



Nasdaq: ARQ

# Investor Presentation

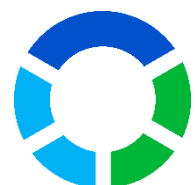
Canaccord Genuity 44th Annual Growth Conference  
August 2024

# Disclaimer

This presentation includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which provides a “safe harbor” for such statements in certain circumstances. When used in this presentation, the words “can,” “will,” “intends,” “expects,” “believes,” similar expressions and any other statements that are not historical facts are intended to identify those assertions as forward-looking statements. All statements that address activities, events or developments that Arq, Inc. ("Arq" or the "Company") intend, expect or believe may occur in the future are forward-looking statements. These forward-looking statements may relate to such matters as business strategy, expectations about future demand and pricing for our PAC and GAC products and our ability to enter into new markets, the ability to successfully integrate legacy Arq's business and effectively utilize legacy Arq's products and technology, the estimated costs and timing associated with potential capital improvements at our facilities, financing sources for such projects and potential production outputs thereafter, expected market supply of GAC products and the cost savings and environmental benefits of our GAC products, and the timing and scope of future regulatory developments and the related impact of such on the demand for our products. The forward-looking statements included in this presentation involve risks and uncertainties. Actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors including, but not limited to, timing of new and pending regulations and any legal challenges to or extensions of compliance dates of them; the U.S. government's failure to promulgate regulations that benefit our business; changes in laws and regulations, accounting rules, prices, economic conditions and market demand; impact of competition; availability, cost of and demand for alternative energy sources and other technologies; technical, start up and operational difficulties; competition within the industries in which the Company operates; our inability to commercialize our products on favorable terms; our inability to effectively and efficiently commercialize new products; changes in construction costs or availability of construction materials; our inability to effectively manage construction and startup of the Red River GAC Facility or Corbin Facility; our inability to obtain required financing or financing on terms that are favorable to us; our inability to ramp up our operations to effectively address recent and expected growth in our business; loss of key personnel; ongoing effects of the inflation and macroeconomic uncertainty, including from the ongoing pandemic and armed conflicts around the world, and such uncertainty's effect on market demand and input costs; availability of materials and equipment for our business; intellectual property infringement claims from third parties; pending litigation; as well as other factors relating to our business strategy, goals and expectations concerning the Arq Acquisition (including future operations, future performance or results); our ability to maintain relationships with customers, suppliers and others with whom it does business and meet supply requirements, or its results of operations and business generally; risks related to diverting management's attention from our ongoing business operations; costs related to the Arq Acquisition; opportunities for additional sales of our AC products and end-market diversification; the timing and scope of new and pending regulations and any legal challenges to or extensions of compliance dates of them; our ability to meet customer supply requirements; the rate of coal-fired power generation in the U.S., the timing and cost of capital expenditures and the resultant impact to our liquidity and cash flows as described in our filings with the SEC, with particular emphasis on the risk factor disclosures contained in those filings. You are cautioned not to place undue reliance on the forward-looking statements made in this presentation and to consult filings we have made and will make with the SEC for additional discussion concerning risks and uncertainties that may apply to our business and the ownership of our securities. The forward-looking statements contained in this presentation are presented as of the date hereof, and we disclaim any duty to update such statements unless required by law to do so.

## Non-GAAP Financial Measures

Included in this presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP") designed to supplement, and not substitute, the Company's financial information presented in accordance with GAAP. The non-GAAP measures as defined by the Company may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that the Company's future results or leverage will be unaffected by other unusual or non-recurring items. Please see the attached appendix for how we define these non-GAAP measures, a discussion of why we believe they are useful to investors, and certain limitations and reconciliations thereof to the most directly comparable GAAP measures.



# Company Overview



Arq is a diversified, environmental technology company producing activated carbon with products which reduce or reverse environmental liabilities, including PFAS or “forever chemicals”. Our products enable a cleaner and safer planet.

## General applications of our products



**PFAS  
Remediation**



**Soil, Water & Air  
Purification**



**Asphalt  
Additives**



Note: PFAS: Per- or poly-fluorinated alkyl substances (PFAS) are a group of industrial chemicals used in everyday products and are often referred to as 'Forever Chemicals' because of their extreme persistence in the environment

# Arq At a Glance



## Producing Activated Carbon Since 2008

*Strong asset & customer base; ~195 patents & applications across large & diverse markets*



## Top 3 Activated Carbon Supplier

*Approximately 23% North American market share in activated carbon*



## Material Environmental Benefits

*Utilize waste feedstock to remediate other waste*



## Fully Integrated Domestic Supply Chain

*Enables cost control, supply surety and margin enhancement*



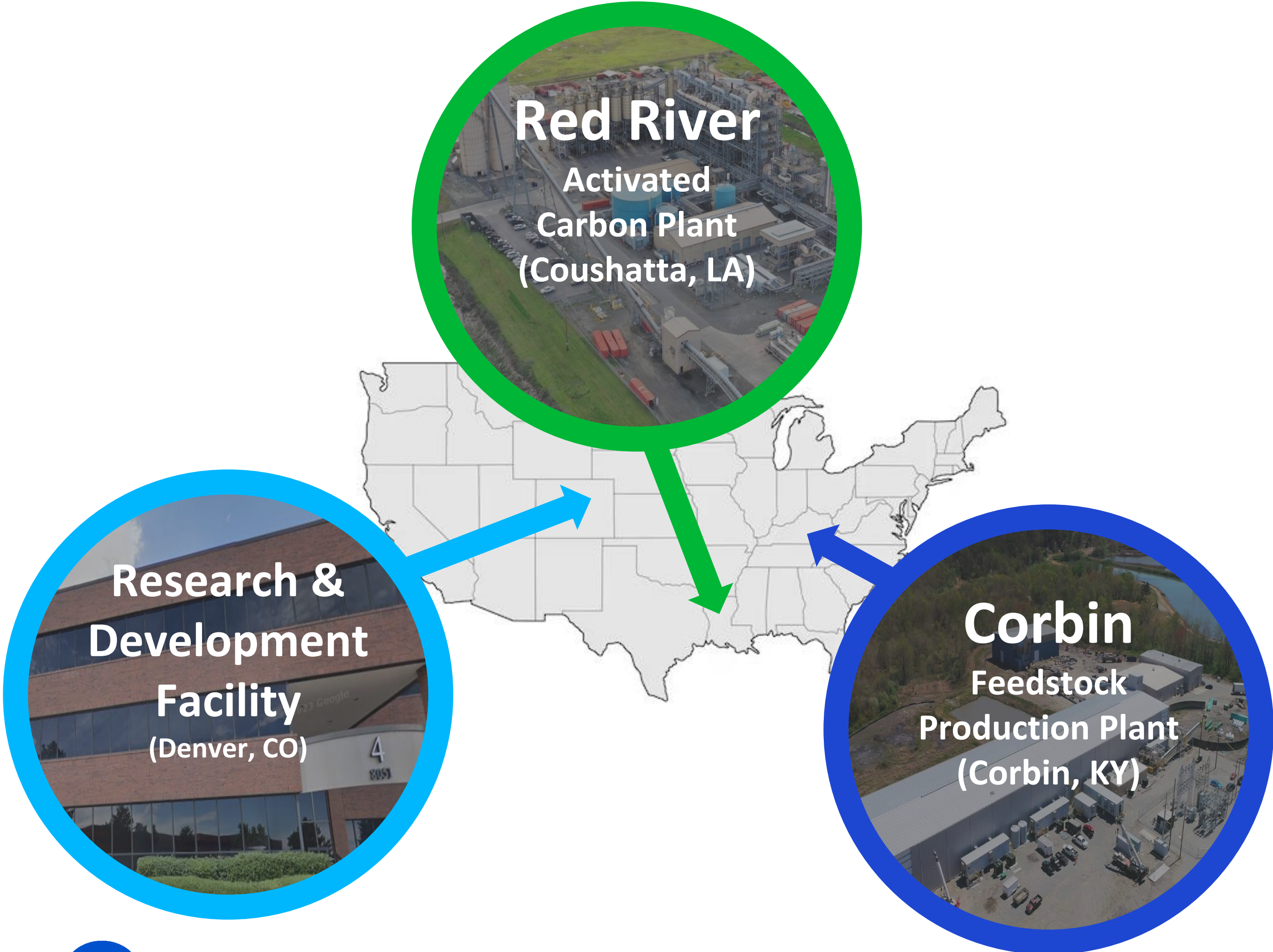
## Undergoing Corporate Transformation

*Transforming to an environmental tech company from industrial manufacturing*



# Significant and Undervalued Asset Base

*Provides springboard for growth into higher margin products*



- Estimated replacement value of existing assets **>\$500 million<sup>1</sup>**
- Shift towards GAC production from existing facilities and strategic expansion projects **increases our market breadth and repositions business for growth**
- **Red River** - Foundational infrastructure, sales team, customer relationships and market expertise **mitigate expansion plan risk while providing springboard into higher growth, higher margin products**
- **Corbin** – Asset enables production of **waste-derived feedstock**



<sup>1</sup> Based on Company's estimates of potential greenfield projects

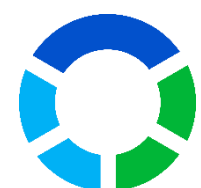
# What is Activated Carbon?

- Also known as activated charcoal
- Activated carbons are largely engineered sorbent materials which purify, filter and remove pollutants from air, water and soil
- When activated, able to “adsorb” a wide range of harmful compounds from air, gas & liquids
- “Activation” process makes product more porous (e.g. think kernel of corn and popcorn kernel)

## 2 Major Types of Activated Carbon

**Powder Activated Carbon  
(PAC)**

**Granular Activated Carbon  
(GAC)**



# Products & Market Applications

*GAC from bituminous coal best at remediating PFAS and forever chemicals*

## Applications

- Potable Water
- PFAS Remediation
- Wastewater Treatment
- Biogas
- Mercury Emissions
- Pharma
- Specialty
- Automotive
- Food & Beverage
- Soil & Groundwater Remediation

## Market Focus

**Growth**  
Business

Granular  
Activated  
Carbon  
**(GAC)**

Municipal water, PFAS  
remediation, soil &  
groundwater remediation,  
specialty gas purification

**Foundation**  
Business

Powder  
Activated  
Carbon  
**(PAC)**

Power generation,  
industrial and  
municipal water

# Strong PAC Foundation + Attractive GAC Growth Driver

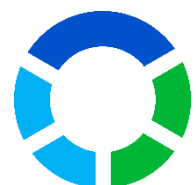
*Cash generating foundational PAC business provides springboard into high growth, high margin GAC business*

## Powder Activated Carbon (PAC)

- Arq's **foundational** business
  - Established leading market position; strong fundamentals for ongoing demand
  - Penetrating new markets (e.g. water), driving cost reduction, improving product mix and ASP, and eliminating loss-making relationships
  - Achieving positive cash flow via focus on profitability over volumes
  - Remains key part of our ongoing strategy and business / net cash contributor in 2024 and beyond
- 

## Granular Activated Carbon (GAC)

- Arq's **growth** business
  - Highly attractive investment economics on first phase of production from higher-price, higher-margin products
  - Unique opportunity to leverage existing asset and portfolio base to drive further differentiation
  - Compelling macro tailwinds in the U.S. and globally
  - Significant expansion to potential total addressable market
- 





# Key Drivers of Arq's Corporate Transformation

## What We're Doing

### Red River Project



- **Shifting production to GAC + expanding plant to deliver incremental 25mm lbs. of GAC product**
- Entered into supply contracts for 52% of nameplate capacity at attractive pricing vs PAC products
- Reiterating 2024 capex forecast despite unprecedented rain that has led to construction delays
- Expect to be fully contracted by first deliveries, which remain on target for Q1 2025

### Corbin Project



- **Utilizing bituminous coal waste from Corbin to serve as feedstock for Red River, while remediating environmental liability at site**
- Unique patent-protected process
- Development on time & within budget; commissioning commenced
- Began producing initial product for quality control & specification testing; will ramp ahead of first production at Red River

## What it Delivers

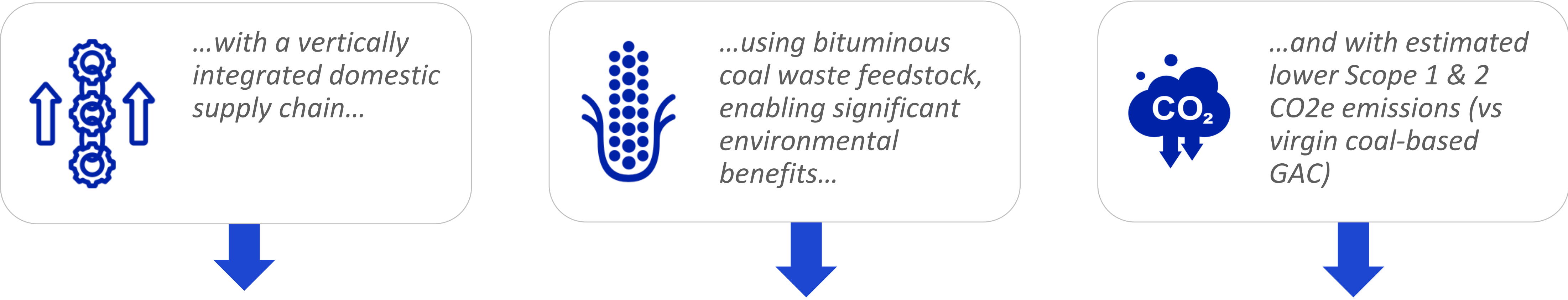
- ✓ Targeted payback of ~3 years
- ✓ Expanded products and solutions portfolio
- ✓ Expansion into rapidly growing markets
- ✓ Differentiated feedstock source w/ cost & sustainability benefits
- ✓ Generate strong additional GAC cash flow to PAC foundation
- ✓ Continue transformation to environmental tech company



# Our Key GAC Differentiators

Activated carbon is a technical sale – our unique products, process and supply chain are key differentiators

We will be the only GAC producer:



## Financial advantages to our approach:

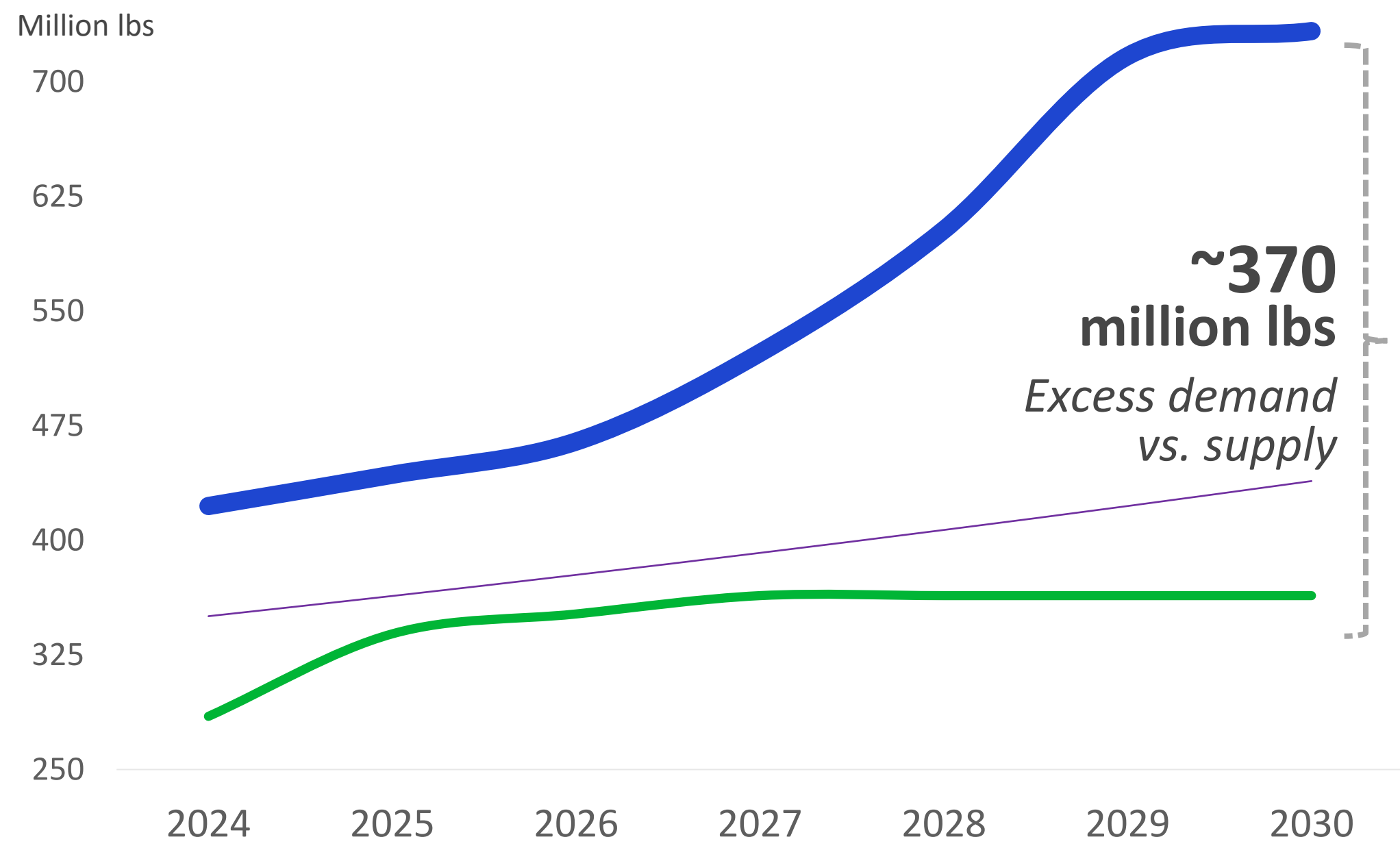
- ✓ Arq's own bituminous coal waste used as feedstock supply
- ✓ Drives competitive sourcing vs. traditionally mined coal
- ✓ Lowers operating costs by generating net positive power
- ✓ Avoids negative import factors (freight, tariffs and duties)



# Strong North American GAC Market Fundamentals

**Data suggests demand outpacing supply – Arq anticipates a 3-5x increase in demand over next 5 years not accounting for potential incremental demand growth from other sectors (e.g., biogas)**

- GAC market expected to grow ~75% to >700mm lbs<sup>1</sup>
- Would result in ~370mm lbs supply shortfall by 2030<sup>1</sup>
- New supply limited by capital, feedstock, permits



— Market Demand Estimate — Arq Demand Estimate — Market Supply Estimate<sup>2</sup>

**~35%**

Of the ~153,000 public water systems in the U.S. estimated to require PFAS treatment facilities by 2030 (vs. 10% in 2023)<sup>3</sup>

**\$2 billion**

Estimated market size of U.S. drinking water PFAS treatment market by 2030 (~10x growth vs. 2023)<sup>3</sup>

**~80%**

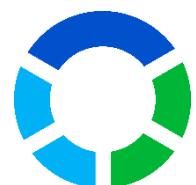
Estimated market penetration rate of GAC for PFAS treatment by 2030, driven by GAC advantages vs. alternative solutions<sup>3</sup>

**2-4x increase**

Replacement cycle for PFAS removal equipment estimated to increase ~2x (groundwater) and 4x (surface water) vs. historic usage<sup>3</sup>

**~5% per year**

Estimated annual increase in GAC prices (2025-2027)<sup>3</sup>



<sup>1</sup> Reflects company estimates. Note: Arq estimates 10% increase on previous market data in 2024 & YoY through 2026; a 50% increase YoY in 2027 through 2029 – i.e. accelerating into final stages of compliance with new EPA regulations. Excludes any new entrants.

<sup>2</sup> Source: IHS. Note: Estimates based on 2022 data, and therefore compiled prior to latest EPA regulatory changes.

<sup>3</sup> Goldman Sachs Research published on July 31, 2024.

# Ongoing GAC Contract Wins Validate Products and Strategy

*52% of nameplate capacity contracted at attractive pricing; expect to be fully contracted prior to production*

Ongoing contract wins demonstrate

**Technical viability of Arg products**

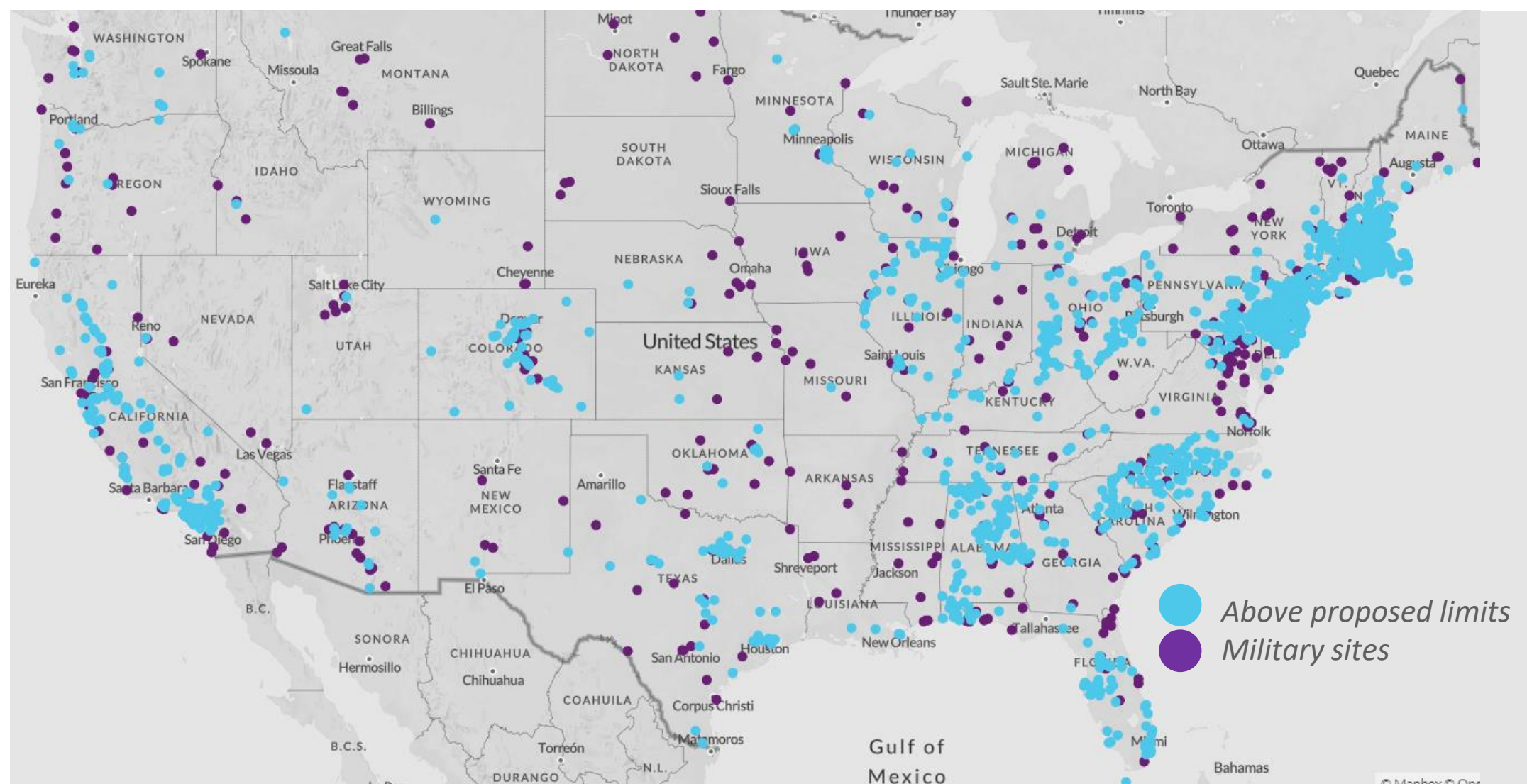
**Robust, growing market, limited available supply**

**Diverse end-market demand for GAC**  
*(water, PFAS, biogas, air filtration, etc.)*

**Attractive economics of GAC products**

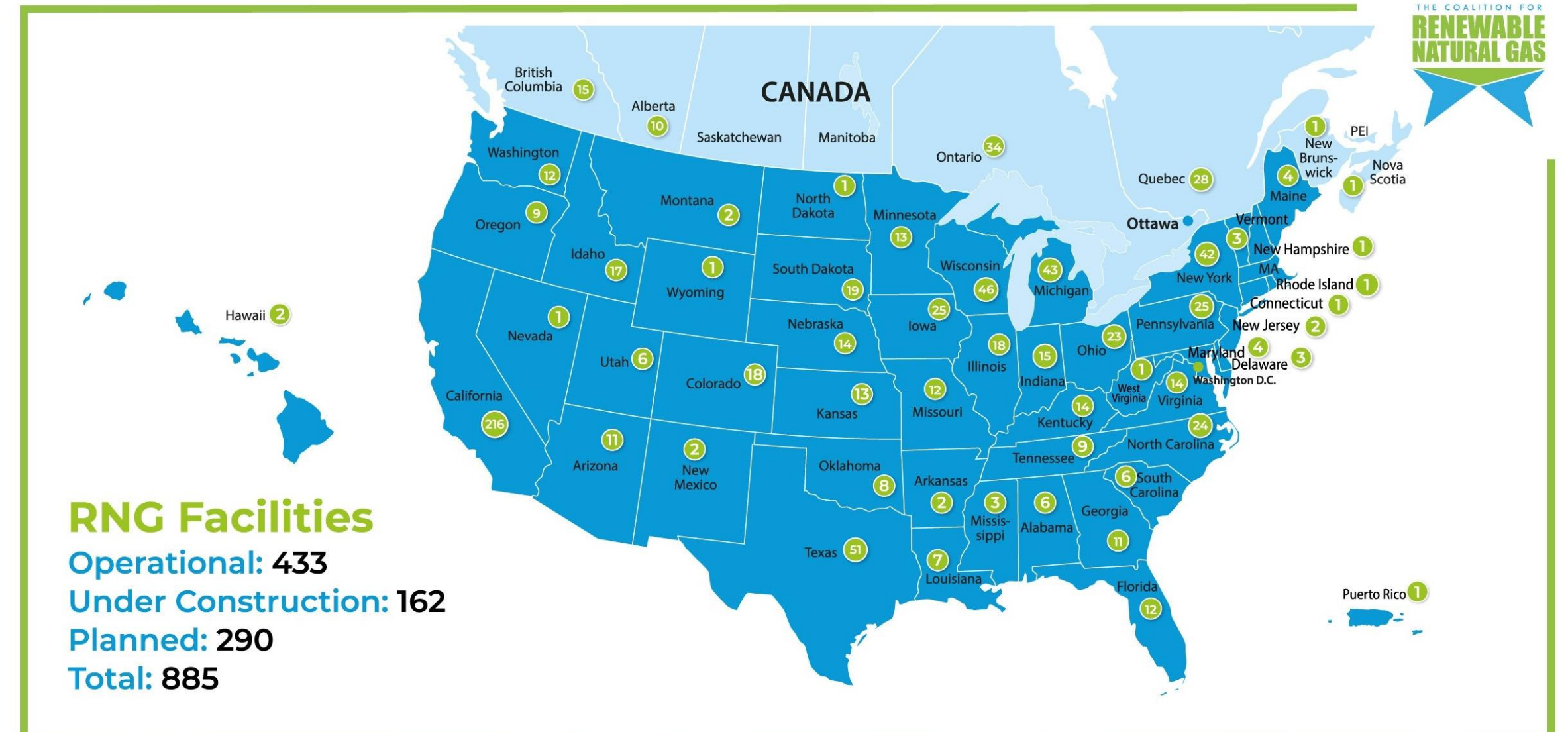
**Validity of strategic investment in growth GAC business**

**PFAS Contamination in the U.S. (February 2024)**

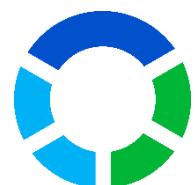


Source – The Environmental Working Group

**Biogas/RNG Facilities in the U.S. (July 2024)**



Source – The Coalition For Renewable Natural Gas



# Recent Financial Highlights Confirm PAC Business Transformation

## Q2 2024

**+24%**

Revenue growth of +24% YoY in Q2 2024, reflecting strong momentum

**+16%**

Average sales price (ASP) growth of +16%, reflecting ongoing portfolio optimization

**+700 bps**

>700 bps growth in **gross margins** to 32% YoY due to ongoing cost & profitability initiatives

**5<sup>th</sup> Straight**

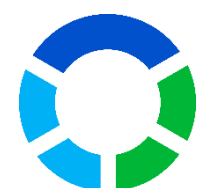
5<sup>th</sup> consecutive quarter of double-digit YoY **growth in ASP** (16% avg. increase since Q1 2023)

**4<sup>th</sup> Consecutive**

4<sup>th</sup> consecutive quarter of YoY **Adjusted EBITDA** growth

**\$37 million**

\$37 million of **cash** (including \$8.7 million of restricted cash) as of 6/30/2024; financial flexibility



# 2024: Remaining Key Objectives

1

## PAC Optimization

- Drive additional market penetration (i.e. water)
- Continue improving foundational PAC business
- Improve product mix and drive higher ASP

2

## GAC Customers

- Continue active dialogue with new and existing GAC customers
- Contract full 25 million lbs of nameplate capacity prior to first sales

3

## Corbin Facility

- Commission facility
- Stockpile bituminous waste feedstock
- Deliver feedstock to Red River GAC facility upon commissioning

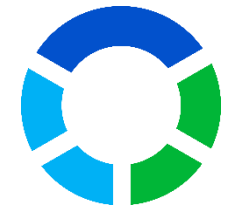
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## Red River GAC Facility

- Achieve first GAC deliveries in Q1 2025
- Achieve 25 million lbs nameplate production capacity

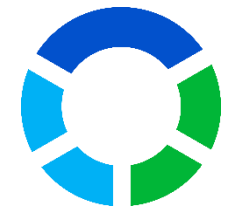


# Arq Investment Conclusions



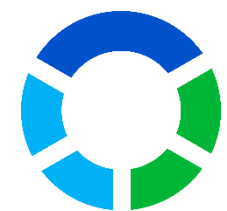
## Vertically Integrated

The only vertically integrated domestic activated carbon supply chain



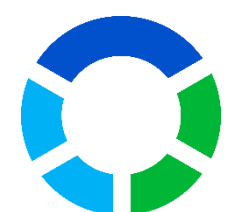
## Growth-Focused

Legacy PAC assets provide infrastructure for expansion to high-growth GAC



## Environmentally Beneficial

Uniquely use waste to remediate other waste and lower overall carbon footprint



## Competitively Advantaged

First-mover position combined with differentiated product quality, cost and CO2 advantage





# Appendix



# Recent Financial Highlights & Business Updates

*Ongoing optimization of PAC portfolio drives significant improvement in gross margin while Red River expansion into GAC market continues at pace*

## Q2 2024 Financial Update

- **Continued growth:** Revenue +24% and ASP +16% YoY, driven by ongoing optimization of legacy PAC portfolio
- **Improved profitability:** Gross margin up >700 basis points to 32% on cost & profitability management initiatives
- **Generated positive Adj. EBITDA:** \$0.5 million vs. loss of (\$3.0) million in 2Q23
- **Strong momentum:** 4<sup>th</sup> consecutive quarter of YoY Adj. EBITDA growth; 5<sup>th</sup> consecutive quarter of double digit % ASP increase YoY

## Business & Market

- **New GAC contract wins:** 52% of Red River nameplate capacity contracted at attractive pricing. Expect full 25mm nameplate capacity contracted prior to YE
- **PAC portfolio:** Continue to prioritize profitability over volume; expanding efforts in water PAC market with higher ASP
- **Russell 3000:** Added to Russell 3000/2000 Indices; expands visibility with investor community

## Strategic Growth Projects

- **Corbin facility:** Commissioning commenced in 2Q24, initial production for quality control & specification testing
- **Red River GAC facility:** On target for first customer deliveries in Q1 2025
- **FY 2024 capex:** Reiterating \$60-70 million, driven by Red River investment
- **\$15mm PIPE:** Opportunistic PIPE raise in May 2024, further bolstered liquidity
- **Refinancing:** Signed non-binding term sheet to refinance existing Term Loan – would materially expand size of facility & enhance liquidity



# Q2 2024 Financial Highlights

## Continued Revenue Growth YoY

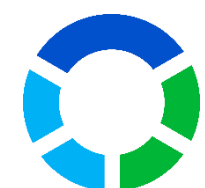
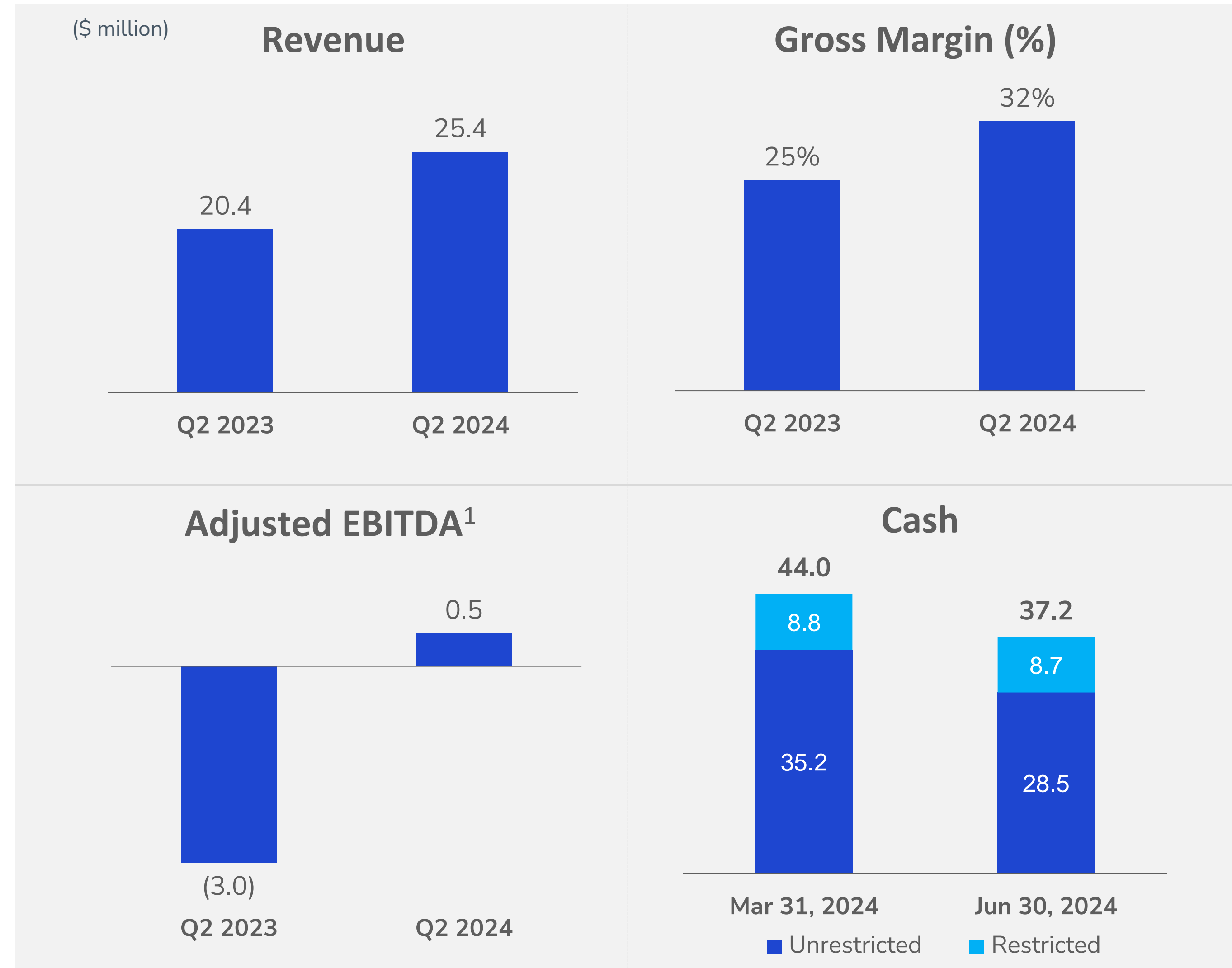
- **Revenue** +24% to \$25.4 million
- Achieved higher ASP and positive changes in product mix
- Partially offset by lower volumes

## Expanding Gross Margins YoY

- Improvements driven by continued focus on profitability over volume, cost management, positive changes in product mix. Reflects improvement towards annualized cash generation
- **Cost of sales** \$17.2 million vs. \$15.3 million in Q2 2023
- **Gross margin** of 32%, up over 700 bps vs. 25% in Q2 2023
- **SG&A** reduced by 13% to \$7.0 million (vs. \$8.0 million)
- **Adjusted EBITDA** of \$0.5 million vs. (\$3.0) million loss, demonstrating sustained improvement in PAC business

## Cash & Balance Sheet Flexibility

- **Cash** totaled \$37.2 million as of June 30, 2024; includes \$8.7 million restricted cash
- Total **debt**, inclusive of financing leases, of \$18.0 million

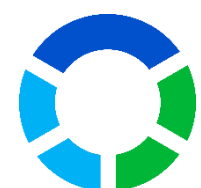
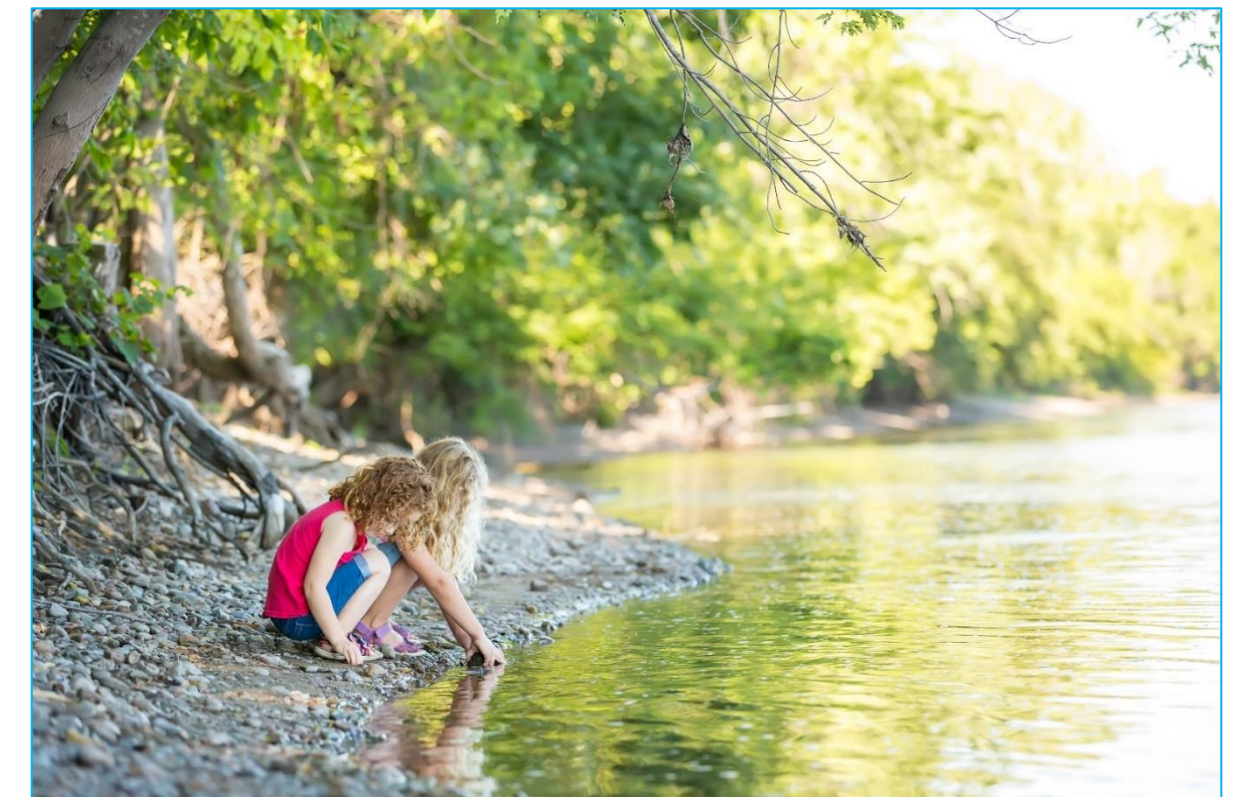


<sup>1</sup> Adjusted EBITDA is a non-GAAP measure.

# EPA Releases Critical PFAS Regulations

*On April 10, 2024, EPA announced new National Primary Drinking Water Regulations to reduce PFAS in municipal drinking water over the next 5 years*

- Arq estimates EPA's regulations potentially increases municipal water market demand by 3-5x vs. existing ~170 million pound per year
- Expected to serve as significant catalyst for greater demand of Arq products and potentially exacerbating shortages of supply
- PFAS regulations set at 4 parts per trillion ("ppt") Maximum Contaminant Level ("MCL"), for certain PFAS compounds
- Allowable levels down from previous advisory limit of 70ppt<sup>1</sup>
- Other jurisdictions, including the EU, expected to pursue similar path, serving as further global macro tailwind
- \$1bn is available to assist public water utility companies to meet the new drinking water standards; a total of \$9bn is authorized under the 2021 Bipartisan Infrastructure Law (BIL) to assist communities impacted by PFAS Contamination; an additional \$12bn funding is available in the BIL to improve public water infrastructure



<sup>1</sup> <https://www.epa.gov/sdwa/questions-and-answers-drinking-water-health-advisories-pfoa-pfos-genx-chemicals-and-pfbs>

# PFAS – “Forever Chemicals” Awareness Gathering Pace

## *Public understanding now catching up with corporate awareness*

- Per- or poly-fluorinated alkyl substances (PFAS) are a group of industrial chemicals typically used in everyday products to make them non-stick, waterproof or stain resistant
- Often referred to as ‘Forever Chemicals’ because of their extreme persistence in the environment
- 98% of US population estimated to have some form of negative PFAS exposure\*
- High levels of exposure have been linked to cancer, liver and kidney damage\*\*
- In 2023, EPA set new legal limits for PFOS and PFOA of 4 parts per trillion (ppt), near the limit of detection for both chemicals
- 4 ppt is approximately equivalent to 4 grains of sand in an Olympic-size swimming pool. This was a reduction from previous advisory health limit of 70 ppt \*\*\*

**Investors raise pressure over ‘forever chemicals’ amid growing litigation**

Personal injury claims could reach \$66bn in crisis akin to asbestos liabilities

Source – *Financial Times* <sup>1</sup>

**US Food Faces PFAS Challenge as European Rules, Policies Expand**

Source – *Bloomberg Law* <sup>2</sup>

**At least 60% of US population may face ‘forever chemicals’ in tap water, tests suggest**

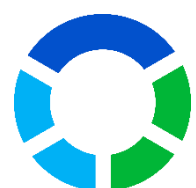
Source – *The Guardian* <sup>4</sup>

**EPA proposes some ‘forever chemicals’ be considered hazardous**

Source – *CNN* <sup>5</sup>

**3M to Pay Up to \$12.5 Billion to Settle Forever-Chemicals Lawsuits**

Source – *Bloomberg* <sup>3</sup>



\* <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7879379/>

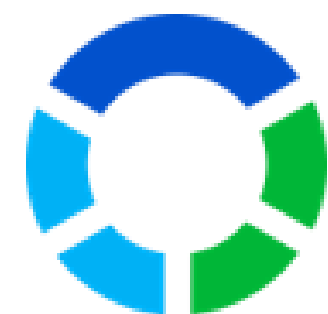
\*\* <https://www.atsdr.cdc.gov/pfas/health-effects/index.html>

\*\*\* <https://www.epa.gov/sdwa/questions-and-answers-drinking-water-health-advisories-pfoa-pfos-genx-chemicals-and-pfbs>

1 – [LINK](#), 2 – [LINK](#), 3 – [LINK](#), 4 – [LINK](#), 5 – [LINK](#)

# Condensed Consolidated Balance Sheet<sup>1</sup>

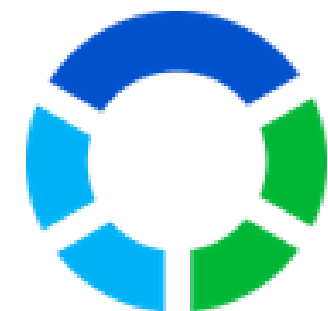
(in thousands, except share data)	As of	
	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash	\$ 28,478	\$ 45,361
Receivables, net	15,812	16,192
Inventories, net	22,648	19,693
Prepaid expenses and other current assets	4,280	5,215
Total current assets	71,218	86,461
Restricted cash, long-term	8,719	8,792
Property, plant and equipment, net of accumulated depreciation of \$23,233 and \$19,293, respectively	123,407	94,649
Other long-term assets, net	45,238	45,600
Total Assets	\$ 248,582	\$ 235,502
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 16,795	\$ 14,603
Current portion of debt obligations	2,419	2,653
Other current liabilities	7,393	5,792
Total current liabilities	26,607	23,048
Long-term debt obligations, net of current portion	17,978	18,274
Other long-term liabilities	14,397	15,780
Total Liabilities	58,982	57,102
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock: par value of \$0.001 per share, 50,000,000 shares authorized, none issued or outstanding	—	—
Common stock: par value of \$0.001 per share, 100,000,000 shares authorized, 40,658,208 and 37,791,084 shares issued, and 36,040,062 and 33,172,938 shares outstanding at June 30, 2024 and December 31, 2023, respectively	41	38
Treasury stock, at cost: 4,618,146 and 4,618,146 shares as of June 30, 2024 and December 31, 2023, respectively	(47,692)	(47,692)
Additional paid-in capital	171,095	154,511
Retained earnings	66,156	71,543
Total Stockholders' Equity	189,600	178,400
Total Liabilities and Stockholders' Equity	\$ 248,582	\$ 235,502



(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended March 31, 2024.

# Condensed Consolidated Statement of Operations<sup>1</sup>

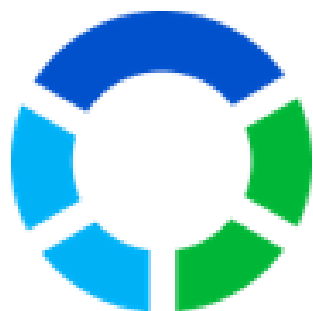
(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 25,405	\$ 20,445	\$ 47,145	\$ 41,250
Cost of revenue, exclusive of depreciation and amortization	17,227	15,336	30,940	32,511
Operating expenses:				
Selling, general and administrative	7,011	7,994	14,677	19,277
Research and development	929	774	2,554	1,506
Depreciation, amortization, depletion and accretion	1,658	2,428	3,374	4,565
Gain on sale of Marshall Mine, LLC	—	—	—	(2,695)
Total operating expenses	9,598	11,196	20,605	22,653
Operating loss	(1,420)	(6,087)	(4,400)	(13,914)
Other (expense) income:				
Earnings from equity method investments	—	462	—	1,100
Interest expense	(829)	(834)	(1,620)	(1,368)
Other	311	603	663	785
Total other (expense) income	(518)	231	(957)	517
Loss before income taxes	(1,938)	(5,856)	(5,357)	(13,397)
Income tax (expense) benefit	(30)	—	(30)	33
Net loss	\$ (1,968)	\$ (5,856)	\$ (5,387)	\$ (13,364)
Loss per common share (Note 1):				
Basic	\$ (0.06)	\$ (0.21)	\$ (0.16)	\$ (0.53)
Diluted	\$ (0.06)	\$ (0.21)	\$ (0.16)	\$ (0.53)
Weighted-average number of common shares outstanding:				
Basic	34,356	27,360	33,229	25,739
Diluted	34,356	27,360	33,229	25,739



(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended March 31, 2024.

# Condensed Consolidated Statement of Cash Flows<sup>1</sup>

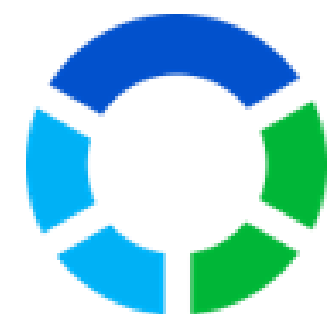
(in thousands)	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (5,387)	\$ (13,364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization, depletion and accretion	3,374	4,565
Stock-based compensation expense	1,435	1,108
Operating lease expense	1,049	1,449
Amortization of debt discount and debt issuance costs	299	244
Gain on sale of Marshall Mine, LLC	—	(2,695)
Earnings from equity method investments	—	(1,100)
Other non-cash items, net	(55)	3
Changes in operating assets and liabilities:		
Receivables and related party receivables	380	3,622
Prepaid expenses and other assets	1,036	2,213
Inventories, net	(1,493)	(4,946)
Other long-term assets, net	(1,111)	(2,886)
Accounts payable and accrued expenses	(1,821)	(10,114)
Other current liabilities	1,560	83
Operating lease liabilities	(786)	398
Other long-term liabilities	(926)	261
Net cash used in operating activities	(2,446)	(21,159)
Cash flows from investing activities		
Acquisition of property, plant, equipment, and intangible assets, net	(28,744)	(10,383)
Acquisition of mine development costs	(85)	(1,247)
Cash and restricted cash acquired in business acquisition	—	2,225
Payment for disposal of Marshall Mine, LLC	—	(2,177)
Distributions from equity method investees in excess of cumulative earnings	—	1,100
Net cash used in investing activities	(28,829)	(10,482)



(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended March 31, 2024.

# Condensed Consolidated Statement of Cash Flows (cont.)<sup>1</sup>

(in thousands)	Six Months Ended June 30,	
	2024	2023
Cash flows from financing activities		
Net proceeds from common stock issued in private placement transactions	14,951	15,220
Net proceeds from common stock issuance, related party	800	—
Repurchase of common stock to satisfy tax withholdings	(599)	(160)
Principal payments on finance lease obligations	(565)	(577)
Principal payments on CTB Loan	(268)	(213)
Net proceeds from CFG Loan, related party, net of discount and issuance costs	—	8,522
Net cash provided by financing activities	14,319	22,792
Decrease in Cash and Restricted Cash	(16,956)	(8,849)
Cash and Restricted Cash, beginning of period	54,153	76,432
Cash and Restricted Cash, end of period	\$ 37,197	\$ 67,583
Supplemental disclosure of non-cash investing and financing activities:		
Change in accrued purchases for property and equipment	\$ 4,013	\$ 328
Equity issued as consideration for acquisition of business	\$ —	\$ 31,206
Paid-in-kind dividend on Series A Preferred Stock	\$ —	\$ 157



(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended March 31, 2024.



# Note on Non-GAAP Financial Measures

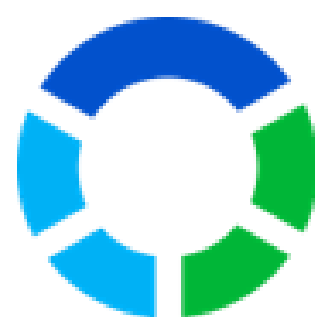
To supplement our financial information presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we provide non-GAAP measures of certain financial performance. These non-GAAP measures include EBITDA (EBITDA Loss) and Adjusted EBITDA (Adjusted EBITDA Loss). We have included these non-GAAP measures because management believes that they help to facilitate period to period comparisons of our operating results and provide useful information to both management and users of the financial statements by excluding certain expenses, gains and losses which can vary widely across different industries or among companies within the same industry and may not be indicative of core operating results and business outlook. Management uses these non-GAAP measures in evaluating the performance of our business.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from, and may not be comparable to, similarly titled non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

We define EBITDA (EBITDA Loss) as net income (loss) adjusted for the impact of the following items that are either non-cash or that we do not consider representative of our ongoing operating performance: depreciation, amortization, depletion, accretion, amortization of upfront customer consideration that was recorded as a component of the Marshall Mine, LLC Acquisition ("Upfront Customer Consideration"), interest expense, net and income tax expense. We define Adjusted EBITDA (Adjusted EBITDA Loss) as EBITDA (EBITDA Loss), reduced by the non-cash impact of equity earnings from equity method investments and other infrequent or unusual non-cash gains or losses, and increased by cash distributions from equity method investments. Because Adjusted EBITDA (Adjusted EBITDA Loss) omits certain non-cash items, we believe that the measure is less susceptible to variances that affect our operating performance.

When used in conjunction with GAAP financial measures, we believe these non-GAAP measures are supplemental measures of operating performance which explain our operating performance for our period to period comparisons and against our competitors' performance. Generally, we believe these non-GAAP measures are less susceptible to variances that affect our operating performance results.

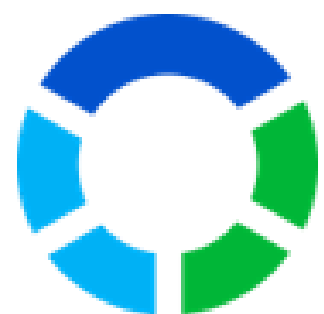
We expect the adjustments to EBITDA (EBITDA Loss) and Adjusted EBITDA (Adjusted EBITDA Loss) in future periods will be generally similar. These non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analyzing our results as reported under GAAP.



# Adjusted EBITDA Reconciliation to Net Income (Loss)

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss <sup>(1)</sup>	\$ (1,968)	\$ (5,856)	\$ (5,387)	\$ (13,364)
Depreciation, amortization, depletion and accretion	1,658	2,428	3,374	4,565
Amortization of Upfront Customer Consideration	127	127	254	254
Interest expense, net	606	308	1,038	598
Income tax benefit	(30)	—	(30)	(33)
EBITDA (loss)	393	(2,993)	(751)	(7,980)
Cash distributions from equity method investees	—	462	—	1,100
Equity earnings	—	(462)	—	(1,100)
Gain on sale of Marshall Mine, LLC	—	—	—	(2,695)
Adjusted EBITDA (loss)	\$ 393	\$ (2,993)	\$ (751)	\$ (10,675)

<sup>(1)</sup> Included in Net loss for the three and six months ended June 30, 2023 are \$0.6 million and \$4.9 million, respectively of transaction and integration costs incurred related to the Arq Acquisition. Additionally, for the three and six months ended June 30, 2023, Net loss included \$0.8 million and \$1.7 million of Legacy Arq payroll and benefit costs.





# Arq Investor Relations

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