense	5,306	1,693
Amortization of debt issuance costs and debt discounts	657	492
(Accretion) amortization of (discount) premium on debt securities	(139)	20
Operating lease amortization expense	1,459	531
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(4,788)	(3,572)
Prepaid expenses and other non-current assets	(1,625)	(875)
Accounts payable	2,372	1,094
Accrued expenses	1,175	(1,649)
Accrued interest	2,060	—
Operating right-of-use liabilities	(1,049)	(166)
Net cash used in operating activities	\$ (40,424)	\$ (35,090)
Cash flows from investing activities		
Purchase of property, plant & equipment	(124,239)	(127,067)
Purchase of debt securities, available for sale	—	(177,755)
Sale and maturity of debt securities, available for sale	99,371	112,968
Net cash used in investing activities	\$ (24,868)	\$ (191,854)
Cash flows from financing activities		
Proceeds from related party note payable	38,000	—
Proceeds from equipment lease financing	19,747	—
Related party note payable issuance costs	(2,100)	—
Debt issuance costs	(1,196)	—
Payments to repurchase shares	(304)	(1,066)
Other payments for financing activities	(50)	(23)
Proceeds from issuance of common stock	—	206,071
Proceeds from issuance of warrants	—	43,929
Common stock issuance costs	—	(775)
Net cash provided by financing activities	\$ 54,097	\$ 248,136
Net (decrease) increase in cash and restricted cash	(11,195)	21,192
Cash and restricted cash, beginning of period	227,523	263,858
Cash and restricted cash, end of period	\$ 216,328	\$ 285,050
Supplemental disclosure of cash flow information		
Interest paid during the period, net of capitalized interest	\$ 650	\$ 650
Non-cash investing activities		
Additions to property, plant, and equipment in accrued expenses	\$ 24,980	\$ 22,059
Additions to property, plant, and equipment in accounts payable	\$ 7,639	\$ 3,267
Non-cash financing activities		
PIK interest on related party note payable	\$ 422	\$ —

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

PureCycle Technologies, Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - ORGANIZATION

Formation and Organization

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

Business Combination

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

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

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

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

Private Placement Offering

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

Refer to Note 6 – Warrants for further information.

Basis of Presentation

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

Liquidity and Going Concern

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

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

	As of	
	June 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 28,885	\$ 63,892
Debt securities available for sale	—	98,592
Unrestricted liquidity	28,885	162,484
Less: Other Irontron set-aside	—	54,560
Available unrestricted liquidity	\$ 28,885	\$ 107,924
Restricted Cash (current and non-current)	\$ 187,443	\$ 163,631
Working capital	\$ 21,494	\$ 197,916
Accumulated deficit	\$ (324,943)	\$ (242,525)
	For the six months ended	
	June 30, 2023	June 30, 2022
Net loss	\$ (82,418)	\$ (40,436)

As of June 30, 2023, PCT had \$ 28.9 million of Available Unrestricted Liquidity. On March 15, 2023, PCT entered into a \$ 150.0 million revolving credit facility (the “Revolving Credit Facility”). Borrowings under the Revolving Credit Agreement (as described in Note 3 – Notes Payable and Debt Instruments) may be used for working capital, capital

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

expenditures and other general corporate purposes. There are currently no borrowings under the Revolving Credit Facility.

As of June 30, 2023, PCT anticipates that the remaining investment to complete the Ironton Facility will likely range from approximately \$ 10.0 million to \$ 22.5 million, inclusive of a performance guarantee payment, due after successful completion of a performance testing milestone. This range is dependent upon various contract contingencies and their ultimate resolution. PCT expects to successfully negotiate at least some of these contingencies.

PCT also has other capital commitments of approximately \$ 13.3 million related to long-lead equipment and pre-construction work for the Augusta Facility and \$ 15.8 million for equipment and leases related to future Feed PreP and purification facilities. There are also ongoing monthly costs associated with managing the company, paying debt service obligations, and preparing the Ironton Facility for revenue generation.

PCT believes that its current level of 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 condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q.

Through June 30, 2023, PCT has met all the required Milestones currently due under the Limited Waiver (as described in Note 3 – Notes Payable and Debt Instruments), including mechanical completion of the Ironton Facility, and commenced production of post-industrial recycled pellets by July 1, 2023. The Ironton Facility is being commissioned and PCT expects to achieve the remaining pellet production targets on or before their required deadlines. Further, PCT extended the Revolving Credit Facility to March 31, 2025. After considering management's plans to mitigate substantial doubt, including the plant becoming commercially viable and revenue generating later in 2023, PCT believes this substantial doubt has been alleviated and it has sufficient liquidity to continue as a going concern for the next twelve months.

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

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. These balances may exceed federally insured limits; however, the Company believes the risk of loss is low. Actively traded money market funds are measured at their net asset value ("NAV") and classified as Level 1.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Restricted Cash

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

Investments

The Company accounts for its investment in Debt Securities in accordance with ASC 320, *Investments – Debt Securities*. The fair value for fixed-rate debt securities is based on quoted market prices for the same or similar debt instruments and is classified as Level 2. The Company had no investments holdings as of June 30, 2023. All investment holdings as of December 31, 2022 were classified as Available for Sale. The Company classifies its Debt Securities investments as current assets as they are highly liquid and the related funds are available for use in current operations.

Income Taxes

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

Warrants

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

Recently Issued Accounting Pronouncements

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

NOTE 3 – NOTES PAYABLE AND DEBT INSTRUMENTS

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

	June 30, 2023	December 31, 2022
Revenue Bonds	\$ 249,550	\$ 249,550
Equipment Financing Payable	19,747	—
	269,297	249,550
Less: Original issue discount and debt issuance costs classified as a reduction to long-term debt	(15,501)	(16,037)
Less: Current portion	(6,426)	—
Long-term debt, less current portion	\$ 247,370	\$ 233,513
Pure Plastic Note Payable	\$ 40,422	\$ —
Less: Original issue discount and debt issuance costs classified as a reduction to note payable	(3,979)	—
Related party note payable	\$ 36,443	\$ —

Revenue Bonds

On October 7, 2020, the Southern Ohio Port Authority ("SOPA") issued certain revenue bonds ("Revenue Bonds") pursuant to an Indenture of Trust dated as of October 1, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), between SOPA and UMB Bank, N.A., as Trustee ("Trustee"), and loaned the proceeds from their sale to PureCycle: Ohio LLC ("PCO"), an Ohio limited liability company and indirect wholly-owned subsidiary of PCT, pursuant to a Loan Agreement dated as of October 1, 2020, between SOPA and PCO (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), to be used to (i) acquire, construct and equip the Ironton Facility (referred to within the Loan Agreement as the "Ohio Phase II Facility" and, together with the FEU (referred to within the Loan Agreement as the "Phase I Facility"), the "Project"); (ii) fund a debt service reserve fund for the Series 2020A Bonds; (iii) finance capitalized interest; and (iv) pay the costs of issuing the Revenue Bonds. The Revenue Bonds were offered in three series, including (i) Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020A ("Series 2020A Bonds"); (ii) Subordinate Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020B ("Series 2020B Bonds"); and (iii) Subordinated Exempt Facility Revenue Bonds (PureCycle Project), Taxable Series 2020C ("Series 2020C Bonds"), each series in the aggregate principal amount, bearing interest and maturing as shown in the table below. The Series 2020A Bonds were issued at a total discount of \$ 5.5 million. The discount is amortized over the term of the Revenue Bonds using the effective interest method. The purchase price of the Revenue Bonds was paid and immediately available to SOPA on October 7, 2020, the date of delivery of the Revenue Bonds to their original purchaser. PureCycle is not a direct obligor on the Revenue Bonds and is not a party to the Loan Agreement or the Indenture pursuant to which the Revenue Bonds have been issued. Legacy PCT has executed a guaranty of completion dated as of October 7, 2020 ("Guaranty"), with respect to the full and complete performance by PCO of PCO's obligations with respect to construction and completion of the Project, including construction by the Completion Date, free and clear of any liens (other than permitted liens), and the payment of all Project costs incurred prior to completion of the Project, and all claims, liabilities, losses and damages owed by PCO to each counterparty under the Project Documents (as such terms are defined in the Indenture). In addition, pursuant to the Guaranty, PCT LLC is obligated to fund and maintain a liquidity reserve for the Project during the term of the Guaranty in the amount of \$ 50.0 million to be held in an escrow account with U.S. Bank National Association, as escrow agent ("Liquidity Reserve"). Pursuant to the terms of the Loan Agreement PCO executed promissory notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

in the principal amounts of each maturity (or interest rate within a maturity), aggregating the principal amount of each series of Revenue Bonds, in favor of SOPA, which were assigned to the Trustee on October 7, 2020.

(in thousands)					
Bond Series	Term	Principal Amount	Interest Rate	Maturity Date	
2020A	A1	\$ 12,370.00	6.25 %	December 1, 2025	
2020A	A2	\$ 38,700.00	6.50 %	December 1, 2030	
2020A	A3	\$ 168,480.00	7.00 %	December 1, 2042	
2020B	B1	\$ 10,000.00	10.00 %	December 1, 2025	
2020B	B2	\$ 10,000.00	10.00 %	December 1, 2027	
2020C	C1	\$ 10,000.00	13.00 %	December 1, 2027	

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

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

The Revenue Bonds are recorded within Long-term debt in the condensed consolidated balance sheet. The Company incurred \$ 4.9 million and \$ 4.9 million of interest cost during each of the three months ended June 30, 2023 and 2022, respectively, and \$ 9.7 million and \$ 9.7 million of interest cost during the six months ended June 30, 2023 and 2022, respectively. As the Revenue Bond proceeds are being used to construct the Company's property, plant and equipment, the interest costs related to the tax-exempt portion of the Revenue Bonds have been capitalized within Property, Plant and Equipment until the construction was complete in June 2023. The Company capitalized \$ 2.8 million and \$ 4.2 million of interest cost during each of the three months ended June 30, 2023 and 2022, respectively, and \$ 7.1 million and \$ 8.5 million of interest cost during the six months ended June 30, 2023 and 2022. As of June 30, 2023 the fair value of the Revenue Bonds was \$ 199.4 million, which was determined using inputs characteristic of a Level 2 fair value measurement. Although the Company has determined the estimated fair value using available market information and commonly accepted valuation methodologies, considerable judgement is required in interpreting the information and in developing the estimated fair value. Therefore, this estimate is not necessarily indicative of the amounts that the Company, or holders of the instruments, could realize in a current market exchange.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Event of Default under the Indenture and Loan Agreement, which will be deemed to have occurred on January 2, 2023 with respect to any requirements to pay accrued and unpaid interest at the Default Rate (as defined in the Indenture).

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

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

Equipment Financing

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

The Company is also required to make monthly payments under the agreements during the period between funding of the construction obligation and delivery of the equipment, which began in June 2023 and are equal to a monthly lease rate factor of approximately 3.1 % of the outstanding amount funded by CSC (the "Lease Rate Factor"). The Company has determined that these payments represent a cost of borrowing under the financing arrangement and has recorded the payments as interest expense in the condensed consolidated statements of comprehensive loss. The Company incurred \$ 0.8 million of interest related to these obligations for the three and six months ended June 30, 2023. The Lease Rate Factor is indexed to the WSJ Prime Rate as published by the Wall Street Journal and may be increased for every five basis point change in the index prior to final commencement of the 36 month lease term. Upon commencement of the 36 month lease term, the payments will be characterized as repayment of debt, and the expected coupon rate for the 36 month term is 7.25 % based on the WSJ Prime Rate published as of June 30, 2023.

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

Sylebra Credit Facility

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

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

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

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

Amounts outstanding under the Revolving Credit Agreement are guaranteed by the Guarantors, and are secured by a security interest in substantially all of the assets of PCT. Any majority-owned direct or indirect subsidiaries of PCT

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

formed after the closing date of the Revolving Credit Facility will also be required to guaranty the obligations under the Revolving Credit Agreement and grant security interests in substantially all of their respective assets.

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

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

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

The Pure Plastic Term Loan Facility

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

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

The Term Loan Facility is structured as a single-draw, delayed draw term loan. The Lender funded the term loan on May 17, 2023 (the "Funding Date"). Amounts outstanding under the Term Loan Credit Agreement will bear interest at a variable annual rate equal to Term SOFR (as defined in the Term Loan Credit Agreement) in effect for such period plus an applicable margin. The applicable margin is equal to 7.5 %, and the interest rate for the outstanding term loan was 12.7 % as of June 30, 2023. The Company is also required to pay, on the Funding Date, (i) a closing fee to the Lenders, equal to 2.00 % times the aggregate principal amount of the term loans funded by the Lenders on the Funding Date, (ii) a commitment fee to the Lenders equal to 1.00 % times the aggregate principal amount of each Lender's commitments on the Funding Date, (iii) a syndication fee to the Administrative Agent equal to 0.50 % times the aggregate commitments of the Lenders on the Funding Date and (iv) a monitoring fee equal to \$ 200,000 to the Administrative Agent for the account of the Administrative Agent and the Security Agent on the Funding Date and each anniversary of the Funding Date until maturity of the term loan. Additionally, the term loan will be issued with a 5.00 % original issue discount. Subject to timely prior written notice, payment of breakage fees, if any, and payment of a prepayment premium equal to (i) 12 % if such prepayment occurs during the first year following the closing date or (ii) 8 % thereafter, the Company may at any time and from time to time voluntarily prepay all or any portion of any outstanding borrowings. The Company incurred \$ 0.6 million of interest cost during the three and six months ended June 30, 2023. The interest due to date of \$ 0.4 million was paid entirely in kind, which increased the principal amount of the Term Loan Facility by this amount (the "PIK Interest"). The Company has the contractual

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

right to pay all interest payments in kind and may make this election for all interest payments for the duration of the Term Loan Facility. The repayment schedule presented below does not contemplate future PIK Interest.

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

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

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

Years ending December 31,	Long-term debt	Related party note payable
2023 (July through December)	\$ —	\$ —
2024	13,088	—
2025	23,301	40,422
2026	14,634	—
2027	25,105	—
2028	7,710	—
Thereafter	185,459	—
	269,297	40,422
Less: Original issue discount and debt issuance costs classified as a reduction to long-term debt	(15,501)	(3,979)
Less: Current Portion	(6,426)	—
Total	\$ 247,370	\$ 36,443

NOTE 4 - STOCKHOLDERS' EQUITY

Common Stock

Holders of PCT common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The holders do not have cumulative voting rights in the election of directors. Upon the Company's liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of the Company's common stock will be entitled to receive pro rata the Company's remaining assets available for distribution. Holders of the Company's common stock do not have preemptive, subscription, redemption or conversion rights. All shares of the Company's common stock are fully paid and non-assessable. The Company is authorized to issue 450.0 million shares of common stock with a par value of \$ 0.001 . As of June 30, 2023, and December 31, 2022, 163.80 million and 163.55 million shares are issued and outstanding, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Preferred Stock

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

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

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

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

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

Restricted Stock Agreements

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

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

	Number of RSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Non-vested at December 31, 2021	2,671	\$ 14.33	3.4
Granted	1,211	7.45	
Vested	(543)	8.31	
Forfeited	(23)	17.58	
Non-vested at June 30, 2022	3,316	\$ 12.53	3.2

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

	Number of RSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Non-vested at December 31, 2022	2,760	\$ 11.92	2.7
Granted	1,238	6.15	
Vested	(352)	7.12	
Forfeited	(52)	12.92	
Non-vested at June 30, 2023	3,594	\$ 10.35	2.6

Equity-based compensation cost is recorded within the selling, general and administrative expenses in the condensed consolidated statements of comprehensive loss, and totaled approximately \$ 2.9 million and \$ 5.3 million for the three and six months ended June 30, 2023, respectively, and \$ 3.0 million and \$ 6.3 million for the three and six months ended June 30, 2022, respectively.

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:

	June 30, 2023	June 30, 2022
Expected annual dividend yield	— %	— %
Expected volatility	77.3 %	— %
Risk-free rate of return	3.5 %	— %
Expected option term (years)	6.5	0

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balance, December 31, 2021	613	\$ 28.90	6.2
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Balance, June 30, 2022	613	\$ 28.90	4.6

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balance, December 31, 2022	613	\$ 28.90	4.0
Granted	459	5.72	10.0
Exercised	—	—	—
Forfeited	—	—	—
Balance, June 30, 2023	1,072	\$ 18.98	6.2
Exercisable	613		

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

Performance-Based Restricted Stock Agreements

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

The Company issued 0.4 million and 0.9 million PSUs for the six months ended June 30, 2023, and 2022, respectively. As of June 30, 2023, the performance-based provision has not been achieved for any of the outstanding performance-based awards.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

	Number of PSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Balance, December 31, 2021	424	\$ 18.65	2.0
Granted	900	7.36	
Vested	—	—	
Forfeited	(14)	19.33	
Balance, June 30, 2022	1,310	\$ 10.88	2.0

	Number of PSUs	Weighted average grant date fair value	Weighted average remaining recognition period
Balance, December 31, 2022	1,060	\$ 10.87	1.7
Granted	416	6.08	
Vested	—	—	
Forfeited	(5)	7.24	
Balance, June 30, 2023	1,471	\$ 9.52	1.7

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

NOTE 6 - WARRANTS

RTI Warrants

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

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

	Number of warrants	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding at December 31, 2021	971	\$ 5.56	\$ 0.03	3.0
Granted	—	—	—	—
Exercised	—	—	—	—
Outstanding at June 30, 2022	971	\$ 5.56	\$ 0.03	2.5
Exercisable	971			

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

	Number of warrants	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding at December 31, 2022	971	\$ 5.56	\$ 0.03	2.0
Granted	—	—	—	—
Exercised	—	—	—	—
Outstanding at June 30, 2023	971	\$ 5.56	\$ 0.03	1.5
Exercisable	971			

The Company recognized \$ 2.6 million and \$ 2.6 million of expense for the three and six months ended June 30, 2023, respectively, and \$ 0.5 million and \$ 1.8 million of benefit for the three and six months ended June 30, 2022, respectively. Refer to Note 12 – Fair Value of Financial Instruments for further information.

Public Warrants and Private Warrants

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

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

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

There were approximately 5.7 million public warrants and 0.2 million private placement warrants outstanding at June 30, 2023 and 2022. The Company recognized \$ 0.3 million and \$ 0.4 million of expense related to the private warrants for the three and six months ended June 30, 2023, respectively, and \$ 0.1 million and \$ 0.3 million of benefit for the three and six months ended June 30, 2022. Refer to Note 12 - Fair Value of Financial Instruments for further information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Series A Warrants

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

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

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

As of June 30, 2023, there were approximately 17.9 million Series A Warrants outstanding. The Company recognized \$ 23.4 million and \$ 28.2 million of expense related to the Series A Warrants for the three and six months ended June 30, 2023, respectively, and \$ 3.9 million of benefit and \$ 3.4 million of expense for the three and six months ended June 30, 2022, respectively. Refer to Note 12 – Fair Value of Financial Instruments for further information.

NOTE 7 – RELATED PARTY TRANSACTIONS***Sylebra Credit Facility***

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

The Pure Plastic Term Loan Facility

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the six months ended June 30, 2023 and 2022 (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	\$ (56,576)	\$ (15,004)	\$ (82,418)	\$ (40,436)
Denominator:				
Weighted average common shares outstanding, basic and diluted	163,739	163,249	163,664	148,413
Net loss per share attributable to common stockholder, basic and diluted	\$ (0.35)	\$ (0.09)	\$ (0.50)	\$ (0.27)

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 June 30, 2023 and 2022, the Company had outstanding instruments of approximately 24.7 million and 24.7 million vested but not exercised warrants, 0.6 million and 0.6 million vested but not exercised stock options, 3.5 million and 3.1 million non-vested restricted stock units, 1.5 million and 1.3 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:

	As of June 30, 2023		
	Cost	Accumulated Depreciation	Net Book Value
<i>(in thousands)</i>			
Building	\$ 81,351	\$ 1,347	\$ 80,004
Machinery and equipment	324,968	11,264	313,704
Leasehold Improvements	2,957	1,122	1,835
Fixtures and Furnishings	628	128	500
Land improvements	150	27	123
Land	1,150	—	1,150
Construction in process	231,502	—	231,502
Total property, plant and equipment	\$ 642,706	\$ 13,888	\$ 628,818

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

Depreciation expense is recorded within operating costs in the condensed consolidated statements of comprehensive loss and amounted to \$ 4.0 million and \$ 5.3 million for the three and six months ended June 30, 2023, respectively, and \$ 0.9 million and \$ 1.7 million for the three and six months ended June 30, 2022, respectively.

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Block and Release Agreement

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

Strategic Alliance Agreement

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

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

NOTE 11 - INCOME TAXES

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

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

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

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

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

	June 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ 51,250	\$ —	\$ —	\$ 51,250
Restricted cash equivalents - current	36,098	—	—	36,098	68,850	—	—	68,850
Restricted cash equivalents - noncurrent	151,345	—	—	151,345	94,781	—	—	94,781
Investments:								
Commercial paper, available for sale	—	—	—	—	—	32,756	—	32,756
Corporate Bonds, available for sale	—	—	—	—	—	58,442	—	58,442
Municipal bonds, available for sale	—	—	—	—	—	7,394	—	7,394
Total investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 98,592	\$ —	\$ 98,592
Liabilities								
Warrant liability:								
RTI warrants	\$ —	\$ —	\$ 6,233	\$ 6,233	\$ —	\$ —	\$ 3,670	\$ 3,670
Private warrants	—	—	1,155	1,155	—	—	784	784
Series A warrants	—	79,643	—	79,643	—	51,429	—	51,429
Total warrant liability	\$ —	\$ 79,643	\$ 7,388	\$ 87,031	\$ —	\$ 51,429	\$ 4,454	\$ 55,883

Measurement of the Private Warrants

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

	June 30, 2023	December 31, 2022
Expected annual dividend yield	— %	— %
Expected volatility	87.8 %	105.1 %
Risk-free rate of return	4.6 %	4.2 %
Expected option term (years)	2.7	3.2

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

The aggregate values of the private warrants were \$ 1.2 million and \$ 0.8 million on June 30, 2023 and December 31, 2022, respectively.

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

	Fair value (Level 3)
Balance at December 31, 2022	\$ 784
Change in fair value	371
Balance at June 30, 2023	\$ 1,155

Refer to Note 6 – Warrants for further information.

Measurement of the RTI warrants

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

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

	June 30, 2023	December 31, 2022
Expected annual dividend yield	— %	— %
Expected volatility	85.9 %	99.7 %
Risk-free rate of return	5.1 %	4.4 %
Expected option term (years)	1.5	2.0

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

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

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

	Fair value (Level 3)
Balance at December 31, 2022	\$ 3,670
Change in fair value	2,563
Balance at June 30, 2023	\$ 6,233

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

Series A Warrants as both warrants have similar redemption features and the same exercise price. The Series A Warrants are classified as Level 2 for both initial measurement at issuance and subsequent measurement each period. The Series A Warrants were initially valued at \$ 43.9 million upon closing of the 2022 PIPE Offering.

Assets and liabilities recorded at carrying value

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

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

NOTE 13 - AVAILABLE-FOR-SALE INVESTMENTS

The Company classifies its investments in debt securities as available-for-sale. Debt securities have been historically comprised of highly liquid investments with minimum "A" rated securities. As of June 30, 2023, the Company does not hold any available-for-sale debt securities. The debt securities have historically been reported at fair value with unrealized gains or losses recorded in accumulated other comprehensive income in the condensed consolidated balance sheets. Refer to Note 12 – Fair Value of Financial Instruments for information related to the fair value measurements and valuation methods utilized.

The Company did not own any available-for-sale investments as of June 30, 2023. The following table represents the Company's available-for-sale investments by major security type as of December 31, 2022 (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	<u>\$ 99,234</u>	<u>\$ —</u>	<u>\$ (642)</u>	<u>\$ 98,592</u>

The Company did not own any available-for-sale investments as of June 30, 2023. The following table summarizes the fair value and amortized cost bases of the Company's available-for-sale investments by contractual maturity as of December 31, 2022 (in thousands):

	December 31, 2022	
	Amortized Cost	Fair Value
Due within one year	\$ 92,253	\$ 91,669
Due after one year through five years	6,981	6,923
Total	<u>\$ 99,234</u>	<u>\$ 98,592</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Financial Assurance

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

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

Legal Proceedings

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

Shareholder Securities Litigation

Beginning on or about May 11, 2021, two putative class action complaints were filed against PCT, certain senior members of management and others, asserting violations of federal securities laws under Section 10(b) and Section 20(a) of the Exchange Act. The complaints generally allege that the applicable defendants made false and/or misleading statements in press releases and public filings regarding the Technology, PCT's business and PCT's prospects. The first putative class action complaint was filed in the U.S. District Court for the Middle District of Florida by William C. Theodore against PCT and certain senior members of management (the "Theodore Lawsuit"). The second putative class action complaint was filed in the U.S. District Court for the Middle District of Florida by David Tennenbaum against PCT, certain senior members of management and others (the "Tennenbaum Lawsuit" and, together with the Theodore Lawsuit, the "Class Action Lawsuits"). On July 14, 2021, the court granted a motion to consolidate the Class Action Lawsuits and on July 27, 2021, Tennenbaum filed a motion to voluntarily dismiss his complaint without prejudice. On August 5, 2021, the Court entered an order appointing the Mariusz Ciecko and Robert Ciecko as Co-Lead Plaintiffs ("Lead Plaintiffs") and Pomerantz LLP as Lead Counsel.

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

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

On August 4, 2022, the U.S. District Court for the Middle District of Florida dismissed the Class Action Lawsuits, without prejudice. Plaintiffs filed their second amended complaint on August 18, 2022. On September 15, 2022, the PCT Defendants and Byron Roth each filed a motion to dismiss the second amended complaint, and the parties filed additional responsive pleadings in October 2022. On June 15, 2023, the U.S. District Court for the Middle District of Florida granted the PCT Defendants' motion solely with regard to named defendant Tamsin Ettefagh, but denied the motion as to all other defendants. On June 30, 2023, the PCT Defendants filed a motion for Reconsideration. Further, on July 14, 2023, each of the PCT and Roth Defendants filed their respective Answers and Counterclaims.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

Derivative Litigation

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

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

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.

Denham-Blythe Arbitration

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

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

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.

NOTE 15 - LEASES

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

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

Operating leases result in a straight-line lease expense, while finance leases result in a front-loaded expense pattern. The assets associated with financing leases have been included in property, plant and equipment in the

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

condensed consolidated balance sheet. Depreciation on financing lease assets is included in operating costs on the condensed 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 exercise. Instead, lease payments for these leases are recognized as lease cost on a straight-line basis over the lease term.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Lease cost				
Operating lease cost	\$ 893	349	\$ 1,790	\$ 772
Short-term lease cost	462	105	584	208
Total lease cost	<u>\$ 1,355</u>	<u>\$ 454</u>	<u>\$ 2,374</u>	<u>\$ 980</u>
	Six Months Ended June 30,			
	2023	2022		
Other information				
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases			\$ 1,522	\$ 427
Right-of-use assets obtained in exchange for new operating lease liabilities			\$ 12,335	\$ 80
Weighted-average remaining lease term (in years) - operating leases			15.8	9.7
Discount rates				
Weighted-average discount rate - operating leases			6.0 %	4.1 %

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

	June 30, 2023	December 31, 2022
Operating leases		
Operating lease right-of-use assets	<u>\$ 29,891</u>	<u>\$ 19,136</u>
Accrued expenses	<u>\$ 2,397</u>	<u>\$ 2,188</u>
Other long-term liabilities	<u>27,371</u>	<u>16,620</u>
Total operating lease liabilities	<u>\$ 29,768</u>	<u>\$ 18,808</u>

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

Year Ending	Operating Leases
2023 (July through December)	\$ 1,960
2024	4,284
2025	4,290
2026	4,210
2027	3,799
2028	2,556
Thereafter	30,086
Total lease payments	<u>51,185</u>
Less: Imputed interest	<u>(21,417)</u>
Present value of lease liabilities	<u>\$ 29,768</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

(Unaudited)

AEDA Sale-leaseback Transaction

On June 30, 2023, PCT entered into a series of agreements with the Development Authority of Augusta, Georgia (the "AEDA") to construct phase one ("Phase One") of its first U.S. multi-line facility in Augusta, Georgia. PCT is leasing 150 acres of land ("Real Property") owned by the AEDA and will construct buildings, building equipment, and other structures (the "Improvements") on the land. PCT will also acquire and install the necessary processing, warehousing, and other equipment, as well as conveyers and pipelines (the "Equipment", together with the Real Property and the Improvements, the "Augusta Project"). The Improvements and Equipment will be transferred to the AEDA and leased back by PCT. PCT anticipates that the first portion of Phase One will consist of one purification line, with construction expected to begin by the end of 2023. PCT is obligated to spend at least \$ 440 million toward the construction of Phase One. Construction of the first purification line must be completed by December 31, 2026, but PCT expects that it will be completed sooner. Through June 30, 2023, PCT has invested approximately \$ 74 million for pre-construction engineering and long-lead equipment for the benefit of Phase One investments.

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

NOTE 16 - SUBSEQUENT EVENTS

In connection with the preparation of the condensed consolidated interim financial statements for the period ended June 30, 2023, management has evaluated events through August 8, 2023 to determine whether any events required recognition or disclosure in the condensed consolidated interim financial statements. The following subsequent events were identified through the date of these condensed consolidated interim financial statements:

Second Amendment to the Revolving Credit Facility

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

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

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

Overview

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

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

The Ironton Facility

PCT commenced commissioning activities at its first commercial-scale plant in Lawrence County, Ohio (referred to herein as the "Ironton Facility"), in the second quarter of 2023; has achieved mechanical completion of the plant and commenced initial post-industrial recycled pellet production. On June 28, 2023, the independent construction monitor reviewing construction and commissioning of the Ironton Facility issued its certification confirming commencement of production of post-industrial recycled pellets, which was required to achieve a key milestone in connection with the Ironton Facility financing. The Ironton Facility leverages the existing infrastructure of PCT's pilot facility known as the Feedstock Evaluation Unit (the "FEU"), which became operational in 2019, and the Ironton Facility is expected to have UPR resin capacity of approximately 107 million pounds/year when fully operational. PCT expects to begin producing and selling its UPR resin in 2023, with full Ironton Facility production capacity achieved in early 2024. 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 June 30, 2023, PCT anticipates that the remaining investment to complete the Ironton Facility will likely range from approximately \$10.0 million to \$22.5 million, inclusive of a performance guarantee payment, due after successful completion of a performance testing milestone. This range is dependent upon various contract contingencies and their ultimate resolution. PCT expects to successfully negotiate at least some of these contingencies.

During the Ironton Facility's construction phase, the Company incurred certain expenses that were not included in the original core project scope finalized in late 2020. The changes and additions to the original scope included investments to enhance safety, operational reliability, purification flexibility in processing different types of feedstocks, and digital automation. We believe these changes will enable the facility to (i) process higher levels of solids and contaminants, (ii) be "Born Digital," and (iii) include enhanced safety measures. More specifically, the

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

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 eventually include up to eight production lines, which are expected to collectively have UPR resin production capacity of approximately 1 billion pounds per year. When fully operational, each purification line at the Augusta Facility is expected to have annual production capacity of approximately 130 million pounds of PCT's UPR resin. PureCycle has allocated 40% of the Augusta Facility output to existing customers and expects that additional offtake agreements will continue to be negotiated.

On June 30, 2023, PCT and the AEDA executed an Economic Development Agreement ("EDA") related to the Company's plans to construct the Augusta Facility. Pursuant to the EDA, PCT expects to receive certain property tax abatement benefits as well as certain other incentives, including site infrastructure development assistance ("Incentive Benefits"). In order to receive the Incentive Benefits under Phase One (as defined below) of the Augusta Project, PCT will be obligated to create 82 full-time jobs with investments of at least \$440 million no later than December 31, 2026. Through June 30, 2023, PCT has invested approximately \$74 million for pre-construction engineering and long-lead equipment for the benefit of Phase One investments. If PCT elects to activate the second phase of the Augusta Project, PCT will be required to create an additional 25 full-time jobs and investments of \$295 million no later than December 31, 2028. To the extent PCT fails to achieve an average of 80% of the jobs and investment commitments in any year over the 20-years of each phase, PCT will be required to make a repayment to the AEDA of a pro rata portion of the total value of the Incentive Benefits received by PCT in such year.

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

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

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

Feedstock Pricing

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

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

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

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

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

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

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

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

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

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

Future Expansion

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

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

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 Mitsui & Co. Ltd. in Japan for in-country production and sales.

Components of Results of Operations

Revenue

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

Operating Costs

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

Research and Development Expense

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

Selling, General and Administrative Expense

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

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

Results of Operations

Comparison of three and six month periods ended June 30, 2023 and 2022

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

(in thousands, except %)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Costs and expenses								
Operating costs	\$ 14,023	\$ 6,449	\$ 7,574	117 %	\$ 22,516	\$ 10,497	\$ 12,019	114 %
Research and development	160	250	(90)	(36) %	553	589	(36)	(6) %
Selling, general and administrative	13,618	12,954	664	5 %	26,553	27,701	(1,148)	(4) %
Total operating costs and expenses	27,801	19,653	8,148	41 %	49,622	38,787	10,835	28 %
Interest expense (income), net	2,449	(176)	2,625	1491 %	1,173	268	905	338 %
Change in fair value of warrants	26,313	(4,495)	30,808	685 %	31,148	1,340	29,808	2224 %
Other expense	13	22	(9)	(41) %	475	41	434	1059 %
Net loss	\$ (56,576)	\$ (15,004)	\$ (41,572)	277 %	\$ (82,418)	\$ (40,436)	\$ (41,982)	104 %

Operating costs

The increase for the three and six month periods was primarily attributable to higher employee costs of \$2.2 million and \$5.4 million due primarily to increased headcount at the Ironton Facility, higher rent for operating facilities of \$0.8 million and \$1.3 million, higher depreciation expense of \$3.1 million and \$3.6 million due primarily to placing the Ironton Facility assets in service in the second quarter of 2023, \$0.8 million and \$0.5 million related to increased operational consulting due primarily to on-site third party assistance for Ironton Facility mechanical completion and commissioning activities, increased operational site costs of \$0.4 million and \$0.7 million related to operating the Ironton Facility, and \$0.2 million and \$0.5 million of other net increases, respectively.

Research and development expenses

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

Selling, general and administrative expenses

Selling, general and administrative expenses did not significantly change year over year for the three month period. The decrease for the six month period was attributable to \$1.1 million lower equity compensation expense due primarily to accelerated vesting on awards related to a departing executive in the first half of 2022 that was not repeated in 2023.

Interest expense (income), net

The change for the three and six month periods was primarily attributable to higher interest expense related to additional financing incurred in the second quarter of 2023 as well as ceasing capitalization of interest on the Revenue Bonds beginning in June 2023 as the plant is now in service.

Change in fair value of warrants

The increased expense for the three month period was attributable to a \$26.3 million increase in fair value of the Company's liability-classified warrants in the second quarter of 2023 compared to a \$4.5 million benefit during the second quarter of 2022. The increased expense for the six month period was attributable to a \$31.1 million increase in fair value of the Company's liability-classified warrants in the first six months of 2023 compared to a \$1.3 million increase in valuation during the first six months of 2022. For all periods, the primary driver of the change in valuation was the underlying price of PCT's common stock, as well as fluctuations in volatility and reduction in the warrant terms with the passage of time.

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

Other expense

Other expenses did not significantly change period over period.

Liquidity and Capital Resources

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

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

(in millions)	June 30, 2023	December 31, 2022
Cash	\$ 28.9	\$ 63.9
Debt Securities Available for Sale	—	98.6
Unrestricted Liquidity	\$ 28.9	\$ 162.5
Less: Other Ironton Set-aside	—	54.6
Available Unrestricted Liquidity	\$ 28.9	\$ 107.9
Ironton Facility Construction	\$ —	\$ 13.2
Liquidity Reserve	101.7	50.0
Capitalized Interest and Debt Reserve	41.2	38.0
Other Required Reserves Ironton	24.7	21.2
Augusta Construction Escrow	16.3	39.4
Letters of Credit and Other Collateral	3.5	1.3
Restricted Cash (current and non-current)	\$ 187.4	\$ 163.1
Revenue Bonds	\$ 234.1	\$ 233.5
Equipment Financing Payable	19.7	—
Pure Plastic Note Payable	36.4	—
Add: Discount and Issuance Costs	19.5	16.1
Gross Long-term Debt and Related Party Note Payable	\$ 309.7	\$ 249.6

As of June 30, 2023, PCT had \$28.9 million of Available Unrestricted Liquidity. On March 15, 2023, PCT entered into a \$150.0 million revolving credit facility (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Agreement may be used for working capital, capital expenditures and other general corporate purposes. There are currently no borrowings under the Revolving Credit Facility.

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

As of June 30, 2023, PCT anticipates that the remaining investment to complete the Ironton Facility will likely range from approximately \$10.0 million to \$22.5 million, inclusive of a performance guarantee payment, due after successful completion of a performance testing milestone. This range is dependent upon various contract contingencies and their ultimate resolution. PCT expects to successfully negotiate at least some of these contingencies.

PCT also has other capital commitments of approximately \$13.3 million related to long-lead equipment and pre-construction work for the Augusta Facility and \$15.8 million for equipment and leases related to future Feed PreP and purification facilities. There are also ongoing monthly costs associated with managing the company, paying debt service obligations, and preparing the Ironton Facility for revenue generation.

PCT believes that its current level of 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 condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q.

Through June 30, 2023, PCT has met all the required Milestones currently due under the Limited Waiver (as described in Note 3 – Notes Payable and Debt Instruments), including mechanical completion of the Ironton Facility, and commenced production of post-industrial recycled pellets by July 1, 2023. The Ironton Facility is being commissioned and PCT expects to achieve the remaining pellet production targets on or before their required deadlines. Further, PCT extended the Revolving Credit Facility to March 31, 2025. After considering management's plans to mitigate substantial doubt, including the plant becoming commercially viable and revenue generating later in 2023, PCT believes this substantial doubt has been alleviated and it has sufficient liquidity to continue as a going concern for the next twelve months.

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

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

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

Cash Flows

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

(in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Net cash used in operating activities	\$ (40,424)	\$ (35,090)	\$ (5,334)	15 %
Net cash used in investing activities	(24,868)	(191,854)	166,986	(87) %
Net cash provided by financing activities	54,097	248,136	(194,039)	(78) %
Cash and cash equivalents, beginning of period	227,523	263,858	(36,335)	(14) %
Cash and cash equivalents, end of period	\$ 216,328	\$ 285,050	\$ (68,722)	(24) %

Cash Flows from Operating Activities

The \$5.3 million increase in net cash used in operating activities for the six months ending June 30, 2023 compared to the same period in 2022 was attributable to higher cash paid for raw materials and maintenance inventory of approximately \$3.5 million, increased cash paid related to higher employee costs of \$1.3 million, higher payments on operating lease liabilities of \$0.9 million related to increased lease activity in 2023 over the same period in 2022, offset by \$0.4 million of other net decreases.

Cash Flows from Investing Activities

The \$167.0 million decrease in cash used in investing activities for the six months ending June 30, 2023 compared to the same period in 2022 was attributable to \$177.8 million lower investment purchases and \$2.8 million lower capital expenditure payments, offset by \$13.6 million lower maturities and sales of investments.

Cash Flows from Financing Activities

The \$194.0 million decrease in net cash provided by financing activities for the six months ending June 30, 2023 compared to the same period in 2022 was primarily attributable to a decrease of \$250.0 million related to proceeds from the 2022 PIPE Offering which was not repeated in 2023, higher debt issuance costs in 2023 of \$3.3 million related to new financings incurred in 2023 (none in 2022), offset by a \$57.7 million increase in cash proceeds from debt financings in 2023 (none in 2022), lower equity issuance costs in 2023 compared to 2022 of \$0.8 million, and lower share repurchase activity related to withholding on equity vesting of \$0.8 million.

Indebtedness**Revenue Bonds**

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

On March 15, 2023, PCT LLC, PCTO Holdco LLC, a Delaware limited liability company and indirect wholly-owned subsidiary of PCT LLC, (the pledgor under an Equity Pledge and Security Agreement (as defined in the Indenture),

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

pursuant to which the pledgor pledged certain interests to secure obligations of PCO under various Financing Documents (as defined in the Indenture) relating to the Revenue Bonds) and PCO and SOPA and the Trustee entered into a Limited Waiver and First Supplemental Indenture (the "Limited Waiver"), supplementing the Indenture and amending the Loan Agreement and the ARG, and pursuant to which the majority holders of the Series 2020A Bonds consented to the Limited Waiver, based on stated conditions, of a Specified Event of Default (as defined below) under the Indenture and the Loan Agreement.

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

Subject to the following conditions, the Specified Event of Default 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 (as defined in the Indenture).

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

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

Equipment Financing

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

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

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

Equipment to the Company pursuant to the terms and conditions of the Master Lease Agreement. Prior to entering into formal lease schedules under the Master Lease Agreement, the Company will lease from CSC certain Equipment pursuant to the terms of the Equipment Agreement.

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

The Company is also required to make monthly payments under the agreements during the period between funding of the construction obligation and delivery of the equipment, which began in June 2023 and are equal to a monthly lease rate factor of approximately 3.1% of the outstanding amount funded by CSC (the "Lease Rate Factor"). The Company has determined that these payments represent a cost of borrowing under the financing arrangement and has recorded the payments as interest expense in the condensed consolidated statements of comprehensive loss. The Company incurred \$0.8 million of interest related to these obligations for the three and six months ended June 30, 2023. The Lease Rate Factor is indexed to the WSJ Prime Rate as published by the Wall Street Journal and may be increased for every five basis point change in the index prior to final commencement of the 36 month lease term. Upon commencement of the 36 month lease term, the payments will be characterized as repayment of debt, and the expected coupon rate for the 36 month term is 7.25% based on the WSJ Prime Rate published as of June 30, 2023.

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

Sylebra Credit Facility

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

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

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

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

breakage fees, if any, PCT may at any time and from time to time (i) terminate all or any portion of the commitments under the Revolving Credit Agreement and/or (ii) prepay all or any portion of any outstanding borrowings.

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

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

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

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

There were no funds drawn on the Revolving Credit Facility as of June 30, 2023.

The Pure Plastic Term Loan Facility

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

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

The Term Loan Facility is structured as a single-draw, delayed draw term loan. The Lender has committed to fund the term loans on any business day from the closing date until June 8, 2023, subject to certain limited conditions precedent (such date of funding, the "Funding Date"). Amounts outstanding under the Term Loan Credit Agreement will bear interest at a variable annual rate equal to Term SOFR (as defined in the Term Loan Credit Agreement) in effect for such period plus an applicable margin. The applicable margin is equal to 7.5%. PCT is also required to

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

pay, on the Funding Date, (i) a closing fee to the Lenders, equal to 2.00% times the aggregate principal amount of the term loans funded by the Lenders on the Funding Date, (ii) a commitment fee to the Lenders equal to 1.00% times the aggregate principal amount of each Lender's commitments on the Funding Date, (iii) a syndication fee to the Administrative Agent equal to 0.50% times the aggregate commitments of the Lenders on the Funding Date and (iv) a monitoring fee equal to \$200,000 to the Administrative Agent for the account of the Administrative Agent and the Security Agent on the Funding Date and each anniversary of the Funding Date until maturity of the term loan. Additionally, the term loan will be issued with a 5.00% original issue discount. Subject to timely prior written notice, payment of breakage fees, if any, and payment of a prepayment premium equal to (i) 12% if such prepayment occurs during the first year following the closing date or (ii) 8% thereafter, PCT may at any time and from time to time voluntarily prepay all or any portion of any outstanding borrowings.

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

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

Financial Assurance

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

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

Critical Accounting Policies and Estimates

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

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Remediation Plans

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

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

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

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

Changes in Internal Control over Financial Reporting

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

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

ITEM 1A. RISK FACTORS

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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 second quarter of 2023:

Period	(a) Total number of shares (or units) purchased*	(b) Average price paid per share (or unit)*	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
April 1 to April 30	727	\$ 6.65	—	\$ —
May 1 to May 31	8,211	7.17	—	—
June 1 to June 30	—	—	—	—
Total	8,938	\$ 7.13	—	\$ —

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

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

Second Amendment to the Revolving Credit Facility

On August 4, 2023, the Company entered into the Second Amendment to Credit Agreement, by and among the Company, as borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the lenders party thereto, and Madison Pacific Trust Limited, as administrative agent and as security agent, in

PART II — OTHER INFORMATION — CONTINUED

connection with the Company's \$150 million Revolving Credit Facility governed by the Revolving Credit Agreement, to extend the maturity date of the Revolving Credit Facility to March 31, 2025.

PART II — OTHER INFORMATION — CONTINUED

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
2.1	<u>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)) †</u>
3.1	<u>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))</u>
3.2	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of PureCycle Technologies, Inc. to Declassify the Board of Directors (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 15, 2023)</u>
3.3	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of PureCycle Technologies, Inc. to Incorporate Certain Other Changes (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 15, 2023)</u>
3.4	<u>Second Amended and Restated Bylaws of PureCycle Technologies, Inc. (incorporated herein by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on May 15, 2023)</u>
10.1	<u>Credit Agreement, dated as of May 8, 2023, among PureCycle Technologies, Inc., as the Borrower, PureCycle Technologies Holdings Corp. and PureCycle Technologies, LLC, as Guarantors, Pure Plastic LLC, as the Lender and Pure Plastic LLC, as the Administrative Agent and Security Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 9, 2023)</u>
10.2	<u>First Amendment to Credit Agreement, Dated as of May 8, 2023, among PureCycle Technologies, Inc. as the Borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the Lenders party thereto, and Madison Pacific Trust Limited, as Administrative Agent and as Security Agent (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 9, 2023)</u>
10.3	<u>Second Amendment to Credit Agreement, dated as of August 4, 2023, among PureCycle Technologies, Inc. as the Borrower, PureCycle Technologies, LLC and PureCycle Technologies Holdings Corp., as Guarantors, the Lenders party thereto, and Madison Pacific Trust Limited, as Administrative Agent and as Security Agent*</u>
31.1	<u>Rule 13a – 14(a) Certification by Dustin Olson, Chief Executive Officer, for the quarter ended June 30, 2023*</u>
31.2	<u>Rule 13a – 14(a) Certification by Lawrence Somma, Chief Financial Officer, for the quarter ended June 30, 2023*</u>
32.1	<u>Section 1350 Certification by Dustin Olson, Chief Executive Officer, for the quarter ended June 30, 2023</u>
32.2	<u>Section 1350 Certification by Lawrence Somma, Chief Financial Officer, for the quarter ended June 30, 2023*</u>
101.1	The following financial statements from PureCycle Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets as of June 30, 2023 (Unaudited) and December 31, 2022. (ii) Unaudited Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months Ended June 30, 2023 and 2022.

PART II — OTHER INFORMATION — CONTINUED

(iii) Unaudited Condensed Consolidated Statements of Stockholder's Equity for the Three and Six Months Ended June 30, 2023 and 2022.

(iv) Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2023 and 2022.

(v) Notes to the Interim Condensed Consolidated Financial Statements.

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

* Filed herewith.

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

SIGNATURES

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

PURECYCLE TECHNOLOGIES INC.

(Registrant)

By: /s/ Dustin Olson

Dustin Olson

Chief Executive Officer

(Principal Executive Officer)

By: /s/ Lawrence Somma

Lawrence Somma

Chief Financial Officer

(Principal Financial Officer)

Date: August 8, 2023

SECOND AMENDMENT TO CREDIT AGREEMENT

This **SECOND AMENDMENT TO CREDIT AGREEMENT**, dated as of August 4, 2023 (this "**Amendment**"), is entered into by and among (a) **PURECYCLE TECHNOLOGIES, INC.**, a Delaware corporation (the "**Borrower**"), (b) the Guarantors (as defined herein), (c) the Lenders (as defined herein), (d) **MADISON PACIFIC TRUST LIMITED**, as Administrative Agent (in such capacity, the "**Administrative Agent**"), and (e) **MADISON PACIFIC TRUST LIMITED**, as Security Agent (in such capacity, the "**Security Agent**").

PRELIMINARY STATEMENTS:

WHEREAS, the Borrower, the Guarantors, the Lenders, the Administrative Agent and the Security Agent are party to that certain Credit Agreement, dated as of March 15, 2023, as amended by that certain First Amendment to Credit Agreement dated as of May 8, 2023 (the "**Credit Agreement**" and, the Credit Agreement as amended and modified by this Amendment, the "**Amended Credit Agreement**"). Capitalized terms used herein and not otherwise defined in this Amendment shall have the same meanings as specified in the Amended Credit Agreement.

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement to extend the Maturity Date from June 30, 2024 to March 31, 2025; and

WHEREAS, the Lenders are willing to so amend the Credit Agreement solely on the terms and subject to conditions set forth in this Amendment and the Lenders authorize and instruct the Administrative Agent and the Security Agent to enter into this Amendment.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto hereby agree as follows:

SECTION 1. Amendments to Credit Agreement

(a) Section 1.01 (*Defined Terms*) of the Credit Agreement is hereby amended by amending and restating the following definition contained therein in its entirety to provide as follows:

"Maturity Date" means March 31, 2025.

SECTION 2. Conditions of Effectiveness. The amendments to the Credit Agreement contained in Section 1 hereof shall become effective as of the date (the "**Effective Date**") on which the Administrative Agent has notified the Borrower, the Guarantors and the Lenders upon being satisfied that it has received or waived receipt of all the documents and evidence referred to in this Section (*Conditions of Effectiveness*) of this Amendment in form and substance satisfactory to the Administrative Agent (acting on the instructions of all Lenders):

(a) The Administrative Agent shall have received counterparts of this Amendment executed by the Borrower, the Guarantors, the Lenders, the Administrative Agent and the Security Agent.

(b) The Administrative Agent and the Security Agent shall have received from the Borrower any fees as shall have been separately agreed upon in writing in the amounts and at the times so specified in a fee letter, which such fees are fully earned upon the date hereof and non-refundable under any circumstances.

(c) The Borrower shall have paid in full all expenses described in Section 8 of this Amendment that have been invoiced on or prior to the date hereof.

(d) Each of the representations and warranties set forth in Section 3 of this Amendment shall be true and correct in all respects.

SECTION 3. Representations and Warranties. The Borrower and each Guarantor hereby represents and warrants to the Administrative Agent:

(a) The representations and warranties of the Borrower and each Guarantor contained in the Credit Agreement or any other Loan Document are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date and except that for purposes of this Section 3, the representations and warranties contained in Sections 5.05(a) and (b) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b) of the Credit Agreement, respectively.

(b) The execution, delivery and performance by the Borrower and each Guarantor of this Amendment are within the Borrower's and such Guarantor's corporate or other organizational powers and have been duly authorized by all necessary corporate or other organizational action and, if required, action by any holders of its Equity Interests.

(c) This Amendment constitutes the legal, valid and binding obligations of the Borrower and each Guarantor, enforceable against the Borrower and each Guarantor in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(d) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

SECTION 4. Ratification and Reaffirmation; Effect of this Amendment.

(a) Each Loan Party hereby consents to the amendments effected hereby and confirms and agrees that, notwithstanding the effectiveness of this Amendment, each Loan Document to which such Loan Party is a party is, and the obligations of such Loan Party contained in the Credit Agreement and in any other Loan Document to which it is a party are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, in each case as amended by this Amendment. For greater certainty and without limiting the foregoing, each Loan Party hereby (I) confirms that (i) the existing security interests granted by such Loan Party in favor of the Administrative Agent for the benefit of the Secured Parties pursuant to the Loan Documents (as defined in the Credit Agreement) in the Collateral described therein shall continue to secure the obligations of the Loan Parties under the Credit Agreement and the other Loan Documents as and to the extent provided therein and (ii) neither the modifications effected pursuant to this Amendment nor the execution, delivery, performance or effectiveness of this Amendment (A) impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document, and such Liens continue unimpaired with the same priority to secure repayment of all Obligations, whether heretofore or hereafter incurred or (B) requires that any new filings be made or other action taken to perfect or to maintain the perfection of such Liens and (II) ratifies its guarantee of the Obligations as provided in any Guaranty that is effective immediately prior to the date hereof.

(b) Except as expressly set forth or referenced herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver or novation of, or otherwise affect the rights and remedies of the Lenders, the Administrative Agent or the Security Agent under, the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document or any other provision of the Credit Agreement or of any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any party hereto to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances.

(c) Unless the context otherwise requires, from and after the date hereof, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein”, or words of like import, and each reference to the “Credit Agreement” or words of like import in any other Loan Document shall be deemed a reference to the Amended Credit Agreement. This Amendment shall constitute a “Loan Document” for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 5. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. Section 11.14 and Section 11.15 of the Credit Agreement shall apply to this Amendment, *mutatis mutandis*.

SECTION 6. Headings. Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Amendment.

SECTION 7. Execution in Counterparts; Effectiveness. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic imaging (including in .pdf format) means shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” and words of like import in this Amendment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. Except as provided in Section 4, this Amendment shall become effective by and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto.

SECTION 8. Payment of Expenses. The Borrower agrees to pay or reimburse the Administrative Agent, the Security Agent and each of the Lenders, in each case, for its out-of-pocket costs and expenses incurred in connection with this Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, in each case, in accordance with Section 11.04 of the Credit Agreement.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective authorized officers as of the date first above written.

BORROWER:

PURECYCLE TECHNOLOGIES, INC.

By: /s/ Larry Somma
Name: Larry Somma
Title: Chief Financial Officer

GUARANTORS:

PURECYCLE TECHNOLOGIES HOLDINGS CORP.

By: /s/ Larry Somma
Name: Larry Somma
Title: Chief Financial Officer

PURECYCLE TECHNOLOGIES, LLC

By: /s/ Larry Somma
Name: Larry Somma
Title: Chief Financial Officer

[Signature Page to Second Amendment to Credit Agreement]

AGENTS:

MADISON PACIFIC TRUST LIMITED, as Administrative Agent

By: /s/ Holly Hamilton

Name: Holly Hamilton

Title: Director

MADISON PACIFIC TRUST LIMITED, as Security Agent

By: /s/ Holly Hamilton

Name: Holly Hamilton

Title: Director

[Signature Page to Second Amendment to Credit Agreement]

LENDERS:

SYLEBRA CAPITAL PARTNERS MASTER FUND, LTD, as a Lender

By: /s/ Matthew Whitehead
Name: Matthew Whitehead
Title: Authorized Signatory

SYLEBRA CAPITAL PARC MASTER FUND, as a Lender

By: /s/ Matthew Whitehead
Name: Matthew Whitehead
Title: Authorized Signatory

SYLEBRA CAPITAL MENLO MASTER FUND, as a Lender

By: /s/ Matthew Whitehead
Name: Matthew Whitehead
Title: Authorized Signatory

[Signature Page to Second Amendment to Credit Agreement]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Dustin Olson, certify that:

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

Date: August 8, 2023

By: /s/ Dustin Olson

Dustin Olson

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Lawrence Somma, certify that:

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

Date: August 8, 2023

By: /s/ Lawrence Somma

Lawrence Somma

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

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

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

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

Date: August 8, 2023

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

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

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

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

Date: August 8, 2023

By: /s/ Lawrence Somma

Lawrence Somma

Chief Financial Officer

(Principal Financial Officer)