Hi-Crush Inc.

Consolidated Financial Statements

As of December 31, 2020 and for the period from October 1, 2020 through December 31, 2020

HI-CRUSH INC.
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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Hi-Crush Inc.

We have audited the accompanying consolidated financial statements of Hi-Crush Inc. which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, comprehensive loss, cash flows, and changes in equity for the period from October 1, 2020 through December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hi-Crush Inc. as of December 31, 2020, and the results of their operations and their cash flows for the period from October 1, 2020 through December 31, 2020 in conformity with GAAP.

Houston, Texas
April 28, 2021

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HI-CRUSH INC.
Consolidated Balance Sheet
(In thousands, except share amounts)

		December 31, 2020
Assets		
Current assets:		
Cash	$	27,575
Restricted cash		13,806
Accounts receivable, net (Note 2)		24,807
Inventories (Note 5)		18,596
Prepaid expenses and other current assets		18,702
Total current assets		103,486
Property, plant and equipment, net (Note 6)		142,484
Operating lease right-of-use assets (Note 7)		5,097
Intangible assets, net (Note 8)		11,887
Equity method investment (Note 9)		15,648
Other assets		451
Total assets	$	279,053
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$	13,040
Accrued and other current liabilities (Note 10)		22,030
Current portion of deferred revenues (Note 15)		3,255
Current portion of long-term debt (Note 11)		719
Current portion of operating lease liabilities (Note 7)		1,810
Total current liabilities		40,854
Deferred revenues (Note 15)		3,255
Long-term debt, net debt discount (Note 11)		1,992
Operating lease liabilities (Note 7)		3,273
Asset retirement obligations (Note 12)		19,418
Deferred tax liabilities (Note 17)		77
Other liabilities		813
Total liabilities		69,682
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, $0.001 par value, 507,851,332 shares authorized; no shares issued and outstanding at December 31, 2020		—
Additional paid-in-capital		225,117
Retained deficit		(15,736)
Accumulated other comprehensive loss		(10)
Total stockholders' equity		209,371
Total liabilities and stockholders' equity	$	279,053

See Notes to Consolidated Financial Statements.

HI-CRUSH INC.
Consolidated Statement of Operations
(In thousands)

		Period from October 1, 2020 through December 31, 2020
Revenues (Note 15)	$	48,189
Cost of goods sold (excluding depreciation, depletion and amortization)		45,507
Gross profit		2,682
Operating costs and expenses:		
General and administrative		7,135
Depreciation, depletion and amortization		5,068
Accretion		641
Restructuring		1,800
Other operating expenses, net		1,083
Loss from operations		(13,045)
Other income (expense):		
Earnings from equity method investment (Note 9)		764
Interest expense		(3,378)
Loss before income tax		(15,659)
Income tax expense (Note 17)		77
Net loss	$	(15,736)

See Notes to Consolidated Financial Statements.

HI-CRUSH INC.

Consolidated Statement of Comprehensive Loss

(In thousands)

		Period from October 1, 2020 through December 31, 2020
Net loss	$	(15,736)
Foreign currency translation adjustment		(10)
Comprehensive loss	$	(15,746)

See Notes to Consolidated Financial Statements.

HI-CRUSH INC.

Consolidated Statement of Cash Flows

(In thousands)

		Period from October 1, 2020 through December 31, 2020
Operating activities:		
Net loss	$	(15,736)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization		5,068
Deferred income taxes		77
Provision for credit losses		296
Amortization of debt issuance costs and discount		2,034
Accretion expense		641
Non-cash lease expense		395
Earnings from equity method investment		(764)
Inventory step-up amortization		3,700
Changes in operating assets and liabilities:		
Accounts receivable		(2,615)
Inventories		2,292
Prepaid expenses and other current assets		1,129
Accounts payable and accrued liabilities		(4,340)
Other noncurrent assets and liabilities		(146)
Net cash used in operating activities		(7,969)
Investing activities:		
Capital expenditures for property, plant and equipment		(2,295)
Proceeds from sale of property, plant and equipment		878
Net cash used in investing activities		(1,417)
Financing activities:		
Repayment of long-term debt		(385)
Repayment of premium financing notes		(684)
Payments of debt issuance costs		(23)
Net cash used in financing activities		(1,092)
Effects of exchange rate on cash		2
Net decrease in cash and restricted cash		(10,476)
Cash and restricted cash at beginning of period		51,857
Cash and restricted cash at end of period	$	41,381
Reconciliation of cash and restricted cash:		
Cash	$	27,575
Restricted cash		13,806
Total cash and restricted cash	$	41,381
Non-cash investing and financing activities:		
Decrease in accounts payable and accrued liabilities for additions to property, plant and equipment	$	(821)
Cash paid for:		
Interest	$	261
Reorganization items	$	5,894

See Notes to Consolidated Financial Statements.

HI-CRUSH INC.

Consolidated Statement of Changes in Equity

(In thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Par Value				
Balance at October 1, 2020	—	$ —	$ 225,135	$ —	$ —	$ 225,135
Debt issuance costs associated with Convertible Notes	—	—	(18)	—	—	(18)
Other comprehensive loss	—	—	—	—	(10)	(10)
Net loss	—	—	—	(15,736)	—	(15,736)
Balance at December 31, 2020	—	$ —	$ 225,117	$ (15,736)	$ (10)	$ 209,371

See Notes to Consolidated Financial Statements.

1. Business and Organization

Description of Business and Organization

Hi-Crush Inc. (together with its subsidiaries, the "Company") is a fully-integrated provider of proppant and logistics services for hydraulic fracturing operations, offering frac sand production, advanced wellsite storage systems, flexible last mile services, and innovative software for real-time visibility and management across the entire supply chain. The Company's strategic suite of solutions provides operators and service companies in all major U.S. oil and gas basins with the ability to build safety, reliability and efficiency into every completion.

Emergence From Voluntary Reorganization Under Chapter 11

In March 2020, the United States declared the novel coronavirus 2019 ("COVID-19") pandemic a national emergency. Due to COVID-19 pandemic related pressures on the global supply-demand balance for crude oil and related products, commodity prices significantly declined in the first quarter of 2020, and oil and gas operators, including the Company's customers, had reduced development budgets and activity. In the midst of the ongoing COVID-19 pandemic, the Organization of Petroleum Exporting Countries and other oil producing nations ("OPEC+") struggled to reach an agreement on oil production quotas. The combination of these events created the unprecedented dual impact of a global oil demand decline coupled with the risk of a substantial increase in supply. Although some market stabilization occurred in the second quarter of 2020, activity levels remained low through the end of 2020. The decline in commodity prices and the COVID-19 pandemic caused disruption to the Company's business, operations, financial position and liquidity.

As a result, on July 12, 2020, the Company entered into a Restructuring Support Agreement (the "RSA") with certain holders (the "Noteholders") of the Company's then outstanding 9.50% senior unsecured notes due 2026 (the "Senior Notes"). On the same date, to implement the terms of the RSA, the Company filed voluntary petitions for a prearranged bankruptcy filing under Chapter 11 (the "Chapter 11 Cases") of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). On August 15, 2020, the Company filed with the Bankruptcy Court the proposed Joint Plan of Reorganization for Hi-Crush Inc. and its Affiliate Debtors under Chapter 11 of the Bankruptcy Code (as amended, modified or supplemented from time to time, the "Plan"). On September 23, 2020, the Bankruptcy Court entered an order confirming and approving the Plan. Refer to Note 3 - Reorganization for additional information.

On October 9, 2020 (the "Emergence Date"), the conditions to effectiveness of the Plan were satisfied or waived and the Company emerged from Chapter 11. The Company filed a notice of the Emergence Date of the Plan with the Bankruptcy Court on October 9, 2020.

Basis of Presentation

The accompanying Consolidated Financial Statements ("financial statements") of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In the opinion of management, all normal and recurring adjustments and disclosures necessary for a fair statement are reflected in the period presented. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

On October, 9, 2020, upon emergence from Chapter 11 bankruptcy, the Company adopted fresh-start accounting in accordance with provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 852, *Reorganizations* ("ASC 852") which resulted in the Company becoming a new entity for financial reporting purposes on the Emergence Date. The Company elected to apply fresh-start accounting effective October 1, 2020, to coincide with the timing of its normal fourth quarter reporting period. The Company evaluated and concluded that events between October 1, 2020 and October 9, 2020 were immaterial and use of an accounting convenience date of October 1, 2020 (the "Fresh-start Reporting Date") was appropriate.

Upon the adoption of fresh-start accounting, the Company's assets and liabilities were recorded at their fair values as of the Fresh-start Reporting Date as if the Company were a new entity upon emergence from bankruptcy. The new entity is referred to as the "Successor Company" and any period prior to the adoption of fresh-start accounting is referred to as the "Predecessor Company". The Predecessor and Successor Companies lack comparability, and as a result and in accordance with the Company's debt agreements, these financial statements have been prepared for the period from the Fresh-start Reporting Date through December 31, 2020. No audited financial statements or information with respect to the Predecessor Company are provided (except for the closing balance sheet of the Predecessor on September 30, 2020, presented in Note 4 - Fresh-start Accounting). Reorganization adjustments were included in the Consolidated Statement of Operations for the Predecessor Company. Refer to Note 4 - Fresh-start Accounting for additional information.

These financial statements have been prepared assuming the Company will continue to operate as a going concern. During the Chapter 11 Cases, the Company's ability to continue as a going concern was subject to a high degree of risk and uncertainty until the Plan was confirmed and the Company emerged from the Chapter 11 Cases. As a result of implementing the Plan, there is no longer substantial doubt about the Company's ability to continue as a going concern. On an annual basis, the Company assesses whether conditions have emerged which may cast substantial doubt about the Company's ability to continue as a going concern for the next twelve months following the issuance of the financial statements.

2. Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The more significant estimates relate to fair value estimates, including the fair value of assets and liabilities recorded as a result of the adoption of fresh-start accounting, estimates and assumptions for mineral reserves and their impact on calculating depreciation and depletion expense under the units-of-production depreciation method, useful lives used in depreciation and amortization, estimates of fair value for reporting units and asset impairments (including impairments of goodwill and other long-lived assets), estimating potential loss contingencies, inventory valuation, valuation of allowance for credit losses, valuation of right-of-use assets (including potential impairments) and lease liabilities, the determination of income tax provisions and the estimated cost of future asset retirement obligations. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and highly liquid investments with an original maturity of three months or less.

Restricted Cash

The Company's restricted cash consists of cash that the Company is contractually obligated to maintain in accordance with certain credit agreements.

Accounts Receivable

Trade receivables, which relate to sales of frac sand and the performance of logistics and wellsite operations and services for which credit is extended based on the customer's credit history, are recorded at the invoiced amount and generally do not bear interest. The Company regularly reviews the collectability of accounts receivable. Revenues recognized in advance of invoice issuance create assets referred to as "unbilled receivables." Any portion of unbilled receivables for which the Company's right to consideration is conditional on a factor other than the passage of time is considered a contract asset. Unbilled receivables are presented on a combined basis with accounts receivable and are converted to trade receivables once billed.

When it is probable that all or part of an outstanding balance will not be collected, the Company establishes or adjusts an allowance as necessary, generally using the specific identification method. Account balances are charged against the allowance after all means of collection have been exhausted and potential recovery is considered remote.

Credit Losses

During 2020, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("ASC 326"), which replaced the prior incurred loss impairment model with an expected credit loss impairment model for financial instruments, including trade receivables. The adoption of ASC 326 did not result in a material cumulative-effect adjustment to retained earnings.

The Company is exposed to credit losses primarily through sales of products and services. The Company's expected loss allowance methodology for accounts receivable is developed using various estimates and assumptions including historical collection experience, current and future economic and market conditions and a review of the current status of customers' trade accounts receivables. Due to the short-term nature of such receivables, the estimate of accounts receivable that may not be collected is based on aging of the accounts receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The Company's monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' financial condition and macroeconomic conditions. As of December 31, 2020, the Company maintained an allowance for credit losses of $296, which is included in accounts receivable, net on the Consolidated Balance Sheet.

Inventories

Sand inventory is stated at the lower of cost or net realizable value using the average cost method.

Inventory manufactured at production facilities includes direct excavation costs, processing costs, overhead allocation, depreciation and depletion. Stockpile tonnages are calculated by measuring the number of tons added and removed from the stockpile. Tonnages are verified periodically by an independent surveyor. Costs are calculated on a per ton basis and are applied to the stockpile based on the number of tons in the stockpile.

Inventory transported for sale at terminal facilities or to the wellsite includes the cost of purchased or manufactured sand, plus transportation and handling related charges.

Spare parts inventory includes critical spares, materials and supplies. The Company accounts for spare parts on a first-in, first-out basis, and value the inventory at the lower of cost or net realizable value. Detail reviews are performed related to the net realizable value of the spare parts inventory, giving consideration to quality, excessive levels, obsolescence and other factors.

Payments to third parties for silo systems and other equipment manufactured for sale to third parties is included in inventory as work-in-process until completed and ready for delivery to the customer, at which time it is classified as finished goods inventory. Silo systems and equipment for sale to third parties is stated at the lower of cost or net realizable value using the average cost method.

Property, Plant and Equipment

Additions and improvements occurring through the normal course of business are capitalized at cost. When assets are retired or disposed of, the cost and the accumulated depreciation and depletion are eliminated from the accounts and any gain or loss is reflected in the Consolidated Statement of Operations. Expenditures for normal repairs and maintenance are expensed as incurred. Construction-in-progress is primarily comprised of machinery and equipment which has not been placed in service.

Drilling and related costs are capitalized for deposits where proven and probable reserves exist and the activities are directed at obtaining additional information on the deposit or converting non-reserve minerals to proven and probable reserves and the benefit is to be realized over a period greater than one year. Mine development costs include engineering, mineralogical studies, drilling and other related costs to develop the mine, the removal of overburden to initially expose the mineral and building access ways. Exploration costs are expensed as incurred and classified as exploration expense. Capitalization of mine development project costs begins once the deposit is classified as proven and probable reserves.

Mining property and development costs are depleted using the units-of-production method based on total estimated reserves and tonnage extracted each period. The impact of revisions to reserve estimates is recognized on a prospective basis. Stripping costs incurred during the production phase of a mine are expensed as incurred.

Fixed assets other than mining property and development costs are carried at historical cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

Capitalized costs incurred during the year for major improvement and capital projects that are not placed in service are recorded as construction-in-progress. Construction-in-progress is not depreciated until the related assets or improvements are ready to be placed in service. The Company capitalizes interest cost as part of the historical cost of constructing an asset and preparing it for its intended use. These interest costs are included in property, plant and equipment on the Consolidated Balance Sheet.

Impairment of Long-lived Assets

Recoverability of investments in long-lived assets, including property, plant and equipment is evaluated if events or circumstances indicate the impairment of an asset may exist, based on asset groups, which management has defined as the mine and terminal operations and the logistics and wellsite operations. Estimated future undiscounted net cash flows are calculated using estimates, including but not limited to estimates of proven and probable sand reserves, estimated future sales prices (considering historical and current prices, price trends and related factors), operating costs and anticipated capital expenditures.

Reductions in the carrying value of the Company's long-lived assets in an asset group are only recorded if the asset group's undiscounted cash flows are less than the book basis of that asset group and the extent to which the remaining carrying value of the Company's long-lived assets exceeds the fair value, which is generally determined based upon the estimated future discounted net cash flows to be generated by the property, plant and equipment and other long-lived assets in the asset group.

Management's estimates of future sales prices, recoverable proven and probable reserves, asset utilization and operating and capital costs, among other estimates, are subject to certain risks and uncertainties which may affect the recoverability of the Company's investments in long-lived assets. Although management has made its best estimate of these factors based on current conditions, it is reasonably possible that changes could occur in the near term, which could adversely affect management's estimate of the net cash flows expected to be generated from its operating assets.

No impairment charges related to long-lived assets were recorded during the period from October 1, 2020 through December 31, 2020.

Leases

In accordance with ASC 842, *Leases* ("ASC 842"), at inception of a contract, the Company determines if it includes a lease. The Company evaluates the lease against the lease classification criteria within ASC 842. If the direct financing or sales-type classification criteria are met, then the lease is accounted for as a finance lease. All other leases are accounted for as operating leases. When a lease is identified, a right-of-use asset and the corresponding lease liability are recorded on the Consolidated Balance Sheet. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. In the event a lease does not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease right-of-use assets also include any lease prepayments made, initial direct costs incurred and excludes lease incentives received. The Company generally does not include renewal or termination options in its assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. For all leases with a term of 12 months or less, the Company elected the practical expedient to not recognize lease assets and liabilities. For non-revenue contracts containing both lease and non-lease components, both components will be combined and accounted for as one lease component and accounted for under ASC 842; and for revenue contracts containing both lease and non-lease components, both components will be combined and accounted for as one component and accounted for under ASC 606, *Revenue from Contracts with Customers*.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Additionally, any variable payments, which are generally related to the corresponding utilization of the asset, are recognized in the period in which the obligation was incurred.

Right-of-use assets are assessed periodically for impairment if events or circumstances occur that indicate the carrying amount of the asset may not be recovered. The Company monitors events and modifications of existing lease agreements that would require reassessment of the lease. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding right-of-use asset. No impairment charges related to right-of-use assets were recorded during the period from October 1, 2020 through December 31, 2020.

Intangible Assets

The Company amortizes the cost of other intangible assets on a straight line basis over their estimated useful lives, ranging from 2 to 21 years. An impairment assessment is performed if events or circumstances occur and may result in the change of the useful lives of the intangible assets. No impairment charges related to intangible assets were recorded during the period from October 1, 2020 through December 31, 2020.

Equity Method Investments

The Company accounts for investments that it does not control but has the ability to exercise significant influence, using the equity method of accounting. Under this method, the investment is carried originally at cost, increased by any allocated share of the Company's net income and contributions made, and decreased by any allocated share of the Company's net losses and distributions received. The Company's allocated share of income and losses are based on the rights and priorities outlined in the equity investment agreement.

On the Emergence Date, the Company's equity method investment was adjusted to fair value as part of fresh-start accounting. The difference between the Predecessor Company's carrying value of its investment in PropX and the fair value of the Company's investment in PropX on Emergence Date resulted in a basis difference. The basis difference was identified to be associated with the difference in the book value and fair value of PropX's fixed assets and intangible assets, and will be recognized by the Company over the assets remaining depreciable lives.

Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Debt issuance costs associated with a revolving credit facility are maintained in other assets.

Embedded Conversion Features and Debt Discount

On October 9, 2020, the Company issued 8.0%/10.0% Senior Secured Convertible PIK Toggle Notes due 2026 (the "Convertible Notes"). The Convertible Notes were accounted for following the convertible debt model with a noncontingent beneficial conversion feature ("BCF") pursuant to ASC 470-20, *Debt with Conversion and Other Options.* An embedded conversion feature is considered a BCF if it is in-the-money on the basis of a comparison between (1) the initial fair value of the shares of the issuer's stock into which the instrument is convertible and (2) the instrument's effective conversion price. A noncontingent BCF is accounted for separately from the convertible debt instrument in which it is embedded whereby at issuance, the issuer allocates to additional paid-in-capital a portion of the proceeds received for the convertible debt instrument equal to the BCF's intrinsic value and the resulting discount on the convertible debt instrument is amortized as interest expense using the effective interest method. Due to the Convertible Notes being immediately exercisable at the holders' option, the conversion feature is deemed to be noncontingent and as a result, at the Convertible Notes issuance date all of the proceeds were allocated to additional paid-in-capital as a debt discount. Refer to Note 11 - Long-Term Debt for additional disclosure on the Convertible Notes.

Asset Retirement Obligations

In accordance with ASC 410-20, *Asset Retirement Obligations*, the Company recognizes reclamation obligations when incurred and records them as liabilities at fair value. In addition, a corresponding increase in the carrying amount of the related asset is recorded and depreciated over such asset's useful life. The reclamation liability is accreted to expense over the estimated productive life of the related asset and is subject to adjustments to reflect changes in value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs.

Revenue Recognition

The Company generates frac sand revenues from the sale of raw frac sand that its customers purchase for use in the oil and natural gas industry. A substantial portion of frac sand sales are sold to customers under long-term supply agreements, the current terms of which expire between 2021 and 2024. The agreements define, among other commitments, the volume of product that the Company must provide and the volume that the customer must purchase by the end of the defined periods. Pricing structures under these agreements are in many cases subject to certain contractual adjustments and consist of a combination of negotiated pricing and fixed pricing. These arrangements may undergo negotiations regarding pricing and volume requirements, which may occur in volatile market conditions. The Company also sells sand through individual purchase orders executed on the spot market, at prices and other terms determined by the existing market conditions as well as the specific requirements of the customer. The Company typically invoices the frac sand customers as the product is delivered and title transfers to the customer, with standard collection terms of net 30 days.

Frac sand sales revenues are recognized at the point in time following the transfer of control to the customer when legal title passes, which may occur at the production facility, rail origin, terminal or wellsite. Revenue recognition is driven by the execution and delivery of frac sand by the Company to the customer, which is initiated by the customer placing an order for frac sand, the Company accepting and processing the order, and the physical delivery of sand at the location specified by the customer. At that point in time, delivery has occurred, evidence of a contractual arrangement exists and collectability is reasonably assured.

Revenue from make-whole provisions in customer contracts is recognized as other revenue at the end of the defined period when collectability is certain. Customer prepayments in excess of customer obligations remaining on account upon the expiration or termination of a contract are recognized as other operating income during the period in which the expiration or termination occurs.

The Company generates other revenues primarily through the performance of logistics and wellsite operations and services, which includes transportation, equipment rental, and labor services, as well as through activities performed at its in-basin terminals, including transloading sand for counterparties, and lease of storage space. Transportation services typically consist of transporting proppant from storage facilities to the wellsite and are contracted through work orders executed under established pricing agreements. The amount invoiced reflects the transportation services rendered. Equipment rental services provide customers with use of the Company's fleet equipment for either contractual periods defined through formal agreements or for work orders under established pricing agreements. The amounts invoiced reflect either the contractual monthly minimum, or the length of time the equipment was utilized in the billing period. Labor services provide customers with supervisory, logistics, or field personnel through formal agreements or work orders executed under established pricing agreements. The amounts invoiced reflect either the contractual monthly minimum, or the amount of time the Company's labor services were utilized in the billing period.

The Company typically invoices its customers as product is delivered and services are rendered, with standard collection terms of net 30 days. The Company recognizes revenue for logistics and wellsite operations and services and other revenues as title of the product transfers and the services have been rendered and completed. At that point in time, delivery of service has occurred, evidence of a contractual arrangement exists and collectability is reasonably assured.

Deferred Revenues

The Company occasionally receives prepayments from customers for future deliveries of frac sand or equipment. These prepayments represent consideration that is unconditional for which the Company has yet to transfer title to the sand or equipment. Amounts received from customers in advance of product deliveries are recorded as contract liabilities referred to as deferred revenues and recognized as revenue upon delivery of the product.

Fair Value Measurements

The amounts reported in the balance sheet as current assets or liabilities, including cash, accounts receivable, accounts payable, accrued and other current liabilities approximate fair value due to the short-term maturities of these instruments. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy, which are as follows:

- Level 1 - observable inputs such as quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets that can directly or indirectly be observed to the extent that the markets are liquid for the relevant settlement periods; and
- Level 3 - unobservable inputs in which little or no market data exists, therefore inputs reflect the Company's assumptions.

Intangible assets and long-lived assets, including right-of-use assets, are subject to nonrecurring fair value measurement upon acquisition as part of a business combination or when assessing potential impairment of an asset group. In addition, as a result of fresh-start accounting, the Company's assets and liabilities were recorded at their fair values. These assets and liabilities are generally categorized as Level 3 inputs in the fair value hierarchy. Refer to Note 4 - Fresh-start Accounting for a discussion of the fair value approaches and estimates used by the Company in fresh-start accounting.

Income Taxes

The Company is an entity treated as a corporation for U.S. federal income tax purposes and is therefore subject to U.S. federal, foreign, and state and local corporate income tax. The Company records its income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities.

The provisions of the CARES Act do not have a significant impact on the effective tax rate or the income tax payable.

Deferred Income Taxes

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in the Consolidated Statement of Operations in the period when the change is enacted.

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount, as applicable, in the accompanying Consolidated Balance Sheets.

Foreign Currency Translation

The Company records foreign currency translation adjustments from the process of translating the functional currency of the financial statements of its foreign subsidiary into the U.S. dollar reporting currency. The Canadian dollar is the functional currency of the Company's foreign subsidiary as it is the primary currency within the economic environment in which the subsidiary operates. Assets and liabilities of the subsidiary's operations are translated into U.S. dollars at the rate of exchange in effect on the balance sheet date and income and expenses are translated at the average exchange rate in effect during the reporting period. Adjustments resulting from the translation of the subsidiary's financial statements are reported in other comprehensive loss. Foreign currency transaction gains and losses are included in determining net loss.

*Recent Accounting Pronouncement*s

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments and preferred stock. This ASU will be effective on January 1, 2024, however, early adoption is permitted on January 1, 2021. The Company is currently assessing the impact that adopting this new accounting guidance will have on its Consolidated Financial Statements and footnote disclosures.

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which aims to address accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The amendments in this update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022. The Company is evaluating the effects of applying certain of the optional expedients when evaluating the impact of reference rate reform on its debt that references LIBOR.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which affects general principles within Topic 740, and are meant to simplify and reduce the cost of accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and simplifies areas including franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, the incremental approach for intraperiod tax allocation, interim period income tax accounting for year-to-date losses that exceed anticipated losses and enacted changes in tax laws in interim periods. The changes are effective for annual periods beginning after December 15, 2021. The Company is currently assessing the impact that adopting this new accounting guidance will have on its Consolidated Financial Statements and footnote disclosures.

3. Reorganization

On July 12, 2020, the Company entered into the RSA with the Noteholders of the Company's then outstanding Senior Notes. On the same date, to implement the terms of the RSA, the Company filed the Chapter 11 Cases in the Bankruptcy Court. On August 15, 2020, the Company filed with the Bankruptcy Court the proposed Plan. On September 23, 2020, the Bankruptcy Court entered an order confirming and approving the Plan and on October 9, 2020, the Company emerged from Chapter 11.

Pursuant to the terms of the Plan set forth in the RSA the following occurred on the Emergence Date:

- On August 17, 2020, the Company and the backstop parties thereto (the "Backstop Parties") entered into a Backstop Purchase Agreement. Subject to the terms and conditions contained in the Backstop Agreement, the Backstop Parties committed to purchase, severally and not jointly, the Convertible Notes that are not duly subscribed for pursuant to a rights offering (the "Rights Offering") at a price equal to $1,000 per $1,000 in principal amount of the Convertible Notes purchased by such Backstop Party. As consideration for the commitment by the Backstop Parties, the Company has agreed to issue additional Convertible Notes in an aggregate principal amount of $4,763 (the "Put Option Notes") to the Backstop Parties pro rata based on the respective amounts of Senior Notes Claims held by each Backstop Party. The Commitment Premium was settled in conjunction with the Company's emergence from Chapter 11 and the issuance of the Convertible Notes.
- The Company completed the Rights Offering which generated $43,306 of gross proceeds and, together with the $4,763 of Put Option Notes, resulted in the issuance of $48,069 aggregate principal amount of its Convertible Notes to certain eligible holders of allowed claims arising under the Senior Notes. Refer to Note 11 - Long-Term Debt for additional information regarding the Convertible Notes.

- The Company entered into a new revolving credit agreement (the "ABL Credit Facility"), which matures on August 1, 2023. The ABL Credit Facility is available to the Company and provides for revolving loans and letters of credit in an aggregate amount of up to $25,000, subject to borrowing base capacity. Letters of credit are available up to the lesser of (a) $25,000 and (b) the aggregate unused amount of commitments under the ABL Credit Facility then in effect. Refer to Note 11 - Long-Term Debt for additional information.
- The Company entered into a Stockholders Agreement (the "Stockholders Agreement") with certain consenting noteholders named therein, the holders of the Convertible Notes and all other stockholders of the Company party thereto from time to time, to provide for certain governance matters relating to the Company. The rights and preferences of each stockholder under the Stockholders Agreement will terminate on the earliest of (i) the closing of certain specified transactions resulting in the sale of greater than a majority of the then-issued and outstanding shares of the Company's new common stock or all or substantially all of the consolidated assets of the Company to a third party; (ii) the dissolution or liquidation of the Company; or (iii) the initial public offering of new common stock on the New York Stock Exchange or the Nasdaq Stock Market.
- All agreements, instruments, and other documents evidencing, relating to or connected with any equity interests of the Company, issued and outstanding immediately prior to the Emergence Date, and any rights of any holder in respect thereof, were deemed cancelled, discharged and of no force or effect.
- The (i) Senior Secured Debtor-in-Possession Credit Agreement among the Company, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto and (ii) Senior Secured Debtor-in-Possession Term Loan Credit Agreement among the Company, Cantor Fitzgerald Securities, as administrative agent, and the lenders party thereto was repaid in full and terminated.
- All outstanding obligations under the Senior Notes dated as of August 1, 2018, by and among Hi-Crush Inc., the guarantors party thereto and U.S. Bank National Association, as trustee, as amended, restated, modified, supplemented, or replaced from time to time, were cancelled and the applicable agreements governing such obligations were terminated.
- All existing shares of the Company's common stock were cancelled pursuant to the Plan, and the Company plans to issue 9,382,378 shares of new common stock *pro rata* to the holders of allowed claims arising under the Senior Notes (subject to dilution on account of the new common stock to be issued upon conversion of the Convertible Notes and the new common stock to be issued to management of the Company under a management equity incentive plan (a "MIP")). Additionally, the Company is authorized to issue up to an additional 4,262,836 shares of new common stock to holders of general unsecured claims (subject to dilution on account of the new common stock to be issued upon conversion of the Convertible Notes and the new common stock to be issued to management of the Company under a MIP) pursuant to, and in accordance with, the terms and conditions of the Plan as such holders' general unsecured claims become allowed under the Plan.

4. Fresh-start Accounting

Upon the Company's emergence from Chapter 11 bankruptcy, the Company qualified for and adopted fresh-start accounting in accordance with the provisions set forth in ASC 852 as (i) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the Successor Company, and (ii) the reorganization value of the Company's assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims. Refer to Note 3 - Reorganization for the terms of the Plan.

In accordance with ASC 852, with the application of fresh-start accounting, the Company allocated its reorganization value to its individual assets based on their estimated fair values in conformity with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") and ASC 805, *Business Combinations*. The reorganization value represents the fair value of the Successor's assets before considering certain liabilities and is intended to represent the approximate amount a willing buyer would pay for the Company's assets immediately after reorganization.

Reorganization Value

As set forth in the Plan, the enterprise value of the Successor Company was estimated to be in the range of approximately $145,000 to $215,000. Based on the estimates and assumptions discussed below, the Company estimated the enterprise value to be $175,066, slightly below the midpoint of this range.

Utilizing an independent valuation, the Company determined the enterprise and corresponding equity value of the Successor using various valuation methods, including (i) discounted cash flow analysis, (ii) comparable company analysis and (iii) precedent transaction analysis. The use of each approach provides corroboration for the other approaches.

In order to estimate the enterprise value using the discounted cash flow ("DCF") analysis approach, management's estimated future cash flow projections through 2024, plus a terminal value calculated assuming a perpetuity growth rate and applying a multiple to the terminal year's projected earnings before interest, tax, depreciation and amortization ("EBITDA"), were discounted to an assumed present value using our estimated weighted average cost of capital ("WACC"), which represents the internal rate of return ("IRR").

The comparable company analysis provides an estimate of the Company's value relative to publicly traded companies with similar operating and financial characteristics, by which a range of EBITDA multiples of the comparable companies was then applied to management's projected EBITDA to derive an estimated enterprise value.

Precedent transaction analysis provides an estimate of enterprise value based on recent sale transactions of similar companies, by deriving the implied EBITDA multiple of those transactions, based on sales prices, which was then applied to management's historical projected EBITDA.

Certain inputs and assumptions used to estimate the enterprise value are considered significant unobservable inputs which are classified as Level 3 inputs under ASC 820 including management's estimated future cash flow projections. All estimates, assumptions, valuations and financial projections, including the fair value adjustments, the enterprise value and equity value projections, are inherently subject to significant uncertainties beyond the Company's control, and accordingly, actual results could vary materially.

The following table reconciles the Company's enterprise value to the implied value of the Successor common stock as of the Fresh-start Reporting Date:

	October 1, 2020
Enterprise value	$ 175,066
Plus: cash and restricted cash	51,857
Less: fair value of debt	(1,788)
Implied value of Successor common stock	$ 225,135

The following table reconciles enterprise value to the reorganization value of the Successor Company's assets as of the Fresh-start Reporting Date:

	October 1, 2020
Enterprise value	$ 175,066
Plus: cash and restricted cash	51,857
Plus: current and other liabilities	54,336
Plus: asset retirement obligations	19,076
Less: fair value of debt	(1,788)
Reorganization value of the Successor Company's assets	$ 298,547

Consolidated Balance Sheet

The following illustrates the effects on the Predecessor Company's Consolidated Balance Sheet due to the reorganization and fresh-start accounting adjustments. The explanatory notes following the table below provide further details on the adjustments, including the Company's assumptions and methods used to determine fair value for its assets and liabilities.

	As of October 1, 2020			
	Predecessor Company	Reorganization Adjustments	Fresh-Start Adjustments	Successor Company
Assets				
Current assets:				
Cash	$ 20,318	$ 17,083 (a)	$ —	$ 37,401
Restricted cash	14,456	—	—	14,456
Accounts receivable, net	22,488	—	—	22,488
Inventories	18,791	—	5,797 (k)	24,588
Prepaid expenses and other current assets	9,463	(750) (b)	11,118 (l)	19,831
Total current assets	85,516	16,333	16,915	118,764
Property, plant and equipment, net	655,760	—	(509,713) (m)	146,047
Operating lease right-of-use assets	5,988	—	(496) (n)	5,492
Intangible assets, net	34,882	—	(22,087) (o)	12,795
Equity method investment	37,901	—	(23,017) (p)	14,884
Other assets	88	477 (c)	—	565
Total assets	$ 820,135	$ 16,810	$ (538,398)	$ 298,547
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 10,803	$ —	$ —	$ 10,803
Accrued and other current liabilities	22,189	6,400 (d)	—	28,589
Current portion of deferred revenues	3,800	—	(1,240) (q)	2,560
Current portion of long-term debt	1,788	—	—	1,788
Debtor-in-possession financing	21,344	(21,344) (e)	—	—
Current portion of operating lease liabilities	2,072	—	(110) (n)	1,962
Total current liabilities	61,996	(14,944)	(1,350)	45,702
Deferred revenues	3,801	—	—	3,801
Long-term debt	4,763	(4,763) (f)	—	—
Operating lease liabilities	4,791	—	(1,261) (n)	3,530
Asset retirement obligations	11,366	—	7,710 (r)	19,076
Deferred tax liabilities	9,830	—	(9,830) (s)	—
Other liabilities	1,303	—	—	1,303
Total liabilities not subject to compromise	97,850	(19,707)	(4,731)	73,412
Liabilities subject to compromise	543,401	(543,401) (g)	—	—
Total liabilities	641,251	(563,108)	(4,731)	73,412
Commitments and contingencies				
Stockholders' equity:				
Common stock (Predecessor)	999	(999) (h)	—	—
Common stock (Successor)	—	—	—	—
Additional paid-in-capital (Predecessor)	805,817	(805,817) (h)	—	—
Additional paid-in-capital (Successor)	—	42,923 (i)	182,212 (t)	225,135
Retained earnings (deficit)	(627,572)	1,343,811 (j)	(716,239) (t)	—
Accumulated other comprehensive income (loss)	(360)	—	360 (t)	—
Total stockholders' equity	178,884	579,918	(533,667)	225,135
Total liabilities and stockholders' equity	$ 820,135	$ 16,810	$ (538,398)	$ 298,547

Reorganization Adjustments

(a) The table below details cash payments as of October 1, 2020, pursuant to the terms of the Plan described in Note 3 - Reorganization:

Cash proceeds from Convertible Notes	$	43,306
Payment of DIP Facility principal and accrued interest		(21,344)
Payment of debt issuance costs on ABL Credit Facility and Convertible Notes		(860)
Payment of professional fees and other		(4,019)
	$	17,083

(b) Represents amortization of retention bonuses paid to previous executive team.

(c) Represents debt issuance costs related to the ABL Credit Facility.

(d) Represents professional fees to be paid subsequent to the Company's emergence from Chapter 11 bankruptcy.

(e) Represents the payment to extinguish the DIP Facility.

(f) Represents the settlement of the Put Option Notes upon issuance of the Convertible Notes. Due to the Convertible Notes' noncontingent BCF, all of the proceeds from the Convertible Notes were allocated to equity, as described further in Note 11 - Long-Term Debt.

(g) Liabilities subject to compromise were as follows:

9.50% Senior Notes due 2026	$	450,000
Accrued interest on Senior Notes		19,356
Operating and finance leases		62,145
Accounts payable and accrued liabilities		11,900
Liabilities subject to compromise		543,401
Issuance of common stock to Noteholders		(125,288)
Issuance of common stock to general unsecured claim holders		(56,924)
Gain on settlement of liabilities subject to compromise	$	361,189

(h) Reflects the cancellation of Predecessor common stock and additional paid-in capital.

(i) The following table reconciles reorganization adjustments made to Successor common stock and additional paid-in capital:

Recognition of equity component of Convertible Notes	$	48,069
Recognition of debt issuance costs of Convertible Notes equity component		(5,146)
Total change in Successor common stock and additional paid-in capital	$	42,923

Due to the Convertible Notes' noncontingent BCF, all of the proceeds from the Convertible Notes were allocated to equity, as described further in Note 11 - Long-Term Debt.

(j) Represents the cumulative impact to Predecessor retained earnings of the reorganization adjustments described above.

Fresh-start Accounting Adjustments

(k) Represents the fair value adjustment to inventory. Inventory valued consisted of raw materials, work-in-process, finished goods and spare parts. The fair value of the raw materials, work-in-process and finished goods inventory was estimated using the net realizable value method, which estimates the cost to complete and dispose of the inventory, plus a reasonable profit allowance on those efforts. This resulted in a step-up from the book value of the work-in-process inventory. The fair value of the spare parts inventory was determined to be equivalent to its book value and no adjustment was made.

(l) Represents the estimated fair value of customer contract make-whole billings.

(m) Represents the decrease in net book value of property, plant and equipment to the estimated fair value as of the Emergence Date. Fair value for buildings, mining properties and mine development was estimated using either tax assessed values or the Predecessor's carrying value. For purposes of estimating the fair value of its property, plant and equipment, the Company used a combination of the market and cost approaches. A market approach was relied upon for mobile equipment using recent transactions of similar assets. For the remaining other operating assets, a cost approach was used. The estimation of fair value under the cost approach was based on current replacement costs of the assets, less obsolescence, including depreciation (based on the useful lives and age of the assets) and consideration of economic and functional obsolescence. Mineral rights were valued using the multi-period excess earnings method under the income approach. The analysis relies on overall revenue and cash flow projections, and considers charges to other profit-centers for the use of assets other than the mineral rights themselves when valuing the rights.

(n) Upon adoption of fresh-start accounting, the Company’s lease obligations were recalculated using the incremental borrowing rate applicable to the Company upon emergence from Chapter 11 bankruptcy and commensurate with its new capital structure.

(o) Represents the fair value adjustment to intangibles including trademarks and customer contracts and relationships. The fair value of the trademark was estimated using the relief from royalty method under the income approach. The analysis relies on overall revenue and cash flow projections. The fair value of the customer contracts and relationships was based on the with-and-without method, which assumes that the value of the intangible asset is equal to the difference between the present value of the prospective cash flows with and without the intangible asset in place. The value of the Company's intangible assets will be amortized using the straight-line method over the economic useful life.

(p) Represents the fair value adjustment of the Company's equity method investment. The fair value was estimated using an equally weighted average of the discounted cash flow method and guideline public company method.

(q) Represents the fair value adjustment to deferred revenues. The Company's deferred revenues represent prepayments from customers for future deliveries of frac sand. For purposes of estimating the fair value of deferred revenues, the Company used the discounted cost method with a "bottom-up" approach that captures the costs associated with fulfilling the deferred revenue performance obligation, plus a reasonable profit on the fulfillment effort. As a result, it was determined that a step-down from the book value of the deferred liability should be recognized.

(r) Represents the fair value adjustment and acceleration of the Company's asset retirement obligations, driven by the idling and projected future utilization of certain of the Company’s Wisconsin production facilities. The fair value was estimated using the income approach and considered future historical costs adjusted by expected inflation and discounted those future costs to the relevant date using an appropriate credit-adjusted risk-free discount rate.

(s) Represents an adjustment to deferred taxes to reflect the change in the financial reporting basis of assets as a result of the adoption of fresh-start accounting.

(t) Represents the cumulative impact of the fresh-start accounting adjustments discussed above and the elimination of Predecessor accumulated earnings.

5. Inventories

Inventories consisted of the following:

	December 31, 2020
Raw material	$ 279
Work-in-process	8,919
Finished goods	9,058
Spare parts	340
Inventories	$ 18,596

As a result of fresh-start accounting, the Company realized a step-up from the book value of work-in-process inventory of $5,797 as of the Emergence Date. Amortization associated with the inventory step-up of $3,700 is included in cost of goods sold on the Consolidated Statement of Operations.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Estimated useful life	December 31, 2020
Buildings	3-15 years	$ 3,437
Mining property and mine development (a)		52,371
Plant and equipment	1-10 years	45,923
Transload facilities and equipment	1-8 years	26,092
Transportation equipment	1-7 years	7,626
Office furniture, fixtures and equipment	1-5 years	1,487
Construction-in-progress		9,707
Property, plant and equipment		146,643
Less: Accumulated depreciation and depletion		(4,159)
Property, plant and equipment, net		$ 142,484

(a) Depletable properties that contain frac sand reserves are depreciated using the units-of-production method.

Depreciation and depletion expense was $4,159 for the period from October 1, 2020 through December 31, 2020.

7. Leases

Lessee

The Company has long-term operating leases, comprised primarily of railcars and container lease arrangements, as well as vehicles, equipment, office space and terminals. The Company's operating leases have remaining lease terms of 0.3 years to 3.5 years, some of which include automatic renewal options, options to extend the leases and options to terminate the leases.

The balance sheet information related to leases are as follows:

	Classification	December 31, 2020
Right-of-use assets		
Operating leases	Operating lease right-of-use assets	$ 5,097
Lease liabilities		
Current		
Operating leases	Current portion of operating lease liabilities	$ 1,810
Non-current		
Operating leases	Operating lease liabilities	3,273
Total lease liabilities		$ 5,083

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. Upon adoption of fresh-start accounting, the Company's lease obligations were recalculated using the incremental borrowing rate applicable to the Company upon emergence from Chapter 11 bankruptcy and commensurate with its new capital structure. The weighted average remaining lease term and discount rate as of December 31, 2020 related to leases are as follows:

	Operating leases
Weighted average remaining lease term	2.6 years
Weighted average discount rate	13.82 %

The lease cost components on the Consolidated Statement of Operations are as follows:

	Classification	Period from October 1, 2020 through December 31, 2020
Operating leases		
Operating lease cost	Cost of goods sold	$ 516
Short-term lease cost	Cost of goods sold	659
Variable lease cost	Cost of goods sold	878
Operating lease cost	General and administrative expenses	42
Short-term lease cost	General and administrative expenses	125
Total operating lease costs		$ 2,220

Supplemental cash flow information related to the Company's leases is as follows:

	Period from October 1, 2020 through December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows used for operating leases	$ 409

As of December 31, 2020, the maturities of lease liabilities are as follows:

Fiscal Year	Operating Leases
2021	$ 2,364
2022	2,268
2023	1,252
2024	117
Total lease payments	6,001
Less: interest	(918)
Total lease liabilities	$ 5,083

Lessor

The Company has operating lease arrangements as the lessor associated for the use of logistics and wellsite operations equipment. These leases are classified as operating leases and result in the recognition of lease income on a straight-line basis, while the underlying leased asset remains on the balance sheet and continues to depreciate. Lease income associated with these leases is not material.

8. Intangible Assets

As a result of the Company's emergence from Chapter 11 bankruptcy and the application of fresh-start accounting, on the Fresh-start Reporting Date, the Company recorded intangible assets which consisted of the following:

	Useful life	October 1, 2020	Amortization expense	December 31, 2020
Customer contracts and relationships	2-4 years	$ 11,737	$ —	$ 11,737
Trademarks	21 years	1,058	—	1,058
Intangible assets		12,795	—	12,795
Less: Accumulated amortization		—	(908)	(908)
Intangible assets, net		$ 12,795	$ (908)	$ 11,887

Amortization expense was $908 for the period from October 1, 2020 through December 31, 2020. The weighted average remaining life of intangible assets was 4.8 years as of December 31, 2020.

As of December 31, 2020, future amortization is as follows:

Fiscal Year	Amortization
2021	$ 3,634
2022	3,634
2023	2,376
2024	1,396
2025	50
Thereafter	797
	$ 11,887

9. Equity Method Investment

Investment in Proppant Express Investments, LLC

On September 8, 2016, the Company entered into an agreement to become a member of Proppant Express Investments, LLC ("PropX"), which was established to develop last mile logistics equipment for the proppant industry. PropX is responsible for manufacturing containers and conveyor systems that allow for transportation of frac sand from in-basin terminals to the wellsite. As of December 31, 2020, the Company held 41.55% ownership interest in PropX and its investment basis was $15,648.

During the period from October 1, 2020 through December 31, 2020, the Company made no capital contribution to PropX. During the period from October 1, 2020 through December 31, 2020, the Company recognized a loss of $286 from the Company's proportionate share of PropX's operating results, offset by $1,050 of amortization associated with the basis difference, which is included in earnings from equity method investment on the Consolidated Statement of Operations.

10. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	December 31, 2020
Accrued royalty payments	$ 2,016
Accrued logistics costs	1,946
Accrued compensation and benefits	2,391
Accrued taxes payable	2,960
Accrued interest payable	1,114
Accrued reorganization expenses	7,516
Other current liabilities	4,087
Accrued and other current liabilities	$ 22,030

11. Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2020
Convertible Notes	$ 48,069
Less: debt discount	(46,077)
ABL Credit Facility	—
Other notes payable	719
Total debt	2,711
Less: Current portion of long-term debt	(719)
Long-term debt	$ 1,992

Convertible Notes

On October 9, 2020, the Company entered into an indenture (the "Indenture"), among the Company, the subsidiary guarantors party thereto and Wilmington Savings Fund Society, FSB, as trustee and collateral agent, and issued $48,069 aggregate principal amount of its Convertible Notes thereunder, inclusive of the Put Option Notes, which mature on April 9, 2026. The Convertible Notes are guaranteed on a senior basis by the Company's existing domestic subsidiaries (the "Guarantors") on a full and unconditional basis.

Cash interest on the Convertible Notes accrues at the rate of 8.0% per annum and is payable in cash. Interest on the Convertible Notes may also be paid in kind ("PIK") at the Company's election, and PIK interest accrues at the rate of 10.0% per annum and shall be payable either (x) by increasing the principal amount of the outstanding note by an amount equal to the amount of PIK Interest for the applicable interest period (rounded up to the nearest $1.00) or (y) by issuing additional Convertible Notes in certificated form in an aggregate principal amount equal to the amount of PIK interest for the period (rounded up to the nearest $1.00). Interest payments are due semiannually in arrears on October 15 and April 15, commencing on April 15, 2021. The Company has recorded interest expense of $1,109 related to the Convertible Notes for the period from October 1, 2020 through December 31, 2020.

The Convertible Notes are convertible into shares of the Company's common stock based on an initial conversion rate of 5.3934774 shares of common stock per $1.00 principal amount of Convertible Notes, at any time prior to the second business day immediately preceding the maturity date, in principal amounts of $1.00 or an integral multiple of $1.00 in excess thereof. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events specified in the Indenture. If the Company experiences a change of control, the holders of the Convertible Notes will have the right to require the Company to repurchase all or any part of their Convertible Notes at a purchase price equal to 101% of the aggregate principal amount of the Convertible Notes repurchased, plus accrued and unpaid interest, if any, to but not including the date of purchase.

The Indenture contains covenants that limit, among other things, the Company's ability and the ability of certain of its subsidiaries, to: incur, assume or guarantee additional indebtedness; pay dividends or distributions on capital stock or redeem or repurchase capital stock; make investments; sell stock of its subsidiaries; transfer or sell assets; create liens; enter into transactions with affiliates; and enter into mergers or consolidations. The Indenture also provides for certain customary events of default, including, among others, nonpayment of principal or interest, failure to pay final judgments in excess of a specified threshold, failure of a guarantee to remain in effect, bankruptcy and insolvency events, and cross acceleration, which would permit the principal, premium, if any, interest and other monetary obligations on all the then outstanding Convertible Notes to be declared due and payable immediately. As of December 31, 2020, the Company was in compliance with all covenants in the Indenture.

The Convertible Notes contain a noncontingent BCF because the convertible portion or feature of the note provides a rate of conversion that is below market value and therefore is "in-the-money" when issued and can be immediately exercisable at the holders' option. As a result, on the issuance date all of the proceeds from the Convertible Notes were allocated to additional paid-in-capital as a debt discount. The discount is amortized over the term of the Convertible Notes under the effective interest method and is charged to interest expense. Amortization of debt discount included in interest expense was $1,992 for the period from October 1, 2020 through December 31, 2020.

The Company incurred debt issuance costs associated with the Convertible Notes of $5,164 which were allocated to additional paid-in-capital as of December 31, 2020.

As of December 31, 2020, the Company had $1,992 of indebtedness ($48,069, net of $46,077 of debt discount) under the

Convertible Notes.

ABL Credit Facility

On October 9, 2020, the Company entered into the ABL Credit Facility, which matures on August 1, 2023, with JPMorgan Chase, N.A., as administrative agent and collateral agent, and the other lenders party thereto. The ABL Credit Facility is available to the Company and provides for revolving loans and letters of credit in an aggregate amount of up to $25,000, subject to borrowing base capacity. Letters of credit are available up to the lesser of (a) $25,000 and (b) the aggregate unused amount of commitments under the ABL Credit Facility then in effect. The obligations under the ABL Credit Facility are guaranteed by all of the Company's direct and indirect subsidiaries (subject to certain permitted exceptions). The ABL Credit Facility is secured by a lien on substantially all of the Company's and the guarantors' assets (subject to certain exceptions).

As of December 31, 2020, the Company had $1,803 of available borrowing capacity ($25,000, net of $23,197 letter of credit commitments and credit reserve) and no indebtedness under the ABL Credit Facility.

Borrowings under the ABL Credit Facility bear interest at a rate equal to, at the Company's option, either (1) a base rate plus an applicable margin ranging between 2.00% per annum and 2.50% per annum, based upon the Company's leverage ratio, or (2) a LIBOR rate plus an applicable margin ranging between 3.00% per annum and 3.50% per annum, based upon the Company's leverage ratio.

The ABL Credit Facility contains customary covenants, including, but not limited to, restrictions on the Company's ability and that of its subsidiaries to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, or enter into transactions with affiliates.

The ABL Credit Facility provides that, upon the occurrence of certain events of default, its obligations thereunder may be accelerated and the lending commitments terminated. Such events of default include payment defaults to the lenders thereunder, material inaccuracies of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, voluntary and involuntary bankruptcy proceedings, material money judgments, certain change of control events and other customary events of default. As of December 31, 2020, the Company was in compliance with all covenants in the ABL Credit Facility.

The Company incurred debt issuance costs of $482 that were capitalized and are being amortized using the straight-line method, which approximates the effective interest method, over the life of the debt. Amortization expense is included in interest expense and was $42 for the period from October 1, 2020 through December 31, 2020. As of December 31, 2020, the Company maintained unamortized debt issuance costs of $440 within other assets.

Other Notes Payable

In 2014, the Company entered into a purchase and sales agreement to acquire land and underlying frac sand deposits. In connection with this agreement, during the year ended December 31, 2019, the Company issued a three-year promissory note in the amount of $4,595 due in August 2022 with an interest rate of 1.91%. The promissory notes accrue interest at rates equal to the applicable short-term federal rates. All principal and accrued interest is due and payable at the end of the three-year promissory note terms. However, the promissory notes are prepaid on a quarterly basis during the three-year terms as sand is extracted, delivered, sold and paid for from the properties.

During the period from October 1, 2020 through December 31, 2020, the Company made prepayments of $385 based on the accumulated volume of sand extracted, delivered, sold and paid for. As of December 31, 2020, the Company had repaid in full the promissory note due in August 2022.

Other notes payable also includes short-term obligations, arising from insurance premium financing programs, which renew in July each year. As of December 31, 2020, the Company had $719 outstanding with an interest rate of 6.54%.

Maturities

As of December 31, 2020, future minimum debt repayments, excluding debt discounts, are as follows:

Fiscal Year		**Amount**
2021	$	719
2022		—
2023		—
2024		—
2025		—
Thereafter		48,069
	$	48,788

12. Asset Retirement Obligations

Although the ultimate amount of reclamation and closure costs to be incurred is uncertain, the Company maintained a post-closure reclamation and site restoration obligation as follows:

		December 31, 2020
Balance at October 1, 2020	$	19,076
Settlement of liabilities		(150)
Accretion expense		492
Balance at December 31, 2020	$	19,418

13. Commitments and Contingencies

Customer Contracts

The Company enters into sales contracts with customers, of which certain ones contain minimum annual sand volumes that the Company is required to make available to such customers. For the period from October 1, 2020 through December 31, 2020, no payments for non-delivery of minimum annual sand volumes have been made by the Company to customers under these contracts.

Royalty Agreements

The Company has entered into royalty agreements under which it is committed to pay royalties on sand sold from its production facilities for which the Company has received payment by the customer. Royalty expense is recorded as the sand is sold and is included in costs of goods sold. Royalty expense was $1,616 for the period from October 1, 2020 through December 31, 2020.

Certain acreage is subject to a minimum annual royalty payment. If not paid within 30 days after the annual period, the original landowner has the right to purchase the property for one dollar, subject to certain terms. If the Company has not made the minimum required royalty payments, the Company may satisfy its obligation by making a lump-sum cash make-whole payment. Accordingly, the Company believes there is no material risk that it will be required to sell back the subject property pursuant to this agreement.

Property Value Guarantees

The Company entered into mining agreements and land use agreements with the Wisconsin municipalities of Bridge Creek, Lincoln, Springfield and Preston that contain property value guarantees ("PVG") for certain property owners in proximity to each mine. The respective PVGs establish a process whereby the Company guarantees fair market value to the owners of residential property specifically identified within the body of the PVG document. According to the terms of the PVGs, the property owner must provide notice in the event they wish to sell the subject residence and additional acreage in certain instances. Upon such notice, the PVGs establish a process by which an appraisal is conducted and the subject property is appraised to establish fair market value and is listed with a real estate broker. In the event the property is sold within 180 days of listing, the Company agrees to pay the owner any shortfall between the sales price and the established fair market value. In the event the property is not sold within the 180 days' time frame, the Company is obligated to purchase the property for fair market value.

As of December 31, 2020, the Company has not accrued a liability related to the PVGs because it is not possible to estimate how many of the owners will elect to avail themselves of the provisions of the PVGs, and it cannot be determined if shortfalls will exist in the event of a sale nor can the value of the subject property be ascertained until appraised.

Purchase Commitments

The Company has entered into service agreements with certain transload service providers which requires it to purchase minimum amounts of services over specific periods of time at specific locations. Failure to purchase the minimum level of services require the Company to pay shortfall fees. The Company has also entered into purchase commitments for the construction of certain equipment.

As of December 31, 2020, future minimum purchase commitments are as follows:

Fiscal Year		
2021	$	1,006
2022		192
2023		192
2024		96
	$	1,486

Litigation

From time to time the Company may be subject to various claims and legal proceedings which arise in the normal course of business, including claims involving various governmental agencies, including but not limited to the Texas Commission on Environmental Quality, Wisconsin Department of Natural Resources and U.S. Environmental Protection Agency, among others. Management is not aware of any legal matters that are likely to have a material adverse effect on the Company's financial position, results of operations or cash flows.

14. Equity

Under the amended and restated certificate of incorporation of the Company that was entered into upon emergence from Chapter 11 bankruptcy, the Company has authority to issue 507,851,332 shares of common stock, par value $0.001 per share. Shares of common stock may be issued by the Company from time to time in accordance with the Plan and the Convertible Notes.

Equity Issuances

On October 9, 2020, all existing shares of the Predecessor Company's common stock were cancelled pursuant to the Plan, and the Company planned to issue 9,382,378 shares of new common stock pro rata to the holders of allowed claims arising under the Senior Notes. Additionally, the Company is authorized to issue up to an additional 4,262,836 shares of new common stock to holders of general unsecured claims pursuant to, and in accordance with, the terms and conditions of the Plan as such holders' general unsecured claims become allowed under the Plan. The new common stock will not be traded on a public exchange.

Dividends

The Company has not adopted a policy regarding payment of dividends. Dividends may be declared from time to time by the board of directors out of funds legally available for dividend payments. Any dividend policy adopted may be amended, revoked or suspended at any time, and while any dividend policy is in place, the actual amount of dividends on the common stock will depend on many factors, including the Company's financial condition and results of operations, liquidity requirements, market opportunities, capital requirements, legal, regulatory and contractual constraints, tax laws and other factors.

15. Revenues

The Company recognizes revenue at the point in time control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration expected to be entitled to the Company in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The majority of contracts are frac sand contracts that have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. For the portion of contracts that contain multiple performance obligations, such as work orders containing a combination of product, transportation, equipment rentals, and labor services, the Company allocates the transaction price to each performance obligation identified in the contract based on relative stand-alone selling prices, or estimates of such prices, and recognize the related revenue as control of each individual product or service is transferred to the customer, in satisfaction of the corresponding performance obligations.

Disaggregation of Revenues

The following table presents revenues disaggregated by contractual relationships:

	Period from October 1, 2020 through December 31, 2020
Sales to contract customers	$ 15,354
Spot sales	17,748
Frac sand sales revenues	33,102
Other revenues	15,087
Total revenues	$ 48,189

Practical Expedients and Exemptions

The Company has elected to use the practical expedients, pursuant to which they have excluded disclosures of transaction prices allocated to remaining performance obligations and when it expects to recognize such revenue. The Company has various long-term contracts with minimum purchase and supply requirements with terms expiring between 2021 and 2024. The remaining performance obligations are primarily comprised of unfulfilled product, transportation service, and labor service orders, some of which hold a remaining duration of less than one year. The transaction price for volumes and services under these contracts is based on timing of customer orders, points of sale, mix of products sold, impact of market conditions and potential contract negotiations, which have not yet been determined and therefore the price is variable in nature. The long-term portion of deferred revenues represents customer prepayments for which related current performance obligations do not yet exist, but are expected to arise, before the expiration of the term.

Deferred Revenues

As a result of fresh-start accounting, the Company realized a step-down from the book value of the deferred revenues in the amount of $1,240 as of the Emergence Date. Accretion associated with the deferred revenues step-down is included in accretion expense on the Consolidated Statement of Operations.

As of December 31, 2020, the Company has recorded a total liability of $6,510 for prepayments of future deliveries of frac sand and silo equipment. Some prepayments are refundable in the event that the Company is unable to meet the minimum requirements under certain contracts. The Company expects to recognize these revenues over the next 2.0 years.

The following table reflects the changes in contract liabilities, which are classified as deferred revenues:

Balance at October 1, 2020	$	6,361
Accretion expense		149
Balance at December 31, 2020	$	6,510

16. Related Party Transactions

The following table summarizes related party transactions associated with the Company's equity method investment (see Note 9 - Equity Method Investment) for the period indicated:

	Period from October 1, 2020 through December 31, 2020	
Cost of goods sold - related parties (a)	$	755

(a) The Company incurs lease expense for the use of PropX equipment.

The following table summarizes related party balance sheet components associated with the Company's equity method investment as of the date indicated:

	December 31, 2020	
Accounts payable - related parties	$	350
Current portion of operating lease liabilities - related parties	$	897
Operating lease liabilities - related parties		1,798
	$	2,695

17. Income Taxes

Loss before income taxes consists of the following:

	Period from October 1, 2020 through December 31, 2020	
U.S.	$	(15,618)
Foreign		(41)
Loss before income tax	$	(15,659)

Income tax expense consists of the following:

	Period from October 1, 2020 through December 31, 2020	
Deferred tax expense		
Foreign	$	77
Income tax expense	$	77

The Company's pre-tax loss for the period from October 1, 2020 through December 31, 2020 was subject to corporate tax at an estimated effective tax rate of approximately (0.5)%. The effective tax rate differs from the statutory rate primarily due to the following: (i) state income taxes, (ii) the inclusion of a valuation allowance for U.S. federal and state deferred tax assets and (iii) certain book expenses that are not deductible for tax purposes.

Reconciliation of the U.S. federal statutory income tax rate to the Company's effective tax rate is as follows:

	December 31, 2020
Statutory federal rate	21.0 %
State taxes (net)	2.5 %
Valuation allowance	(23.4)%
Other	(0.6)%
Effective tax rate	(0.5)%

During the period from October 1, 2020 through December 31, 2020, the Company was in a net deferred tax asset position (before valuation allowance). Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the history of cumulative losses. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2020, a valuation allowance of $60,712 was recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized.

The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

Significant components of deferred tax assets and liabilities are as follows:

	December 31, 2020
Deferred tax assets	
Property, plant and equipment	$ 22,640
Intangible assets	33,009
Operating lease liabilities	1,194
Asset retirement obligations	4,563
Other	2,474
Total deferred tax assets	63,880
Valuation allowance	(60,712)
Net deferred tax assets	3,168
Deferred tax liabilities	
Operating lease right-of-use assets	1,290
Other	1,955
Total deferred tax liabilities	3,245
Total net deferred tax liabilities	$ 77

At December 31, 2020, there are no federal net operating loss ("NOL") carryforwards after attribute reduction related to cancellation of indebtedness. The tax benefits of carryforwards are recorded as an asset to the extent that management assesses the utilization of such carryforwards to be more likely than not, and when the future utilization of some portion of the carryforwards is determined not to be more likely than not a valuation allowance is provided to reduce the recorded tax benefits from such assets. To the extent there are net operating loss carryforwards in 2021, these carryforwards will be assessed for realizability.

As of December 31, 2020, the Company does not have any unrecognized tax benefits and does not anticipate any unrecognized tax benefits during the next twelve months.

The tax years ended December 31, 2017 through 2019 remain open to examination under the applicable statute of limitations in the United States in which the Corporate entity (Hi-Crush Inc.) and the Hi-Crush Partners LP entity file their tax returns.

18. Concentration of Credit Risk

The Company is a fully-integrated provider of proppant and logistics services for hydraulic fracturing operations, offering frac sand production, advanced wellsite storage systems, flexible last mile services, and innovative software for real-time visibility and management mainly used by the oil and natural gas industry. The Company's business is, therefore, dependent upon economic activity within this market.

The following table provides the Company's significant customers that had sales greater than 10%:

	Period from October 1, 2020 through December 31, 2020
Customer A	19 %
Customer B	17 %
Customer C	17 %

During the period from October 1, 2020 through December 31, 2020, the Company has maintained cash balances in excess of federally insured amounts on deposit with financial institutions. The Company has not experienced losses related to amounts in excess of these limits.

19. Subsequent Events

In preparing the consolidated financial statements, the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through April 28, 2021, the date the consolidated financial statements were available for issuance.

Other Operating Income

In February 2021, the Company received a settlement payment of $12,905 for past obligations under a customer contract, which was recognized as other operating income in the first quarter of 2021.

Equity Issuance

As part of the emergence from Chapter 11 bankruptcy, the Company planned to issue 9,382,378 shares of new common stock pro rata to the holders of allowed claims arising under the Senior Notes. Additionally, the Company is authorized to issue up to an additional 4,262,836 shares of new common stock to holders of general unsecured claims pursuant to, and in accordance with, the terms and conditions of the Plan as such holders' general unsecured claims become allowed under the Plan.

Subsequent to December 31, 2020, the Company has issued 11,873,853 shares of common stock on various dates. The new common stock will not be traded on a public exchange.

ABL Credit Facility

On April 23, 2021, the Company submitted notice to JPMorgan Chase, N.A to terminate the revolving lender commitments under the ABL Credit Facility and the outstanding liabilities of the Company with respect to its obligations under the ABL Credit Facility. The termination is expected to be effective on April 29, 2021. The Company did not have any outstanding borrowings under the ABL Credit Facility.