UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from to

Commission File Number: 001-41828

Atlas Energy Solutions Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**93-2154509**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5918 W. Courtyard Drive, Suite 500 Austin, Texas	**78730**
(Address of principal executive offices)	(Zip Code)

(512) 220-1200

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	AESI	New York Stock Exchange

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☒		

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

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

As of August 1, 2024, the registrant had 109,870,061 shares of common stock, $0.01 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Atlas Energy Solutions Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	June 30, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 104,723	$ 210,174
Accounts receivable	197,072	71,170
Inventories	18,778	6,449
Spare part inventories	22,713	15,408
Prepaid expenses and other current assets	21,870	15,485
Total current assets	365,156	318,686
Property, plant and equipment, net	1,403,417	934,660
Operating lease right-of-use assets	15,794	3,727
Finance lease right-of-use assets	6,870	424
Goodwill	75,219	—
Intangible assets	112,422	1,767
Other long-term assets	3,451	2,422
Total assets	$ 1,982,329	$ 1,261,686
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 103,763	$ 60,882
Accounts payable - related parties	114	277
Accrued liabilities	72,616	28,458
Current portion of long-term debt	30,553	—
Current portion of operating lease liabilities	6,515	1,249
Current portion of finance lease liabilities	3,274	158
Current portion of deferred revenue	7,093	—
Other current liabilities	15,405	1,568
Total current liabilities	239,333	92,592
Long-term debt, net of discount and deferred financing costs	447,450	172,820
Deferred tax liabilities	207,027	121,529
Operating lease liabilities	9,900	3,498
Finance lease liabilities	3,872	264
Deferred revenue	3,881	—
Asset retirement obligation	7,697	2,705
Other long-term liabilities	1,209	454
Total liabilities	920,369	393,862
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.01 par value; 500,000,000 authorized; no shares issued and outstanding as of June 30, 2024 and December 31, 2023.	—	—
Common Stock, $0.01 par value, 1,500,000,000 shares authorized, 109,863,098 and 100,025,584 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively.	1,098	1,000
Additional paid-in-capital	1,060,493	908,079
Retained earnings (Accumulated deficit)	369	(41,255)
Total stockholders' equity	1,061,960	867,824
Total liabilities and stockholders' equity	$ 1,982,329	$ 1,261,686

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

Atlas Energy Solutions Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Product sales	$ 128,210	$ 125,216	$ 241,642	$ 253,358
Service sales	159,308	36,572	238,543	61,848
Total sales	287,518	161,788	480,185	315,206
Cost of sales (excluding depreciation, depletion and accretion expense)	202,136	63,504	308,882	126,059
Depreciation, depletion and accretion expense	25,027	9,433	42,202	17,952
Gross profit	60,355	88,851	129,101	171,195
Selling, general and administrative expense (including stock and unit-based compensation expense of $5,466, $1,624, $9,672, and $2,246, respectively)	27,266	12,183	55,274	20,687
Amortization expense of acquired intangible assets	3,768	—	4,829	—
Loss on disposal of assets	11,098	—	11,098	—
Insurance recovery (gain)	(10,000)	—	(10,000)	—
Operating income	28,223	76,668	67,900	150,508
Interest (expense), net	(10,458)	(521)	(15,436)	(3,963)
Other income	138	118	161	302
Income before income taxes	17,903	76,265	52,625	146,847
Income tax expense	3,066	5,054	11,001	12,731
Net income	$ 14,837	$ 71,211	$ 41,624	$ 134,116
Less: Pre-IPO net income attributable to Atlas Sand Company, LLC		—		54,561
Less: Net income attributable to redeemable noncontrolling interest		32,693		39,303
Net income attributable to Atlas Energy Solutions Inc.	$ 14,837	$ 38,518	$ 41,624	$ 40,252
Net income per common share				
Basic	$ 0.13	$ 0.67	$ 0.39	$ 0.70
Diluted	$ 0.13	$ 0.67	$ 0.39	$ 0.70
Weighted average common shares outstanding				
Basic	111,064	57,148	106,394	57,148
Diluted	112,023	57,420	107,171	57,420

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

Atlas Energy Solutions Inc.
Condensed Consolidated Statements of Stockholders' and Members' Equity and Redeemable Noncontrolling Interest
(Unaudited)
(In thousands)

	Redeemable Noncontrolling Interest	Members' Equity	Old Atlas Class A		Old Atlas Class B		New Atlas Common Stock		Additional Paid-In-Capital	Retained Earnings (Accumulated Deficit)	Stockholders' and Members' Equity
		Value	Shares	Value	Shares	Value	Shares	Value			
Balance at December 31, 2023	$ —	$ —	—	$ —	—	$ —	100,026	$ 1,000	$ 908,079	$ (41,255)	$ 867,824
Net income	—	—	—	—	—	—	—	—	—	41,624	41,624
Dividends	—	—	—	—	—	—	—	—	(45,173)	—	(45,173)
Dividend equivalent rights	—	—	—	—	—	—	—	—	(1,069)	—	(1,069)
Stock-based compensation	—	—	—	—	—	—	—	—	9,672	—	9,672
Issuance of Common Stock upon vesting of RSUs	—	—	—	—	—	—	126	1	(1)	—	—
Equity issued in connection with Hi-Crush Transaction	—	—	—	—	—	—	9,711	97	188,985	—	189,082
Balance at June 30, 2024	$ —	$ —	—	$ —	—	$ —	109,863	$ 1,098	$ 1,060,493	$ 369	$ 1,061,960

	Redeemable Noncontrolling Interest	Members' Equity	Old Atlas Class A		Old Atlas Class B		New Atlas Common Stock		Additional Paid-In-Capital	Retained Earnings (Accumulated Deficit)	Stockholders' and Members' Equity
		Value	Shares	Value	Shares	Value	Shares	Value			
Balance at December 31, 2022	$ —	$ 511,357	—	$ —	—	$ —	—	$ —	$ —	$ —	$ 511,357
Member distributions prior to IPO	—	(15,000)	—	—	—	—	—	—	—	—	(15,000)
Net income prior to IPO and Reorganization	—	54,561	—	—	—	—	—	—	—	—	54,561
Effect of Reorganization and reclassification to redeemable noncontrolling interest	771,345	(550,918)	39,148	391	42,852	429	—	—	(221,247)	—	(771,345)
Issuance of Class A common stock in IPO, net of offering costs	—	—	18,000	180	—	—	—	—	291,056	—	291,236
Deferred tax liability arising from IPO	—	—	—	—	—	—	—	—	(27,537)	—	(27,537)
Stock-based compensation	—	—	—	—	—	—	—	—	1,878	—	1,878
Net income after IPO and Reorganization	39,303	—	—	—	—	—	—	—	—	40,252	40,252
$0.15/share Class A common stock dividend	—	—	—	—	—	—	—	—	—	(8,572)	(8,572)
$0.15/unit distribution to Atlas Sand Operating, LLC unitholders	(6,428)	—	—	—	—	—	—	—	—	—	—
Dividend equivalent rights ($0.15 per share)	—	—	—	—	—	—	—	—	—	(144)	(144)
Other distributions to redeemable non-controlling interest unitholders	(1,777)	—	—	—	—	—	—	—	—	—	—
Balance at June 30, 2023	$ 802,443	$ —	57,148	$ 571	42,852	$ 429	—	$ —	$ 44,150	$ 31,536	$ 76,686

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

Atlas Energy Solutions Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Operating activities:		
Net income	$ 41,624	$ 134,116
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and accretion expense	43,893	18,622
Amortization expense of acquired intangible assets	4,829	—
Amortization of debt discount	1,490	238
Amortization of deferred financing costs	196	191
Loss on disposal of assets	11,098	—
Insurance recovery (gain)	(10,000)	—
Stock and unit-based compensation	9,672	2,246
Deferred income tax	10,279	9,627
Other	(749)	185
Changes in operating assets and liabilities:		
Accounts receivable	(19,509)	(12,598)
Accounts receivable - related party	—	868
Inventories	(8,094)	2,313
Spare part inventories	(4,204)	(2,737)
Prepaid expenses and other current assets	(4,205)	(3,929)
Other long-term assets	(519)	(918)
Accounts payable	1,957	1,813
Accounts payable - related parties	(162)	24
Deferred revenue	(2,275)	—
Accrued liabilities and other liabilities	25,097	8,057
Net cash provided by operating activities	100,418	158,118
Investing activities:		
Purchases of property, plant and equipment	(211,276)	(146,835)
Hi-Crush acquisition, net of cash acquired	(142,233)	—
Net cash used in investing activities	(353,509)	(146,835)
Financing Activities:		
Principal payments on term loan borrowings	(5,598)	(16,573)
Proceeds from borrowings	201,539	—
Issuance costs associated with debt financing	(1,146)	(752)
Payments under finance leases	(911)	(1,700)
Repayment of notes payable	(1,071)	—
Dividends and distributions	(45,173)	(15,000)
Net proceeds from IPO	—	303,426
Payment of offering costs	—	(6,020)
Member distributions	—	(15,000)
Net cash provided by financing activities	147,640	248,381
Net increase (decrease) in cash and cash equivalents	(105,451)	259,664
Cash and cash equivalents, beginning of period	210,174	82,010
Cash and cash equivalents, end of period	$ 104,723	$ 341,674
Supplemental cash flow information		
Cash paid during the period for:		
Interest	$ 16,932	$ 7,426
Taxes	$ 2,000	$ 4,227
Supplemental disclosure of non-cash investing activities:		
Property, plant and equipment in accounts payable and accrued liabilities	$ 55,826	$ 51,088
Asset retirement obligations incurred	$ 5,980	$ —
Hi-Crush acquisition consideration, equity issuance	$ 189,082	$ —
Hi-Crush acquisition consideration, Deferred Cash Consideration Note	$ 107,189	$ —

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

Atlas Energy Solutions Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 – Business and Organization

Atlas Energy Solutions Inc., a Delaware corporation (f/k/a New Atlas HoldCo. Inc.) ("New Atlas" and together with its subsidiaries "we," "us," "our," or the "Company"), was formed on June 28, 2023, pursuant to the laws of the State of Delaware, and is the successor to AESI Holdings Inc. (f/k/a Atlas Energy Solutions Inc.), a Delaware corporation ("Old Atlas"). New Atlas is a holding company and the ultimate parent company of Atlas Sand Company, LLC ("Atlas LLC"), a Delaware limited liability company formed on April 20, 2017. Atlas LLC is a producer of high-quality, locally sourced 100 mesh and 40/70 sand used as a proppant during the well completion process. Proppant is necessary to facilitate the recovery of hydrocarbons from oil and natural gas wells. One hundred percent of Atlas LLC's sand reserves are located in Texas within the Permian Basin and operations consist of proppant production and processing facilities, including four facilities near Kermit, Texas (together, the "Kermit facilities"), a fifth facility near Monahans, Texas (the "Monahans facility"), and the OnCore distributed mining network.

We are currently building a logistics platform with the goal of increasing the efficiency, safety and sustainability of the oil and natural gas industry within the Permian Basin. This will include the Dune Express, an overland conveyor infrastructure solution currently under construction, coupled with our growing fleet of fit-for-purpose trucks and trailers.

We sell products and services primarily to oil and natural gas exploration and production companies and oilfield services companies primarily under supply agreements and also through spot sales on the open market.

Initial Public Offering

On March 13, 2023, Old Atlas completed its initial public offering (the "IPO") of 18,000,000 shares of Class A common stock, par value $0.01 per share (the "Old Atlas Class A Common Stock") at a price of $18.00 per share. The IPO generated $324.0 million of gross proceeds and net proceeds of approximately $291.2 million. The gross proceeds were offset by $20.6 million of underwriting discounts and commissions, $5.9 million of current offering costs in 2023, and $6.3 million in offering costs paid in 2022.

Reorganization

In connection with the IPO and pursuant to a master reorganization agreement dated March 8, 2023, by and among Old Atlas, Atlas Sand Management Company, LLC, a Texas limited liability company ("ASMC"), Atlas LLC, Atlas Sand Holdings, LLC, a Delaware limited liability company ("Holdings"), Atlas Sand Operating, LLC, a Delaware limited liability company ("Atlas Operating"), Atlas Sand Holdings II, LLC, a Delaware limited liability company ("Holdings II"), Atlas Sand Management Company II, LLC, a Delaware limited liability company ("ASMC II"), and Atlas Sand Merger Sub, LLC, a Delaware limited liability company ("Merger Sub"), Old Atlas and the parties thereto completed certain restructuring transactions (the "Reorganization"). As part of the Reorganization:

- Merger Sub merged with and into Atlas LLC, with Atlas LLC surviving as a wholly-owned subsidiary of Atlas Operating;
- Holdings, Holdings II and ASMC II were formed (collectively with ASMC, the "HoldCos"), through which certain holders who previously held membership interests in Atlas LLC (the "Legacy Owners") were issued the membership interests in Atlas Operating, as represented by a single class of common units ("Operating Units");
- certain Legacy Owners, through the HoldCos, transferred all or a portion of their Operating Units and voting rights, as applicable, in Atlas Operating to Old Atlas in exchange for an aggregate of 39,147,501 shares of Old Atlas Class A Common Stock and, in the case of Legacy Owners that continued to hold Operating Units through the HoldCos, an aggregate of 42,852,499 shares of Class B Common Stock, par value $0.01 per share, of Old Atlas (the "Old Atlas Class B Common Stock," and together with the Old Atlas Class A Common Stock, the "Old Atlas Common Stock"), so that such Legacy Owners that continued to hold Operating Units also held, through the HoldCos, one share of Old Atlas Class B Common Stock for each Operating Unit held by them immediately following the Reorganization;
- the 1,000 shares of Old Atlas Class A Common Stock issued to Atlas LLC at the formation of Old Atlas were redeemed and canceled for nominal consideration; and
- Old Atlas contributed all of the net proceeds received by it in the IPO to Atlas Operating in exchange for a number of Operating Units equal to the number of shares of Old Atlas Class A Common Stock outstanding after the IPO, and Atlas Operating further contributed the net proceeds received to Atlas LLC.

As a result of the Reorganization, (i) Old Atlas's sole material asset consisted, and still consists, of Operating Units, (ii) Atlas Operating's sole material asset consisted, and still consists, of 100% of the membership interests in Atlas LLC and (iii) Atlas LLC owned, and still owns, all of the Company's operating assets. Old Atlas is the managing member of Atlas Operating and is responsible for all operational, management and administrative decisions relating to Atlas LLC's business and consolidates the financial results of Atlas LLC and its subsidiaries.

As a result of the IPO and Reorganization:

- the Legacy Owners collectively owned all of the outstanding shares of Old Atlas Class B Common Stock and 39,147,501 shares of Old Atlas Class A Common Stock, collectively representing 82.0% of the voting power and 68.5% of the economic interest of Old Atlas (and 82.0% of the economic interest of Atlas LLC, including both direct and indirect ownership interests) at the closing of the IPO and Reorganization;
- Old Atlas owned an approximate 57.1% interest in Atlas Operating; and
- the Legacy Owners that continued to hold Operating Units collectively owned an approximate 42.9% interest in Atlas Operating.

On March 13, 2023, the date on which Old Atlas closed the IPO, a corresponding deferred tax liability of approximately $27.5 million was recorded associated with the differences between the tax and book basis of the investment in Atlas LLC. The offset of the deferred tax liability was recorded to additional paid-in capital. As there was no change in control of Atlas Operating, Atlas LLC, or the businesses or subsidiaries held by Atlas LLC as a result of the Reorganization, purchase accounting was not required and the Legacy Owners' interests in Operating Units were recognized as a noncontrolling interest in Atlas Operating.

On September 13, 2023, we distributed the Operating Units and shares of Old Atlas Common Stock previously held by the HoldCos to the Legacy Owners in accordance with the distribution provisions of each respective HoldCo operating agreement. Immediately following the distribution, the Legacy Owners held shares of Old Atlas Class A Common Stock or Old Atlas Class B Common Stock (and corresponding Operating Units) directly.

Up-C Simplification

On October 2, 2023, Old Atlas and the Company completed the Up-C Simplification (as defined below) contemplated by the Master Reorganization Agreement (the "Master Reorganization Agreement"), dated as of July 31, 2023, by and among the Company, Old Atlas, Atlas Operating, AESI Merger Sub Inc., a Delaware corporation ("PubCo Merger Sub"), Atlas Operating Merger Sub, LLC, a Delaware limited liability company ("Opco Merger Sub" and, together with PubCo Merger Sub, the "Merger Subs"), and Holdings, in order to, among other things, reorganize under a new public holding company (the "Up-C Simplification").

Pursuant to the Master Reorganization Agreement, (a) PubCo Merger Sub merged with and into Old Atlas (the "PubCo Merger"), as a result of which (i) each share of Old Atlas Class A Common Stock then issued and outstanding was exchanged for one share of Common Stock of New Atlas, par value $0.01 per share (the "New Atlas Common Stock" or the "Common Stock"), (ii) all of the shares of Old Atlas Class B Common Stock then issued and outstanding were surrendered and cancelled for no consideration and (iii) Old Atlas survived the PubCo Merger as a direct, wholly-owned subsidiary of the Company; and (b) Opco Merger Sub merged with and into Atlas Operating (the "Opco Merger" and, together with the PubCo Merger, the "Mergers"), as a result of which (i) each Operating Unit then issued and outstanding, other than those Operating Units held by Old Atlas, was exchanged for one share of New Atlas Common Stock and (ii) Atlas Operating became a wholly-owned subsidiary of New Atlas.

In connection with the Up-C Simplification:

- each share of Old Atlas Class A Common Stock issued and outstanding immediately prior to the effective time of the Mergers (the "Effective Time") was exchanged for one share of New Atlas Common Stock and the holders of Old Atlas Class A Common Stock became stockholders of New Atlas;
- all of the Old Atlas Class B Common Stock issued and outstanding immediately prior to the Effective Time was surrendered and cancelled for no consideration;
- each Operating Unit issued and outstanding immediately prior to the Effective Time, other than Operating Units held by Old Atlas, was exchanged for one share of New Atlas Common Stock, and the holders of such Operating Units became stockholders of New Atlas;
- Old Atlas continues to hold all of the issued and outstanding Operating Units it held as of immediately prior to the Effective Time, such Operating Units were otherwise unaffected by the Up-C Simplification (including the Opco Merger), and such Operating Units, together with the Operating Units received by New Atlas in connection with the Opco Merger, constitute all of the Operating Units currently issued and outstanding;
- Old Atlas became a direct, wholly-owned subsidiary of New Atlas, and all of the Old Atlas Class A Common Stock then held by New Atlas was recapitalized into a single share;

- as of the Effective Time, New Atlas assumed (a) the Atlas Energy Solutions Inc. Long Term Incentive Plan (the “LTIP”), (b) all awards of restricted stock units and performance share units, in each case, whether vested or unvested, that were then outstanding under the LTIP, (c) the grant notices and agreements evidencing such awards, and (d) the then remaining unallocated share reserve issuable under the LTIP; and the terms and conditions that were in effect immediately prior to the Up-C Simplification under each outstanding award assumed by New Atlas continue in full force and effect after the Up-C Simplification, with certain exceptions to reflect the completion of the Up-C Simplification, such as each award denominated with reference to shares of New Atlas Common Stock instead of Old Atlas Class A Common Stock and the performance share unit awards being in reference to performance of New Atlas instead of performance of Old Atlas (with respect to the portion of the applicable performance period following the Up-C Simplification);
- as of the Effective Time, (a) New Atlas assumed Old Atlas’s existing Management Change in Control Severance Plan (and each participation agreement thereunder that was then outstanding) and (b) the terms and conditions of the director compensation program applicable to members of the board of directors of Old Atlas (and any committees thereof) were applied instead to members of the board of directors of New Atlas (the “Board”) (and, any committees thereof) (and any portion of such compensation to be granted in the form of equity-based awards will be granted in awards denominated with reference to shares of New Atlas Common Stock instead of Old Atlas Class A Common Stock); and
- Old Atlas changed its name from “Atlas Energy Solutions Inc.” to “AESI Holdings Inc.,” and New Atlas changed its name from “New Atlas HoldCo Inc.” to “Atlas Energy Solutions Inc.” New Atlas was approved to have the shares of New Atlas Common Stock listed on the New York Stock Exchange under the ticker symbol “AESI,” the trading symbol previously used by Old Atlas.

After completion of the Up-C Simplification, New Atlas replaced Old Atlas as the publicly held entity and, through its subsidiaries, conducts all of the operations previously conducted by Old Atlas, and Old Atlas remains the managing member of Atlas Operating.

The Up-C Simplification was a common control transaction; therefore, the redeemable noncontrolling interest was acquired as an equity transaction. The redeemable noncontrolling interest was adjusted to the maximum redemption amount based on the 10-day volume-weighted average closing price of shares of Old Atlas Class A Common Stock at the redemption date. The carrying amount of the redeemable noncontrolling interest was reclassified to reflect the change in the Company’s ownership interest with an offsetting entry to additional paid-in capital. On October 2, 2023, the date the Up-C Simplification was completed, a corresponding deferred tax liability of approximately $62.7 million was recorded associated with the exchange of the redeemable noncontrolling interest in Old Atlas for shares of New Atlas Common Stock. The offset of the deferred tax liability was recorded to additional paid-in capital. As there was no change in control of Old Atlas, or the businesses or subsidiaries held by Old Atlas as a result of the Up-C Simplification, purchase accounting was not required and the carrying amount of the redeemable noncontrolling interest was removed to reflect the change in the Company’s ownership interest.

Hi-Crush Transaction

On March 5, 2024 (“Closing Date”), the Company completed the acquisition of the Permian Basin proppant production and logistics businesses and operations of Hi-Crush Inc., a Delaware corporation (“Hi-Crush”), in exchange for mixed consideration totaling $455.8 million, subject to customary post-closing adjustments (the “Hi-Crush Transaction”), pursuant to that certain Agreement and Plan of Merger, dated February 26, 2024 (the “Merger Agreement”), by and among the Company, Atlas LLC, Wyatt Merger Sub 1 Inc., a Delaware corporation and direct, wholly-owned subsidiary of Atlas LLC, Wyatt Merger Sub 2, LLC, a Delaware limited liability company and direct, wholly-owned subsidiary of Atlas LLC, Hi-Crush, each stockholder that had executed the Merger Agreement or a joinder thereto (each a “Hi-Crush Stockholder” and, collectively, the “Hi-Crush Stockholders”), Clearlake Capital Partners V Finance, L.P., solely in its capacity as the Hi-Crush Stockholders’ representative and HC Minerals Inc., a Delaware corporation (collectively, the “Parties”). Refer to Note 3 - *Hi-Crush Transaction* for further discussion.

The foregoing description of the Hi-Crush Transaction and the Merger Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, a copy of which is filed as Exhibit 2.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the Securities and Exchange Commission (the “SEC”) on May 8, 2024.

Kermit Facility Operational Update

On April 14, 2024, a mechanical fire occurred at one of the Company's plants in Kermit, Texas. The fire primarily impacted the feed system of the processing facility, which transports sand from the dryers and separators to storage silos. During the second quarter of 2024, the Company utilized temporary loadout equipment at the plant to continue production. The Company was able to transition to the temporary loadout within 11 days of the fire incident. Reconstruction of the feed system was completed in June 2024 and the plant was operational by June 30, 2024.

The Company performed an impairment analysis on the Kermit asset group as a result of the fire and determined that no impairment was required. The disposal of the damaged assets from the fire had a net book value of $11.1 million that was recorded as a loss on disposal of assets on the condensed consolidated statements of operations. The Company has filed an insurance claim and is in the process of recovering replacement costs for returning the plant to production. The Company has recorded $10.0 million of insurance recovery in connection with this incident as this recovery amount is deemed collectable and legally enforceable as of June 30, 2024. The proceeds are recorded as insurance recovery (gain) on the condensed consolidated statements of operations and within accounts receivable on the condensed consolidated balance sheets.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the requirements of the SEC. All adjustments necessary for a fair presentation of the Financial Statements have been included. Such adjustments are of a normal, recurring nature. These Financial Statements include the accounts of New Atlas, Old Atlas, Atlas Operating, Atlas LLC, and Atlas LLC's wholly-owned subsidiaries: Atlas Sand Employee Company, LLC; Atlas OLC Employee Company, LLC; Atlas Construction Employee Company, LLC; Atlas Sand Employee Holding Company, LLC; Fountainhead Logistics Employee Company, LLC; Atlas Sand Construction, LLC; OLC Kermit, LLC; OLC Monahans, LLC; Fountainhead Logistics, LLC; Fountainhead Transportation Services, LLC; and Fountainhead Equipment Leasing, LLC.

The Company acquired Hi-Crush and certain of its wholly-owned subsidiaries on March 5, 2024. These Financial Statements include the accounts of Hi-Crush Operating, LLC ("Hi-Crush Operating") (f/k/a Hi-Crush Inc.) and the following wholly-owned subsidiaries of Hi-Crush Operating: Hi-Crush LMS LLC; Hi-Crush Investments LLC; OnCore Processing LLC; Hi-Crush Permian Sand LLC; Hi-Crush PODS LLC; NexStage LLC; FB Logistics LLC; BulkTracer Holdings LLC; PropDispatch LLC; Pronghorn Logistics Holdings, LLC; and Pronghorn Logistics, LLC. Refer to Note 3- *Hi-Crush Transaction* for further discussion.

The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for any other period. The Financial Statements and these notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2023 included within the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Reorganization

As discussed in Note 1 - *Business and Organization*, as a result of our IPO and the Reorganization and prior to the Up-C Simplification, Old Atlas became the managing member of Atlas Operating and consolidated entities in which it had a controlling financial interest. The Reorganization was considered a transaction between entities under common control. As a result, the Financial Statements for periods prior to the IPO and the Reorganization have been adjusted to combine the previously separate entities for presentation purposes. However, Old Atlas and Atlas Operating had no operations or assets and liabilities prior to our IPO. As such, for periods prior to the completion of our IPO, the Financial Statements represent the historical financial position and results of operations of Atlas LLC and its subsidiaries. For periods after the completion of our IPO through the end of the reporting period, the financial position and results of operations include those of Old Atlas and New Atlas.

Up-C Simplification

As discussed in Note 1 - *Business and Organization*, as a result of the Up-C Simplification, New Atlas replaced Old Atlas as the publicly held entity and, through its subsidiaries, conducts all of the operations previously conducted by Old Atlas, and Old Atlas remains the managing member of Atlas Operating. The Up-C Simplification was considered an acquisition of noncontrolling interest transaction between entities under common control. As such, the condensed consolidated financial statements and results of operations of Old Atlas are included in the Financial Statements of New Atlas on the same basis as previously presented except for the acquisition of noncontrolling interest which was accounted for as an equity transaction.

Consolidation

The Financial Statements include the accounts of the Company and controlled subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of the Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these Financial Statements include, but are not limited to: the proppant reserves and their impact on calculating the depletion expense under the units-of-production method; the depreciation and amortization associated with property, plant and equipment; stock-based and unit-based compensation; asset retirement obligations; business combinations; valuation of goodwill and acquired intangible assets; and certain liabilities. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Business Combination

Business combinations are accounted for using the acquisition method of accounting in accordance with the Accounting Standards Codification ("ASC") 805, "Business Combinations." The purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Fair value of the acquired assets and liabilities is measured in accordance with the guidance of ASC 820, "Fair Value Measurement." Any excess purchase price over the fair value of the net identifiable assets acquired is recorded as goodwill. Any acquisition-related costs incurred by the Company are expensed as incurred. Operating results of an acquired business are included in the Company's results of operations from the date of acquisition. We use all available information to estimate fair values, including quoted market prices, the carrying value of acquired assets and assumed liabilities and valuation techniques such as discounted cash flows, relief-from-royalty method, with or without method, or multi-period excess earnings method. We engage third-party appraisal firms to assist in the fair value determination of identifiable long-lived assets, identifiable intangible assets, as well as any contingent consideration that provides for additional consideration to be paid to the seller if certain future conditions are met. These estimates are reviewed during the 12-month measurement period and adjusted as soon as the necessary information becomes available but no later than one year from the acquisition date. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our financial condition or results of operations. The purchase price in the Hi-Crush Transaction includes a holdback, which is measured at fair value. The holdback is subject to changes from estimated to actual net working capital amounts and other customary purchase price adjustments. The holdback amount is based on management's best estimate as of the date of this filing and may be subject to further adjustments. This amount is recorded in other current liabilities on our condensed consolidated balance sheets.

Since the Closing Date, the acquired companies have adopted all of the Company's accounting policies.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible into cash and have original maturities of three months or less when purchased. As of June 30, 2024, we have deposits of $19.7 million in an Insured Cash Sweep ("ICS") Deposit Placement Agreement within IntraFi Network LLC facilitated by our bank. The ICS program provides the Company with access to FDIC insurance for our total cash held within the ICS. We had an additional $27.2 million in 3-month United States Treasury Bills which are fully backed by the United States as of June 30, 2024. We place our remaining cash deposits with high-credit-quality financial institutions. At times, a portion of our cash may be uninsured or in deposit accounts that exceed or are not covered under the Federal Deposit Insurance Corporation limit.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at cost when earned and represent claims against third parties that will be settled in cash. These receivables generally do not bear interest. The carrying value of our receivables, net of allowance for credit losses, represents the estimated collectable amount. If events or changes in circumstances indicate specific receivable balances may be impaired, further consideration is given to our ability to collect those balances and the allowance is adjusted accordingly. We perform credit evaluations of new customers, and sometimes require deposits and prepayments, to mitigate credit risk. When it is probable that all or part of an outstanding balance will not be collected, we establish an allowance for credit losses.

On January 1, 2023, we adopted Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments," which replaced the prior incurred loss impairment model with an expected credit loss impairment model for financial instruments, including accounts receivable. The adoption of ASU 2016-13 did not result in a material cumulative-effect adjustment to retained earnings on January 1, 2023.

We are exposed to credit losses primarily through sales of products and services. We analyze accounts receivable on an individual customer and overall basis through review of historical collection experience and current aging status of our customer accounts. We also consider the financial condition and economic environment of our customers in evaluating the need for an allowance. As of June 30, 2024 and December 31, 2023, we had $0.3 million and de minimis in allowance for credit losses, respectively. Allowance for credit losses is included in accounts receivable on the condensed consolidated balance sheets. For the three and six months ended June 30, 2024 and 2023, we recognized de minimis bad debt expense.

As of June 30, 2024, three customers represented 16%, 13% and 11% of the Company’s outstanding accounts receivable trade balance. As of June 30, 2023, two customers represented 19% and 10% of the Company’s outstanding accounts receivable trade balance.

Goodwill and Acquired Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill is not amortized, but is reviewed for impairment annually during the fourth quarter or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding indicators of potential impairment are based on market conditions and operational performance of our business. We may assess our goodwill for impairment initially using a qualitative approach to determine whether conditions exist that indicate it is more likely than not that a reporting unit’s carrying value is greater than its fair value, and if such conditions are identified, then a quantitative analysis will be performed to determine if there is any impairment.

The Company amortizes the cost of definite-lived intangible assets on a straight-line basis over their estimated useful lives of 3 to 10 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.

Other Intangible Assets

Other intangible assets consist of internal-use software. The Company applies the provisions of ASC 350, “Intangibles-Goodwill and Other.” Costs associated with the acquisition of an internal-use software are capitalized when incurred and amortized over the estimated useful life of the license or application, which is generally 1 to 5 years. As of June 30, 2024 and December 31, 2023, the balance of other intangible assets was $2.2 million and $1.8 million, respectively. On the condensed consolidated balance sheets, the December 31, 2023 intangible assets balance was reclassified out of other long-term assets to intangible assets for comparable presentation with the current period.

Amortization associated with the other intangibles was $0.1 million and $0.2 million for the three and six months ended June 30, 2024, respectively. Amortization associated with the other intangibles was $0.1 million for both the three and six months ended June 30, 2023. The amortization expense is recorded in depreciation, depletion and accretion expense in the condensed consolidated statements of operations and condensed consolidated statements of cash flows.

Property, Plant and Equipment, Including Depreciation and Depletion

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives using either the straight-line method or the units of production method. Construction in progress is comprised of assets which have not been placed into service and is not depreciated until the related assets or improvements are ready to be placed into service.

Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the remaining useful life of the asset, with routine repairs and maintenance expensed as incurred.

Fixed assets are carried at historical cost. Fixed assets, other than plant facilities associated with productive, depletable properties, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Plant facilities and equipment	1 – 40 years
Furniture and office equipment	3 – 15 years
Computer and network equipment	3 – 7 years
Buildings and leasehold improvements	5 – 40 years
Logistic equipment	4 – 7 years

Mine development project costs are capitalized once the deposit is classified as a proven and probable reserve. Mine development costs include engineering, mineralogical studies, drilling and other related costs to develop the mine and remove the overburden to initially expose the mineral and allow for the construction of an access way. Exploration costs are expensed as incurred and classified as exploration expense.

Mining property and development costs are amortized using the units of production method on estimated recoverable tonnage, which equals estimated proven and probable reserves. The impact to reserve estimates is recognized on a prospective basis. Drilling and related costs are capitalized for deposits where proven and probable reserves exist. These activities are directed at obtaining additional information on the deposit or converting non-reserve minerals to proven and probable reserves, with the benefit being realized over a period greater than one year.

Impairment or Disposal of Property, Plant and Equipment

The Company periodically evaluates whether current events or circumstances indicate that the carrying value of our property, plant and equipment assets may not be recoverable. If circumstances indicate that the carrying value may not be recoverable, the Company estimates future undiscounted net cash flows 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. If the undiscounted cash flows are less than the carrying value of the assets, the Company recognizes an impairment loss equal to the amount by which the carrying value exceeds the fair value of the assets.

The recoverability of the carrying value of the Company's mining property and development costs are dependent upon the successful development and commercial production of the Company's mineral deposit and the related processing facilities. The Company's evaluation of mineral properties for potential impairment primarily includes evaluating changes in the mineral reserves, or the underlying estimates and assumptions, including estimated production costs. Assessing the economic feasibility requires certain estimates including the prices of products to be produced and processing recovery rates, as well as operating and capital costs.

Asset Retirement Obligations

In accordance with ASC 410-20, "Asset Retirement Obligations", the Company records a liability for asset retirement obligations at the fair value of the estimated costs to retire a tangible long-lived asset at the time the liability is incurred, when there is a legal obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the obligation can be made. The Company has asset retirement obligations with respect to certain assets due to various contractual obligations to clean and/or dispose of those assets at the time they are retired.

A liability for the fair value of an asset retirement obligation, with a corresponding increase to the carrying value of related long-lived assets, is recognized at the time of an obligating event. The asset is depreciated using the straight-line method, and the discounted liability is increased through accretion over the expected timing of settlement.

The estimated liability is based on third-party estimates of costs to abandon, including estimated economic lives and external estimates as to the cost to bring the land to a state required by the lease agreements. The Company utilized a discounted rate reflecting management's best estimate of the credit-adjusted risk-free rate. Revisions to the liability could occur due to changes in the estimated costs, changes in the economic life or if federal or state regulators enact new requirements regarding the abandonment. Accretion expense was $0.2 million and $0.3 million for the three and six months ended June 30, 2024, respectively. Accretion expense was de minimis for the three and six months ended June 30, 2023. Accretion is recorded on the condensed consolidated statement of operations in depreciation, depletion and accretion expense. The current portion of the asset retirement obligation, $0.9 million, is recorded within other current liabilities and the long-term portion, $7.7 million, is recorded within asset retirement obligations on the Company's condensed consolidated balance sheets. On the condensed consolidated balance sheets, the December 31, 2023 asset retirement obligation balance was reclassified out of other long-term liabilities to asset retirement obligations for comparable presentation with the current period.

Changes in the asset retirement obligations are as follows (in thousands):

	June 30, 2024	June 30, 2023
Beginning Balance	$ 2,705	$ 1,245
Additions to liabilities	5,980	—
Accretion expense	255	35
Settlements	(354)	—
Ending Balance	$ 8,586	$ 1,280

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The amounts reported in the balance sheets as current assets or liabilities, including cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities and deferred revenues approximate fair value due to the short-term maturities of these instruments. The Company's policy is to recognize transfers between levels at the end of the period. This disclosure does not impact the Company's financial position, results of operations or cash flows.

As of the dates indicated, our long-term debt consisted of the following (in thousands):

	At June 30, 2024		At December 31, 2023		
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**	**Valuation Technique**
Financial liabilities					
Outstanding principal amount of the 2023 Term Loan Credit Facility	$ 173,464	$ 194,529	$ 172,820	$ 182,446	Level 2 – Market Approach
Outstanding principal amount of the ADDT Loan	$ 142,573	$ 159,737	$ —	$ —	Level 2 – Market Approach
Outstanding principal amount of the 2023 ABL Credit Facility	$ 50,000	$ 50,000	$ —	$ —	Level 1 – Quoted Prices
Outstanding principal amount of the of the Deferred Cash Consideration Note	$ 107,832	$ 107,832	$ —	$ —	Level 2 – Market Approach
Outstanding amount of the other indebtedness	$ 4,134	$ 4,134	$ —	$ —	Level 1 – Quoted Prices

- Our 2023 Term Loan Credit Facility (defined in Note 7 - *Leases*) with Stonebriar Commercial Finance LLC ("Stonebriar"), pursuant to which Stonebriar extended a $180.0 million single advance seven-year term loan credit facility bears interest at a fixed rate of 9.50%, where its fair value will fluctuate based on changes in interest rates and credit quality. As of June 30, 2024 and December 31, 2023, the fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments. These inputs are not quoted prices in active markets, but they are either directly or indirectly observable; therefore, they are classified as Level 2 inputs.
- Our ADDT Loan (defined in Note 8 - *Debt*) with Stonebriar in the aggregate principal amount of $150 million, payable in 76 consecutive monthly installments, bears interest at a fixed rate of 10.86%, where its fair value will fluctuate based on changes in interest rates and credit quality. As of June 30, 2024, the fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments. These inputs are not quoted prices in active markets, but they are either directly or indirectly observable; therefore, they are classified as Level 2 inputs.
- The carrying amount of the Company's 2023 ABL Credit Facility (defined in Note 8- *Debt*) approximated fair value as it bears interest at variable rates over the term of the loan. Therefore, we have classified this long-term debt as Level 1 of the fair value hierarchy.
- The Deferred Cash Consideration Note (defined in Note 8- *Debt*) entered into in connection with the Hi-Crush Transaction was determined to not be at market. Therefore, in order to record the debt at fair value as of the acquisition date, the Company calculated a discount of $4.6 million. With the adjustment, the fair value of the Deferred Cash Consideration Note approximates the carrying value. We considered the implied debt rating of the Company and the associated interest rates available in the public debt market. Therefore we have classified this long-term debt as Level 2 of the fair value hierarchy.
- We believe the fair value of our other indebtedness approximates the carrying value. This balance is comprised of equipment financing agreements. We considered the rates entered into for 2024 equipment financing agreements for the same equipment. Therefore we have classified this long-term debt as Level 1 of the fair value hierarchy.

See Note 8 - *Debt* for further discussion on our debt arrangements.

Revenues

Under ASC Topic 606 - Revenue from Contracts with Customers ("ASC 606"), revenue recognition is based on the transfer of control, or the customer's ability to benefit from the services and products in an amount that reflects the consideration expected to be received in exchange for those services and products. In recognizing revenue for products and services, the transaction price is determined from sales orders or contracts with customers.

The Company generates product revenues from the sale of product that customers purchase for use in the oil and gas industry. Revenues are derived from product sold to customers under supply agreements, the terms of which can extend for over one year, and from spot sales through individual purchase orders executed at prevailing market rates. The Company's product revenues are primarily a function of the price per ton realized and the volumes sold. Pricing structures under the supply agreements are, in certain cases, subject to certain contractual adjustments and consist of a combination of negotiated pricing and fixed pricing. These arrangements may undergo periodic negotiations regarding pricing and volume requirements, which may occur in volatile market conditions.

The Company generates service revenue by providing transportation, storage solutions, equipment rental, and contract labor services to companies in the oil and gas industry. Transportation services typically consist of transporting product from the plant facilities to the wellsite. The amounts invoiced reflect the transportation services rendered. Equipment rental services provide customers with use of the Company's fleet equipment either for a contractual period or for work orders. 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 the customers with supervisory, logistics, or field personnel. The amounts invoiced for storage solutions and contract labor services reflect the amount of time these services were utilized in the billing period. Transportation, storage solutions, equipment rental, and contract labor services are contracted through formal agreements or work orders executed under established pricing terms.

The Company recognizes revenue for product at a point in time following the transfer of control and satisfaction of the performance obligation of such items to the customer, under ASC 606, which typically occurs upon customer pick-up at the facilities. The Company recognizes revenue for services when services are rendered to the customer and the performance obligation is satisfied. The Company's standard collection terms are generally 30 days, with certain customer payment terms extending up to 60 days.

Certain of the Company's contracts contain shortfall provisions that calculate agreed upon fees that are billed when the customer does not meet the minimum purchases over a period of time defined in each contract and when collectability is reasonably certain. As the Company does not have the ability to predict customers' orders over the period, there are constraints around the ability to recognize the variability in consideration related to this condition. The Company recognized shortfall provision revenue of $1.5 million and $2.0 million for the three and six months ended June 30, 2024, respectively, which was recorded in product revenue in the condensed consolidated statements of operations. The Company did not recognize any shortfall revenue for the three and six months ended June 30, 2023.

The Company's revenue was generated in Texas, New Mexico, Ohio, Oklahoma, Pennsylvania, and West Virginia for the three and six months ended June 30, 2024 and in Texas and New Mexico for the three and six months ended June 30, 2023. Revenue is disaggregated by product and service sales, no further disaggregation of revenue information is provided.

The Company has elected to use the ASC 606 practical expedients, pursuant to which it has excluded disclosures of transaction prices allocated to remaining performance obligations and when it expects to recognize such revenue. The remaining performance obligations are primarily comprised of unfulfilled contracts to deliver product, most of which hold a remaining duration of less than one year, and of which ultimate transaction prices will be allocated entirely to the unfulfilled contracts. The Company's transaction prices under these contracts may be impacted by market conditions and potential contract negotiations, which have not yet been determined, and are therefore variable in nature.

Deferred Revenues

The Company occasionally receives prepayments from customers for future deliveries of product or contributions in aid of construction. Amounts received from customers in advance of product deliveries are recorded as contract liabilities referred to as deferred revenues and are recognized as revenue upon delivery of the product. Certain prepayments are secured by collateral interest in certain property, plant and equipment. In connection with the Hi-Crush Transaction, the Company acquired customer prepayments and recorded $13.2 million of deferred revenue as of March 5, 2024. The Company recognized revenue of $1.7 million and $2.3 million from deferred revenue for the three and six months ended June 30, 2024, respectively. The Company did not recognize any deferred revenue for the three and six months ended June 30, 2023.

Changes in the deferred revenues balance are as follows (in thousands):

	June 30, 2024
Beginning Balance	$ —
Customer prepayment acquired in Hi-Crush acquisition	13,248
Revenue recognized	(2,274)
Ending Balance	$ 10,974

Stock-Based Compensation

We account for stock-based compensation, including grants of incentive units, restricted stock awards, time-based restricted stock units and performance share units, under the measurement and recognition provisions of ASC 718, "Compensation – Stock Compensation." We account for stock-based compensation by amortizing the fair value of the stock, which is determined at the grant date, on a straight-line basis unless the tranche method is required.

We account for forfeitures as they occur and reverse any previously recognized stock-based compensation expense for the unvested portion of the awards that were forfeited. The number of forfeited shares will be available for purposes of awards under the LTIP. Stock-based compensation expense is recognized as selling, general and administrative expense on the Company's condensed consolidated statements of operations.

Earnings Per Share

We use the treasury stock method to determine the potential dilutive effect of outstanding restricted stock units and performance share units. We evaluated the potential dilutive effect of Old Atlas Class B Common Stock using the "if-converted" method, noting conversion of Old Atlas Class B Common Stock to Old Atlas Class A Common Stock would not have a dilutive impact to earnings per share. Each share of Old Atlas Class B Common Stock was issued in conjunction with and only as a consequence of the issuance by Atlas Operating of an Operating Unit to a securityholder other than Old Atlas. Old Atlas was a holding company the only assets of which were equity interests in Atlas Operating. Prior to the Up-C Simplification, the earnings of Atlas Operating per unit were attributable to Old Atlas and the other Legacy Owners, as the holders of the outstanding Operating Units. Because each holder of Operating Units other than Old Atlas also held one share of Old Atlas Class B Common Stock, and because Old Atlas consolidated the results of operations of Atlas Operating, the earnings per Operating Unit attributable to the Legacy Owners for the period prior to the Up-C Simplification were derivatively attributable to the corresponding shares of Old Atlas Class B Common Stock held by such Legacy Owners. For that reason, when a Legacy Owner determined to exercise its redemption right and exchange an Operating Unit (and corresponding share of Old Atlas Class B Common Stock), for a share of Old Atlas Class A Common Stock, there was not a dilutive impact to the earnings per share of the Old Atlas Class A Common Stock.

In connection with the Up-C Simplification, each Operating Unit issued and outstanding immediately prior to the effective time of the Mergers (the "Effective Time"), other than Operating Units held by Old Atlas, was exchanged for one share of New Atlas Common Stock, the holders of such Operating Units became stockholders of New Atlas, and all of the Old Atlas Class B Common Stock issued and outstanding immediately prior to the Effective Time was surrendered and cancelled for no consideration. See Note 12 –*Earnings Per Share* for additional information.

Income Taxes

For the purposes of this discussion, references to "Atlas Inc." are to Old Atlas for reporting periods prior to the completion of the Up-C Simplification (the "Closing"), and to New Atlas following the Closing. Atlas Inc. is a corporation and it is subject to U.S. federal, state and local income taxes. The financial statement implications related to deferred tax liabilities of the Reorganization and Up-C Simplification referenced in Note 1 - *Business and Organization* and the tax impact of the Company's status as a taxable corporation subject to U.S. federal, state and local income taxes have been reflected in the accompanying Financial Statements.

The Company uses the asset and liability method for accounting for income taxes and updates its annual effective income tax rate on a quarterly basis. Under this method an estimated annual effective rate is applied to the Company's year-to-date income excluding discrete items which are recorded when settled. Our effective tax rate may vary quarterly because of the timing of our actual quarterly earnings compared to annual projections which may affect periodic comparisons.

Atlas LLC, the predecessor of Old Atlas, was organized as a limited liability company. As a limited liability company, Atlas LLC has either been treated as a disregarded entity or a partnership for income tax purposes and, therefore, is not subject to U.S. federal income tax. Rather, the U.S. federal income tax liability with respect to the taxable income of Atlas LLC was passed through to its owners.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company evaluates the uncertainty in tax positions taken or expected to be taken in the course of preparing the Financial Statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. However, the conclusions regarding the evaluation are subject to review and may change based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof. As of June 30, 2024 and December 31, 2023, the Company did not have any liabilities for uncertain tax positions or gross unrecognized tax benefits. Our income tax returns from 2019, 2020, 2021 and 2022 are open to examinations by U.S. federal, state or local tax authorities. The Company cannot predict or provide assurance as to the ultimate outcome of any existing or future examinations.

Recently Issued Accounting Pronouncements Not Yet Effective

Income Taxes- In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions and applies to all entities subject to income taxes. The new standard is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of the Financial Statements and related disclosures.

Segments- In November 2023, the Financial Accounting Standard Board, or FASB, issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. The ASU is effective for fiscal years beginning after December 15, 2023 on a retrospective basis, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its Financial Statements and related disclosures.

Disclosure Improvements- In October 2023, the FASB issued ASU 2023-06: Disclosure Improvements- Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative, which amends U.S. GAAP to reflect updates and simplifications to certain disclosure requirements referred to FASB by the SEC. The targeted amendments incorporate 14 of the 27 disclosures referred by the SEC into Codification. Some of the amendments represent clarifications to, or technical corrections of, the current requirements. ASU 2023-06 could move certain disclosures from the nonfinancial portions of SEC filings to the financial statement notes. Each amendment in ASU 2023-06 will only become effective if the SEC removes the related disclosure or presentation requirement from its existing regulation by June 30, 2027. No amendments were effective at December 31, 2023. The Company is currently evaluating the impact of the Financial Statements and related disclosures.

Note 3 – Hi-Crush Transaction

On March 5, 2024, the Company completed the Hi-Crush Transaction and acquired 100% of Hi-Crush's ownership interest and certain of its wholly-owned subsidiaries. The Hi-Crush Transaction expanded the Company's position as a leading provider of proppant and proppant logistics in the Permian Basin to meet the needs of our large-scale customers in the Permian Basin.

The Company had adjustments to consideration during the finalization of the purchase price allocation during the three months ended June 30, 2024. Refer to the table below for the acquisition-date fair value of the consideration as of March 5, 2024 and the adjustments as of June 30, 2024 (in thousands):

	March 5, 2024	Adjustments	June 30, 2024
Cash to sellers at close	$ 140,146	$ —	$ 140,146
Company Transaction Expenses (sellers' transaction expenses) (1)	9,019	—	9,019
Stock consideration (2)	189,082	—	189,082
Deferred Cash Consideration Note (1)	109,253	(2,064)	107,189
Stockholders' Representative Expense Fund (1)	50	—	50
Estimated Adjustment Holdback Amount (1) (3)	5,338	4,945	10,283
Total	$ 452,888	$ 2,881	$ 455,769

(1) Refer to the Merger Agreement, a copy of which is included as Exhibit 2.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 8, 2024.
(2) Stock consideration is measured at fair value as of the Closing Date by taking the product of (a) the closing shares of 9,711,432 as defined in the Merger Agreement and (b) the low price per share of $19.47 on March 5, 2024, which is in line with ASC 820, "Fair Value Measurement" and company policy as an accounting policy election under ASC 235, "Notes to Financial Statements."
(3) Represents a cash holdback subject to changes from estimated to actual net working capital amounts and other customary purchase price adjustments. The amount in the table above is based on management's best estimate as of the date of this filing and may be subject to further adjustments.

The Company has applied the acquisition method of accounting in accordance with ASC 805, "Business Combinations," and recognized assets acquired and liabilities assumed at their fair values as of the date of acquisition, with the excess purchase consideration recorded to goodwill. The fair value of acquired property and equipment were based on both available market data and a cost approach. As the Company finalizes the estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months from the acquisition date).

The following table summarizes the preliminary allocation of the purchase price to the fair value of assets acquired and liabilities assumed as of March 5, 2024, including measurement period adjustments through June 30, 2024 (in thousands):

	March 5, 2024	Fair Value Adjustments	June 30, 2024
Cash and cash equivalents	$ 6,982	$ —	$ 6,982
Accounts receivable	96,393	—	96,393
Inventories	4,235	—	4,235
Spare parts inventories	3,101	—	3,101
Prepaid expenses and other current assets	2,180	—	2,180
Property, plant and equipment	277,584	20,321	297,905
Intangible assets	111,723	3,353	115,076
Operating lease right-of-use assets	10,868	—	10,868
Finance lease right-of-use assets	7,311	—	7,311
Other long-term assets	92	—	92
Accounts payable	(37,736)	—	(37,736)
Accrued liabilities	(13,162)	—	(13,162)
Current portion of long-term debt	(1,914)	—	(1,914)
Current portion of operating lease liabilities	(6,388)	—	(6,388)
Current portion of finance lease liabilities	(3,299)	—	(3,299)
Current portion of deferred revenue	(3,302)	—	(3,302)
Other current liabilities (1)	(1,221)	—	(1,221)
Long-term debt, net of discount and deferred financing costs	(252)	—	(252)
Deferred tax liabilities	(70,378)	(4,841)	(75,219)
Operating lease liabilities	(4,479)	—	(4,479)
Finance lease liabilities	(4,012)	—	(4,012)
Deferred revenue	(9,946)	—	(9,946)
Asset retirement obligation	(2,663)	—	(2,663)
Goodwill	91,171	(15,952)	75,219
Net Assets Acquired (2)	$ 452,888	$ 2,881	$ 455,769

(1) The March 5, 2024 presentation includes the current portion of operating lease liabilities, current portion of finance lease liabilities, and current portion of deferred revenue. These balances were previously included within other current liabilities on our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 8, 2024.
(2) The March 5, 2024 presentation includes operating lease liabilities, finance lease liabilities, deferred revenue, and asset retirement obligation. These balances were previously included within other long-term liabilities on our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 8, 2024.

The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. The above fair values of assets acquired and liabilities assumed are preliminary and are based on the information that was available as of the reporting date. The Company retained an independent appraiser to determine the fair value of assets acquired and liabilities assumed. In accordance with the acquisition method of accounting, the purchase price of Hi-Crush has been allocated to the acquired assets and assumed liabilities based on their preliminary estimated acquisition date fair values. The fair value estimates were based on income, market, and cost valuation methods. The excess of the total consideration over the estimated fair value of the amounts initially assigned to the identifiable assets acquired and liabilities assumed has been recorded as goodwill. In many cases, the determination of the fair values required estimates about discount rates, future expected cash flows and other future events that are based on the Company's best judgment from the information available. The final determination of the fair value of certain assets and liabilities will be completed as soon as the necessary information becomes available but no later than one year from the acquisition date. As of June 30, 2024, we had purchase price adjustments of $2.9 million in net assets acquired. This resulted in an increase of $2.5 million in depreciation, depletion and accretion expense, an increase of $0.1 million in amortization expense, and an increase of $0.3 million in interest expense on the condensed consolidated statements of operations for both the three and six months ended June 30, 2024.

The Company’s condensed consolidated statement of operations includes revenue of $162.8 million and $210.5 million for the three and six months ended June 30, 2024, respectively, attributable to the acquired Hi-Crush operations. The Company’s condensed consolidated statement of operations includes direct operating expenses of $113.3 million and $145.6 million for the three and six months ended June 30, 2024, respectively, attributable to the acquired Hi-Crush operations. Of the $75.2 million of goodwill recognized, $40.0 million is considered non-deductible goodwill.

The following transactions were recognized separately from the acquisition of assets and assumptions of liabilities in the Hi-Crush Transaction.

- Transaction costs consisting of legal and professional fees. For the three and six months ended June 30, 2024, the Company incurred $5.9 million and $16.1 million of transaction costs, respectively, which were expensed as incurred and presented in selling, general and administrative expenses in the condensed consolidated statements of operations.
- In connection with the Hi-Crush Transaction, the Company entered into the First Amendment to Loan, Security and Guaranty Agreement (the "ABL Amendment") and the First Amendment to Credit Agreement (the "Term Loan Amendment"). See Note 8 – *Debt* for further information.

Identifiable Intangible Assets Acquired

The following table summarizes key information underlying identifiable intangible assets related to the Hi-Crush Transaction:

	Useful Life (In years)	Fair Value (In thousands)
Customer relationships	10	$ 100,226
Trade name	3	14,850
Total		$ 115,076

The preliminary estimate of the fair value of the identifiable intangible assets was determined primarily using the income approach, which requires a forecast of all of the expected future cash flows either through the with or without method or the relief-from-royalty ("RFR") method. Intangible assets consisting of the customer relationships and trade name were valued using the with or without method and the RFR method, respectively, both of which are forms of the income approach.

- Customer relationships were valued using the with or without method. The with or without method is an approach that considers the hypothetical impact to the projected cash flows of the business if the intangibles asset were not put in place.
- Trade name was valued using the RFR method. The RFR method of valuation suggests that in lieu of ownership, the acquirer can obtain comparable rights to use the subject asset via a license from a hypothetical third-party owner. The asset's fair value is the present value of license fees avoided by owning it (i.e., the royalty savings).

Reserves

The preliminary estimate of the fair value of the reserves were valued at $105.8 million using the income approach. Reserves are recorded in property, plant and equipment, net on the Company's condensed consolidated balance sheets. Reserves were valued using the multi-period excess earnings method ("MPEEM"). The MPEEM is an approach where the net earnings attributable to the asset being measured are isolated from other "contributory assets" over the intangible asset's remaining economic life.

Pro Forma Financial Information

The following table summarizes, on an unaudited pro forma basis, the condensed combined results of operations of the Company for the three and six months ended June 30, 2024 and 2023, assuming the Hi-Crush Transaction had occurred on January 1, 2023 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
		(unaudited)		
Revenue	$ 287,518	$ 311,595	$ 595,500	$ 609,147
Net income	$ 18,528	$ 80,487	$ 49,376	$ 144,694

The foregoing unaudited pro forma results are for informational purposes only and are not necessarily indicative of the actual results of operations that might have occurred had the Hi-Crush Transaction occurred on January 1, 2023, nor are they necessarily indicative of future results.

The unaudited pro forma information for all periods presented includes the following adjustments, where applicable, for business combination accounting effects resulting from the Hi-Crush Transaction: (i) additional amortization expense related to finite-lived intangible assets acquired, (ii) additional interest expense related to financing for the acquisition, (iii) depreciation or depletion expense on property, plant and equipment, (iv) depreciation and interest on finance leases, and (v) the related tax effects assuming that the acquisition occurred on January 1, 2023. No assumptions have been applied to the pro forma results of operations regarding potential operating cost savings or other business synergies expected to be achieved.

The significant nonrecurring adjustments reflected in the unaudited pro-forma consolidated information above include the reclassification of the transaction costs to the earliest period presented.

Note 4 – Goodwill and Acquired Intangible Assets

Goodwill

Changes in the carrying value of goodwill (in thousands):

Balance at December 31, 2023	$	—
Hi-Crush Transaction		75,219
Balance at June 30, 2024	$	75,219

The Company has applied the acquisition method of accounting in accordance with ASC 805, "Business Combinations," and recognized assets acquired and liabilities assumed from the Hi-Crush Transaction at their fair value as of the date of acquisition, with the excess purchase consideration recorded to goodwill. As the Company finalizes the estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments to the amount of goodwill may be necessary, refer to Note 3 - *Hi-Crush Transaction* for further discussion. Goodwill is not amortized, but we perform an annual goodwill impairment test in the fourth quarter and more frequently if events and circumstances indicate that the asset might be impaired.

Acquired Intangible Assets

The following table presents the detail of acquired intangible assets other than goodwill as of June 30, 2024 (in thousands):

		Carrying Amount		Accumulated Amortization		Net
Customer relationships	$	100,226	$	(3,233)	$	96,993
Trade name		14,850		(1,596)		13,254
Total	$	115,076	$	(4,829)	$	110,247

Amortization expense recognized during the three and six months ended June 30, 2024 was $3.7 million and $4.8 million, respectively, and was recorded in amortization expense of acquired intangible assets on the condensed consolidated statements of operations. Refer to Note 3 - *Hi-Crush Transaction* for additional information over these acquired intangible assets.

Estimated future amortization expense is as follows (in thousands):

Remainder of 2024	$	7,486
2025	$	14,973
2026	$	14,973
2027	$	10,902
2028	$	10,023
2029	$	10,023
Thereafter	$	41,867
Total	$	110,247

Note 5 – Inventories

Inventories consisted of the following (in thousands):

		June 30, 2024		December 31, 2023
Raw materials	$	3,140	$	441
Work-in-process		11,939		4,937
Finished goods		3,699		1,071
Inventories	$	18,778	$	6,449

Note 6 – Property, Plant and Equipment, Net

Property, plant and equipment, net, consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Plant facilities associated with productive, depletable properties	$ 354,754	$ 243,618
Plant equipment	667,950	489,953
Land	5,377	3,197
Furniture and office equipment	4,167	2,362
Computer and network equipment	1,648	1,648
Buildings and leasehold improvements	43,221	32,558
Logistics equipment	82,240	48,139
Construction in progress	421,096	248,004
Property, plant and equipment	1,580,453	1,069,479
Less: Accumulated depreciation and depletion	(177,036)	(134,819)
Property, plant and equipment, net	$ 1,403,417	$ 934,660

Depreciation expense recognized in depreciation, depletion and accretion expense was $21.0 million and $35.7 million for the three and six months ended June 30, 2024, respectively. Depreciation expense recognized in depreciation, depletion and accretion expense was $8.0 million and $15.0 million for the three and six months ended June 30, 2023, respectively.

Depletion expense recognized in depreciation, depletion and accretion expense was $3.5 million and $6.0 million for the three and six months ended June 30, 2024, respectively. Depletion expense recognized in depreciation, depletion and accretion expense was $1.4 million and $2.9 million for the three and six months ended June 30, 2023, respectively.

Depreciation expense recognized in selling, general and administrative expense was $0.9 million and $1.7 million for the three and six months ended June 30, 2024, respectively. Depreciation expense recognized in selling, general and administrative expense was $0.4 million and $0.7 million for the three and six months ended June 30, 2023, respectively.

Impairment or Disposal of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." During the second quarter of 2024, the Company concluded it had a triggering event requiring an assessment for impairment as a result of the fire at one of the Kermit facilities that caused damage to the physical condition of the Kermit asset group.

The Company groups assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluates the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset group is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis.

The Company performed a recoverability test and determined there was no impairment of the associated asset group for the three and six months ended June 30, 2024. The damaged assets from the fire had no remaining carrying value. The Company recorded a $11.1 million loss from the disposal which is recorded as a loss on disposal of assets on the condensed consolidated statements of operations.

The Company did not recognize impairment of long-lived assets or loss on disposal of assets for the three and six months ended June 30, 2023.

Note 7 – Leases

We have operating and finance leases primarily for office space, equipment, and vehicles. The terms and conditions for these leases vary by the type of underlying asset.

Certain leases include variable lease payments for items such as property taxes, insurance, maintenance, and other operating expenses associated with leased assets. Payments that vary based on an index or rate are included in the measurement of lease assets and liabilities at the rate as of the commencement date. All other variable lease payments are excluded from the measurement of lease assets and liabilities, and are recognized in the period in which the obligation for those payments is incurred.

The components of lease cost were as follows (in thousands):

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Finance lease cost:				
Amortization of right-of-use assets	$ 881	$ 1,973	$ 1,186	$ 3,440
Interest on lease liabilities	104	822	139	1,397
Operating lease cost	1,976	272	2,738	534
Variable lease cost	159	87	316	298
Short-term lease cost	14,903	6,571	26,609	12,362
Total lease cost	$ 18,023	$ 9,725	$ 30,988	$ 18,031

Supplemental cash flow and other information related to leases were as follows (in thousands):

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflows from operating leases	$ 2,103	$ 289	$ 2,397	$ 575
Operating cash outflows from finance leases	$ 103	$ 822	$ 108	$ 1,397
Financing cash outflows from finance leases	$ 49	$ 962	$ 114	$ 1,700
Right-of-use assets obtained in exchange for new lease liabilities:				
Operating leases	$ 3,581	$ 559	$ 10,892	$ 559
Finance leases	$ 355	$ 13,274	$ 11,223	$ 20,876

Lease terms and discount rates as of June 30, 2024 and December 31, 2023 are as follows:

	June 30, 2024	December 31, 2023
Weighted-average remaining lease term:		
Operating leases	4.3 years	3.6 years
Finance leases	2.4 years	3.6 years
Weighted-average discount rate:		
Operating leases	5.8 %	4.7 %
Finance leases	5.6 %	5.2 %

Future minimum lease commitments as of June 30, 2024 are as follows (in thousands):

	Finance	Operating
Remainder of 2024	$ 1,899	$ 3,426
2025	3,121	6,462
2026	2,106	638
2027	432	1,637
2028	56	1,460
Thereafter	—	5,553
Total lease payments	7,614	19,176
Less imputed interest	468	2,761
Total	$ 7,146	$ 16,415

On the condensed consolidated balance sheets, the December 31, 2023 current portion of operating lease liabilities and current portion of finance lease liabilities were reclassified out of other current liabilities to the current portion of operating lease liabilities and current portion of finance lease liabilities, respectively, for comparable presentation with the current period. In addition, the December 31, 2023 operating lease liabilities and finance lease liabilities were reclassified out of other long-term liabilities to operating lease liabilities and finance lease liabilities, respectively, on the condensed consolidated balance sheets for comparable presentation with the current period.

On July 31, 2023, Atlas LLC entered into a credit agreement (the "2023 Term Loan Credit Agreement") with Stonebriar, as administrative agent and initial lender, pursuant to which Stonebriar extended Atlas LLC a term loan credit facility comprising a $180.0 million single advance term loan that was made on July 31, 2023 (the "Initial Term Loan") and commitments to provide up to $100.0 million of delayed draw term loans (collectively, the "2023 Term Loan Credit Facility"). Proceeds from the 2023 Term Loan Credit Facility were used to repay $133.4 million of the principal and accrued interest of the credit facility extended pursuant to the Credit Agreement, dated October 20, 2021, between Atlas LLC, as borrower, and Stonebriar, as lender, as amended (collectively, the "2021 Term Loan Credit Facility"). Proceeds from the 2023 Term Loan Credit Facility were also used to terminate $42.8 million of finance lease liabilities and acquire $39.5 million of finance lease assets associated with certain equipment lease arrangements with Stonebriar. There was no gain or loss recognized as a result of this transaction. See Note 8 - *Debt* for further discussion on the 2023 Term Loan Credit Facility.

On May 16, 2022, Atlas LLC entered into a master lease agreement with Stonebriar for the right, but not the obligation, to fund up to $70.0 million of purchases of transportation and logistics equipment. The interim financing for down payments on any purchased equipment is based on one-month Secured Overnight Financing Rate ("SOFR"), plus 8.0%. The final interest rate is set upon acceptance of the equipment based on the terms of the agreement. On July 31, 2023, in connection with entering into 2023 Term Loan Credit Agreement, all obligations under this master lease agreement were terminated, all associated assets were acquired and this master lease agreement was terminated. There was no gain or loss recognized as a result of this transaction.

On July 28, 2022, Atlas LLC entered into a master lease agreement with Stonebriar for the right, but not the obligation, to fund up to $10.0 million of purchases of dredges and related equipment. The interim financing for down payments on any purchased equipment is based on one-month SOFR, plus 8.0%. The final interest rate is set upon acceptance of the equipment based on the terms of the agreement. On July 31, 2023, in connection with entering into the 2023 Term Loan Credit Agreement, all obligations under this master lease agreement were terminated, all associated assets were acquired and this master lease agreement was terminated. There was no gain or loss recognized as a result of this transaction.

As of June 30, 2024, we had no additional leases that have not yet commenced. Certain transportation and logistics leases discussed here are a component of the purchase commitments discussed in Note 9 - *Commitments and Contingencies.*

Note 8 – Debt

Debt consists of the following (in thousands):

	June 30, 2024	December 31, 2023
2023 Term Loan Credit Facility	$ 180,000	$ 180,000
ADDT Loan	144,402	—
2023 ABL Credit Facility	50,000	—
Deferred Cash Consideration Note	111,828	—
Other indebtedness	4,134	—
Less: Debt discount, net of accumulated amortization of $1,953 and $480, respectively	(11,435)	(6,769)
Less: Deferred financing fees, net of accumulated amortization of $124 and $29, respectively	(926)	(411)
Less: Current portion (a)	(30,553)	—
Long-term debt	$ 447,450	$ 172,820

(a) The current portion of long-term debt reflects payments based on the terms of the 2023 Term Loan Credit Facility, the ADDT Loan, and Other Indebtedness.

Deferred Cash Consideration Note

In accordance with the Merger Agreement, the Company issued a secured PIK toggle seller note in an initial aggregate principle amount of $111.8 million, subject to customary purchase price adjustments, with a final maturity date of January 31, 2026 (the "Deferred Cash Consideration Note"). As discussed in Note 3 - *Hi-Crush Transaction*, the Deferred Cash Consideration Note was part of the consideration transferred and valued at fair value at the acquisition date. The Deferred Cash Consideration Note bears interest at a rate of 5.00% per annum if paid in cash, or 7.00% per annum if paid in kind. Interest on the Deferred Cash Consideration Note is payable quarterly in arrears beginning March 29, 2024 through maturity. Interest expense associated with the Deferred Cash Consideration Note was $1.4 million and $1.8 million for the three and six months ended June 30, 2024, respectively.

The Deferred Cash Consideration Note included $4.6 million of debt discount and approximately $0.1 million deferred financing costs. The discount and deferred financing costs are a direct reduction from the carrying amount of the debt obligation on the Company's condensed consolidated balance sheets and are amortized to interest expense using the effective interest method. Interest expense associated with the discount and deferred financing costs were approximately $0.7 million and $0.8 million in total for the three and six months ended June 30, 2024, respectively.

Atlas LLC's obligations under the Deferred Cash Consideration Note are secured by certain of the assets acquired in connection with the Hi-Crush Transaction. The Deferred Cash Consideration Note is also unconditionally guaranteed by Atlas LLC on an unsecured basis.

2023 Term Loan Credit Facility

On July 31, 2023, Atlas LLC entered into the 2023 Term Loan Credit Agreement.

The Initial Term Loan is payable in 84 consecutive monthly installments and a final payment of the remaining outstanding principal balance at maturity. The Initial Term Loan has a final maturity date of July 31, 2030 (the "Maturity Date"). The Initial Term Loan bears interest at a rate equal to 9.50% per annum.

Each delayed draw term loan (the "DDT Loans") under the 2023 Term Loan Credit Facility will be payable in equal monthly installments, with the monthly installments comprising 80% of the DDT Loan and a final payment of the remaining 20% of the outstanding principal balance due at maturity, unless earlier prepaid. The DDT Loans will bear interest at a rate equal to the applicable Term SOFR Rate as of each Delayed Draw Funding Date (each as defined in the 2023 Term Loan Credit Agreement) plus 5.95% per annum. All monthly installments with respect to the Initial Term Loan and the DDT Loans payable on or prior to January 1, 2025 will be interest only. Interest expense associated with the debt was $4.3 million and $8.6 million for the three and six months ended June 30, 2024, respectively. The interest expense associated with the discount and deferred financing costs were $0.3 million and $0.6 million for the three and six months ended June 30, 2024, respectively.

At any time prior to the Maturity Date, Atlas LLC may redeem loans outstanding under the 2023 Term Loan Credit Facility, in whole or in part, at a price equal to 100% of the principal amount being prepaid (the "Prepayment Amount") plus a prepayment fee. The prepayment fee is equal to 8% of the Prepayment Amount for any prepayment that occurs on or prior to December 31, 2024, 4% of the Prepayment Amount for any prepayment that occurs after December 31, 2024 but on or prior to December 31, 2025, 3% of the Prepayment Amount for any prepayment that occurs after December 31, 2025 but on or prior to December 31, 2026 and 2% of the Prepayment Amount for any prepayment that occurs thereafter. Upon the maturity of the 2023 Term Loan Credit Facility, the entire unpaid principal amount of the loans outstanding thereunder, together with interest, fees and other amounts payable in connection with the facility, will be immediately due and payable without further notice or demand.

Dividends and distributions to equity holders are permitted to be made pursuant to certain limited exceptions and baskets described in the 2023 Term Loan Credit Agreement and otherwise generally subject to certain restrictions set forth in the 2023 Term Loan Credit Agreement, including the requirements that (a) no Event of Default (as defined under the 2023 Term Loan Credit Agreement) has occurred and is continuing and (b) Atlas LLC maintains at least $30.0 million of Liquidity (as defined under the 2023 Term Loan Credit Agreement) pro forma for the Restricted Payment (as defined under the 2023 Term Loan Credit Agreement).

The 2023 Term Loan Credit Facility includes certain non-financial covenants, including but not limited to restrictions on incurring additional debt and certain distributions. The 2023 Term Loan Credit Facility is subject to a maximum 4.0 to 1.0 Leverage Ratio (as defined in the 2023 Term Loan Credit Agreement) financial covenant. Such financial covenant is tested as of the last day of each fiscal quarter.

Proceeds from the 2023 Term Loan Credit Facility were used to repay outstanding indebtedness under our previous 2021 Term Loan Credit Facility, to repay obligations outstanding under certain equipment lease arrangements with Stonebriar and for general corporate purposes. As of June 30, 2024, Atlas LLC was in compliance with the covenants of the 2023 Term Loan Credit Facility.

The 2023 Term Loan Credit Facility is unconditionally guaranteed, jointly and severally, by Atlas LLC and its subsidiaries and secured by substantially all of the assets of Atlas LLC and its subsidiaries. The 2023 Term Loan Credit Facility is unconditionally guaranteed on an unsecured basis by Atlas Energy Solutions Inc.

First Amendment to the 2023 Term Loan Credit Agreement

On February 26, 2024, the Company, Atlas LLC and certain other subsidiaries of the Company entered into the Term Loan Amendment, among Company, Atlas LLC, the lenders party thereto and Stonebriar, as administrative agent, which amends the 2023 Term Loan Credit Agreement.

The Term Loan Amendment provided an additional DDT Loan (the "ADDT Loan") in the aggregate principal amount of $150.0 million with interest (computed on the basis of a 365-day year for the actual number of days elapsed) on the unpaid principal amount thereof from and including the date of the amendment until paid in full at the rate per annum equal to 10.86%. The ADDT Loan is payable in 76 consecutive monthly installments of combined principal and interest each in the amount of $2.7 million commencing April 1, 2024 and continuing up to and including August 1, 2030. There was interest expense of $4.0 million and $5.4 million for the three and six months ended June 30, 2024, respectively.

The ADDT Loan included $1.5 million of debt discount and $0.5 million in deferred financing costs. The discount and deferred financing costs are a direct reduction from the carrying amount of the debt obligation on the Company's condensed consolidated balance sheets and are amortized to interest expense using the effective interest method. Interest expense associated with the discount and deferred financing costs were $0.1 million and $0.2 million in total for the three and six months ended June 30, 2024, respectively.

2023 ABL Credit Facility

On February 22, 2023, Atlas LLC, certain of its subsidiaries, as guarantors, Bank of America, N.A., as administrative agent (the "ABL Agent"), and certain financial institutions party thereto as lenders (the "2023 ABL Lenders") entered into a Loan, Security and Guaranty Agreement (the "2023 ABL Credit Agreement") pursuant to which the 2023 ABL Lenders provide revolving credit financing to the Company in an aggregate principal amount of up to $75.0 million (the "2023 ABL Credit Facility"), with Availability (as defined in the 2023 ABL Credit Agreement) thereunder subject to a "Borrowing Base" as described in the 2023 ABL Credit Agreement. The 2023 ABL Credit Facility includes a letter of credit sub-facility, which permits issuance of letters of credit up to an aggregate amount of $25.0 million. The scheduled maturity date of the 2023 ABL Credit Facility is February 22, 2028; provided that the 2023 ABL Credit Facility will mature on June 30, 2027 if any amount of the 2023 Term Loan Credit Facility that has a maturity date less than 91 days prior to February 22, 2028 is outstanding on June 30, 2027.

Atlas LLC may also request swingline loans under the 2023 ABL Credit Agreement in an aggregate principal amount not to exceed $7.5 million. During the six months ended June 30, 2024 and the year ended December 31, 2023, Atlas LLC had no outstanding swingline loans under the 2023 ABL Credit Facility.

Borrowings under the 2023 ABL Credit Facility bear interest, at Atlas LLC's option, at either a base rate or Term SOFR, as applicable, plus an applicable margin based on average availability as set forth in the 2023 ABL Credit Agreement. Term SOFR loans bear interest at Term SOFR for the applicable interest period plus an applicable margin, which ranges from 1.50% to 2.00% per annum based on average availability as set forth in the 2023 ABL Credit Agreement. Base rate loans bear interest at the applicable base rate, plus an applicable margin, which ranges from 0.50% to 1.00% per annum based on average availability as set forth in the 2023 ABL Credit Agreement. In addition to paying interest on outstanding principal under the 2023 ABL Credit Facility, Atlas LLC is required to pay a commitment fee which ranges from 0.375% per annum to 0.500% per annum with respect to the unutilized commitments under the 2023 ABL Credit Facility, based on the average utilization of the 2023 ABL Credit Facility. Atlas LLC is required to pay customary letter of credit fees, to the extent that one or more letter of credit is outstanding. For the three and six months ended June 30, 2024, we recognized $0.1 million and $0.3 million, respectively, of interest expense, unutilized commitment fees and other fees under the 2023 ABL Credit Facility, classified as interest expense. For both the three and six months ended June 30, 2023, we recognized $0.1 million of interest expense.

The Borrowing Base was initially set at $75.0 million and the amount of available credit changes every month, depending on the amount of eligible accounts receivable and inventory we have available to serve as collateral. With the First Amendment to the 2023 ABL Credit Agreement, discussed below, the Borrowing Base increased to $125.0 million. The Borrowing Base components are subject to customary reserves and eligibility criteria.

On March 5, 2024, the Company drew down $50.0 million under the 2023 ABL Credit Facility for general corporate purposes. There was interest expense of $0.9 million and $1.1 million for the three and six months ended June 30, 2024, respectively. The draw included $0.3 million in debt issuance costs and $0.3 million in deferred financing costs. These costs are recorded under other long-term assets on the condensed consolidated balance sheets and are amortized on a straight-line basis over the life of the agreement. Interest expense associated with the amortization of these costs was $0.1 million for both the three and six months ended June 30, 2024.

As of June 30, 2024, Atlas LLC had $50.0 million in outstanding borrowings and $0.6 million in outstanding letters of credit under the 2023 ABL Credit Facility.

The 2023 ABL Credit Facility requires that if Availability is less than the greater of (i) 12.50% of the Borrowing Base and (ii) $7.5 million, Atlas LLC must maintain a Fixed Charge Coverage Ratio (as defined in the 2023 ABL Credit Agreement) of at least 1.00 to 1.00 while a Covenant Trigger Period (as defined in the 2023 ABL Credit Agreement) is in effect.

Under the 2023 ABL Credit Agreement, Atlas LLC is permitted to make payments of dividends and distributions pursuant to certain limited exceptions and baskets set forth therein and otherwise generally subject to certain restrictions described therein, including that (i) no Event of Default (as defined under the 2023 ABL Credit Agreement) has occurred and is continuing, and (ii) no loans and no more than $7.5 million in letters of credit that have not been cash collateralized are outstanding, and liquidity exceeds $30.0 million at all times during the 30 days prior to the date of the dividend or distribution; provided that if any loans are outstanding or outstanding letters of credit exceed $7.5 million and no Event of Default has occurred and is continuing, then Atlas LLC is permitted to make payments of dividends and distributions if, (i) Availability (as defined under the 2023 ABL Credit Agreement) is higher than the greater of (a) $12 million and (b) 20% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distribution as if such dividend or distribution had been made at the beginning of such period, or if (ii) (a) Availability is higher than the greater of (x) $9 million and (y) 15% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distributions as if such dividend or distribution had been made at the beginning of such period and (b) the Fixed Charge Coverage Ratio (as defined under the 2023 ABL Credit Agreement), as calculated on a pro forma basis, is greater than 1.00 to 1.00, as provided under the 2023 ABL Credit Agreement. Additionally, Atlas LLC may make additional payments of dividends and distributions in qualified equity interests and may make Permitted Tax Distributions (as defined under the 2023 ABL Credit Agreement).

The 2023 ABL Credit Facility contains certain customary representations and warranties, affirmative and negative covenants, and events of default. As of June 30, 2024, the Company was in compliance with the covenants under the 2023 ABL Credit Facility.

The 2023 ABL Credit Facility is unconditionally guaranteed, jointly and severally, by Atlas LLC and its subsidiaries and secured by substantially all of the assets of Atlas LLC and its subsidiaries.

First Amendment to the 2023 ABL Credit Agreement

On February 26, 2024, Atlas LLC and certain other subsidiaries of the Company entered into the ABL Amendment, among Atlas LLC, the subsidiary guarantors party thereto, the lenders party thereto and the ABL Agent, which amends the 2023 ABL Credit Agreement.

The ABL Amendment increased the revolving credit commitment to $125.0 million. The existing lenders increased their commitment by $25.0 million which resulted in a debt modification under ASC 470, “Debt.” The ABL Amendment also added a new lender with a $25.0 million commitment, thus creating a new debt arrangement under ASC 470, “Debt.” The deferred financing costs and debt issuance cost will be amortized on a prospective basis over the term of the agreement. The maturity date of the ABL Credit Agreement was extended from February 22, 2028 to the earliest of (a) February 26, 2029; (b) the date that is 91 days prior to the maturity date for any portion of the Term Loan Debt; or (c) any date on which the aggregate Commitments terminate hereunder.

The ABL Amendment requires that if Availability is less than the greater of (i) 12.50% of the Borrowing Base and (ii) $12.5 million, Atlas LLC must maintain a Fixed Charge Coverage Ratio (as defined in the 2023 ABL Credit Agreement) of at least 1.00 to 1.00 while a Covenant Trigger Period (as defined in the 2023 ABL Credit Agreement) is in effect.

Under the ABL Amendment, Atlas LLC is permitted to make payments of dividends and distributions pursuant to certain limited exceptions and baskets set forth therein and otherwise generally subject to certain restrictions described therein, including that (i) no Event of Default (as defined under the 2023 ABL Credit Agreement) has occurred and is continuing, and (ii) no loans and no more than $7.5 million in letters of credit that have not been cash collateralized are outstanding, and liquidity exceeds $30.0 million at all times during the 30 days prior to the date of the dividend or distribution; provided that if any loans are outstanding or outstanding letters of credit exceed $7.5 million and no Event of Default has occurred and is continuing, then Atlas LLC is permitted to make payments of dividends and distributions if, (i) Specified Availability (as defined under the 2023 ABL Credit Agreement) is higher than the greater of (a) $20.0 million and (b) 20% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distribution as if such dividend or distribution had been made at the beginning of such period, or if (ii) (a) Specified Availability is higher than the greater of (x) $15.0 million and (y) 15% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distributions as if such dividend or distribution had been made at the beginning of such period and (b) the Fixed Charge Coverage Ratio (as defined under the 2023 ABL Credit Agreement), as calculated on a pro forma basis, is greater than 1.00 to 1.00, as provided under the 2023 ABL Credit Agreement. Additionally, Atlas LLC may make additional payments of dividends and distributions in qualified equity interests and may make Permitted Tax Distributions (as defined under the 2023 ABL Credit Agreement).

Other Indebtedness

The Company has other Indebtedness of $4.1 million of equipment finance notes as of June 30, 2024. These equipment finance notes have terms ending in July 2024 through June 2025 and interest rates ranging from 1.99% to 3.24%.

Note 9 – Commitments and Contingencies

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. Atlas LLC entered into a royalty agreement associated with its leased property at the Kermit facility and a mining agreement associated with its leased property at the Monahans facility, in each case, with The Sealy & Smith Foundation, a related party. The royalty agreement associated with the Kermit facility terminated on the date of our IPO, pursuant to the terms of the agreement. Under the mining agreement associated with the Monahans facility, we are committed to pay royalties on product sold from that facility and are required to pay a minimum royalty of $1.0 million for any lease year following our IPO. We have certain royalty obligations based on tonnage of sand sold under land leases associated with our OnCore distributed mining network.

On March 1, 2024, the Company entered into a pooling agreement with the General Land Office of Texas (“GLO”) that establishes a pooled unit across our fee owned lands and leased lands at the Kermit property. The pooling agreement has a current effective blended royalty rate of 5.86% on Kermit plant sales. This pooling agreement increases our operational flexibility by establishing a framework to efficiently mine across our fee owned lands and leased lands interchangeably.

Royalty expense associated with these agreements is recorded as the product is sold and is included in costs of sales. Royalty expense associated with these agreements were less than 5% of cost of sales for the three and six months ended June 30, 2024, and totaled between 5% and 10% of cost of sales for the three and six months ended June 30, 2023.

Standby Letters of Credit

As of June 30, 2024 and December 31, 2023, we had $0.6 million and $1.1 million outstanding in standby letters of credit issued under the 2023 ABL Credit Facility, respectively.

Purchase Commitments

In connection with our normal operations, we enter short-term purchase obligations for products and services.

Litigation

We are involved in various legal and administrative proceedings that arise from time to time in the ordinary course of doing business. Some of these proceedings may result in fines, penalties or judgments being assessed against us, which may adversely affect our financial results. In addition, from time to time, we are involved in various disputes, which may or may not be settled prior to legal proceedings being instituted and which may result in losses in excess of accrued liabilities, if any, relating to such unresolved disputes. Expenses related to litigation reduce operating income. We do not believe that the outcome of any of these proceedings or disputes would have a significant adverse effect on our financial position, long-term results of operations or cash flows. It is possible, however, that charges related to these matters could be significant to our results of operations or cash flows in any single accounting period. Management is not aware of any legal, environmental or other commitments and contingencies that would have a material effect on the Financial Statements.

Note 10 – Stockholders Equity

Common Stock

The Company is authorized to issue 500,000,000 shares of preferred stock and 1,500,000,000 shares of Common Stock. On March 5, 2024, the Company issued 9,711,432 shares of Common Stock as consideration in the Hi-Crush Transaction. As of June 30, 2024, there were 109,863,098 shares of Common Stock issued and outstanding and no shares issued or outstanding of preferred stock.

Dividends and Distributions

On February 8, 2024, the Company declared a dividend of $0.21 per share (base dividend of $0.16 per share and a variable dividend of $0.05 per share) of Common Stock. The dividend was paid on February 29, 2024 to holders of record of Common Stock as of the close of business on February 22, 2024.

On May 6, 2024, the Company declared a dividend of $0.22 per share (base dividend of $0.16 per share and a variable dividend of $0.06 per share) of Common Stock. The dividend was paid on May 23, 2024 to holders of record of Common Stock as of the close of business on May 16, 2024.

On August 1, 2024, the Company declared a dividend of $0.23 per share of Common Stock. The dividend will be payable on August 22, 2024 to holders of record of Common Stock as of the close of business on August 15, 2024.

Note 11 – Stock-Based Compensation

LTIP

On March 8, 2023, we adopted the LTIP for the benefit of employees, directors and consultants of the Company and its affiliates. The LTIP provides for the grant of all or any of the following types of awards: (1) incentive stock options qualified as such under U.S. federal income tax laws; (2) stock options that do not qualify as incentive stock options; (3) stock appreciation rights; (4) restricted stock awards; (5) restricted stock units ("RSUs"); (6) bonus stock; (7) dividend equivalents; (8) other stock-based awards; (9) cash awards; and (10) substitute awards. The shares to be delivered under the LTIP may be made available from (i) authorized but unissued shares, (ii) shares held as treasury stock or (iii) previously issued shares reacquired by us, including shares purchased on the open market.

In connection with the closing of the Up-C Simplification, New Atlas assumed the LTIP as well as the outstanding awards granted under the LTIP, including all awards of RSUs and performance share units, in each case, whether or not vested, that were then outstanding under the LTIP, and each (i) RSU grant notice and RSU agreement and (ii) performance share unit grant notice and performance share unit agreement, in each case, evidencing then-outstanding awards under the LTIP.

In connection with the assumption of the LTIP, the Company also assumed the remaining share reserves available for issuance under the LTIP, subject to applicable adjustments to relate to the Company's Common Stock. Subject to adjustment in accordance with the terms of the LTIP, 10,270,000 shares of Common Stock have been reserved for issuance pursuant to awards under the LTIP. If an award under the LTIP is forfeited, settled for cash or expires without the actual delivery of shares, any shares subject to such award will again be available for new awards under the LTIP. The LTIP will be administered by the Compensation Committee (the "Compensation Committee") of the Board. We had 7,003,661 shares of the Company's Common Stock available for future grants as of June 30, 2024. We account for the awards granted under the LTIP as compensation cost measured at the fair value of the award on the date of grant.

Restricted Stock Units

RSUs represent the right to receive shares of New Atlas Common Stock at the end of the vesting period in an amount equal to the number of RSUs that vest. The granted RSUs vest and become exercisable with respect to employees in three equal installments starting on the first anniversary of the date of grant and, with respect to directors, on the one-year anniversary of the date of grant, so long as the participant either remains continuously employed or continues to provide services to the Board, as applicable. The RSUs are subject to restrictions on transfer and are generally subject to a risk of forfeiture if the award recipient ceases providing services to the Company prior to the date the award vests. If the participant's employment with or service to the Company is terminated for cause or without good reason prior to the vesting of all of the RSUs, and unless such termination is a "Qualifying Termination" or due to a "Change in Control" as defined in the applicable RSU agreement, any unvested RSUs will generally terminate automatically and be forfeited without further notice and at no cost to the Company. In the event the Company declares and pays a dividend in respect of its outstanding shares of Common Stock and, on the record date for such dividend, the participant holds RSUs that have not been settled, we will record the amount of such dividend in a bookkeeping account and pay to the participant an amount in cash equal to the cash dividends the participant would have received if the participant was the holder of record, as of such record date, of a number of shares of Common Stock equal to the number of RSUs held by the participant that had not been settled as of such record date, such payment to be made on or within 60 days following the date on which such RSUs vest. The stock-based compensation expense of such RSUs was determined using the closing prices on the grant date. We account for forfeitures as they occur. We recognized stock-based compensation related to RSUs of \$3.8 million and \$7.0 million for the three and six months ended June 30, 2024, respectively. We recognized stock-based compensation related to RSUs of \$0.7 million and \$0.8 million for the three and six months ended June 30, 2023, respectively. Changes in non-vested RSUs outstanding under the LTIP during the six months ended June 30, 2024 were as follows:

	Number of Units		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2023	1,636,173	$	21.04
Granted	755,838	$	22.21
Vested	(126,082)	$	16.29
Forfeited	(78,236)	$	20.05
Non-vested at June 30, 2024	2,187,693	$	21.75

As of June 30, 2024, there was \$38.8 million of unrecognized compensation expense relating to outstanding RSUs. The unrecognized compensation expense will be recognized on a straight-line basis over the weighted average remaining vesting period of 1.7 years.

Performance Share Units

Performance share units ("PSUs") represent the right to receive one share of Common Stock multiplied by the number of PSUs that become earned, and the number of PSUs that may vest range from 0% to 200% of the Target PSUs (as defined in the Performance Share Unit Grant Agreement governing the PSUs (the "PSU Agreement")), subject to the Compensation Committee's discretion to increase the ultimate number of vested PSUs above the foregoing maximum level. Each PSU also includes a tandem dividend equivalent right, which is a right to receive an amount equal to the cash dividends made with respect to a share of Common Stock during the Performance Period (as defined in the PSU Agreement), which will be adjusted to correlate to the number of PSUs that ultimately become vested pursuant to the PSU Agreement. 471,813 PSUs (based on target) were granted in 2024 (the "2024 PSUs"). The Performance Goals (as defined in the PSU Agreement) for the 2024 PSUs are based on a combination of Return on Capital Employed ("ROCE") and "Relative TSR" (each, as defined in the PSU Agreement), with 25% weight applied to ROCE and 75% weight applied to Relative TSR, each as measured during the three-year Performance Period ending December 31, 2026. The vesting level is calculated based on the actual total stockholder return achieved during the Performance Period. The fair value of such PSUs was determined using a Monte Carlo simulation and will be recognized over the applicable Performance Period. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award to calculate the fair value of the award. Expected volatilities in the model were estimated using a historical period consistent with the Performance Period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. We recognized stock-based compensation related to PSUs of \$1.7 million and \$2.7 million for the three and six months ended June 30, 2024, respectively. We recognized stock-based compensation related to PSUs of \$0.9 million and \$1.1 million for the three and six months ended June 30, 2023, respectively. Changes in non-vested PSUs outstanding under the LTIP during the six months ended June 30, 2024 were as follows:

	Number of Units	**Weighted Average Grant Date Fair Value**
Non-vested at December 31, 2023	473,223	$ 20.19
Granted	471,813	$ 30.58
Vested	—	$ —
Forfeited	(18,055)	$ 20.19
Non-vested at June 30, 2024	926,981	$ 25.48

As of June 30, 2024, there was \$18.2 million of unrecognized compensation expense relating to outstanding PSUs. The unrecognized compensation expense will be recognized on a straight-line basis over the weighted average remaining vesting period of 2.4 years.

Note 12 – Earnings per Share

Basic earnings per share ("EPS") measures the performance of an entity over the reporting period. Diluted earnings per share measures the performance of an entity over the reporting period while giving effect to all potentially dilutive shares of Common Stock that were outstanding during the period. The Company uses the treasury stock method to determine the potential dilutive effect of vesting of its outstanding RSUs and PSUs. The Company does not use the two-class method as the Old Atlas Class B Common Stock, was, and the unvested RSUs, and PSU awards are nonparticipating securities. During 2023, the issuance of Old Atlas Class A Common Stock in exchange for Operating Units held by the Legacy Owners (and their corresponding shares of Old Atlas Class B Common Stock) did not have a dilutive effect on EPS and was not recognized in dilutive earnings per share calculations.

As a result of the Up-C Simplification, the Company's previous dual class structure was eliminated and the Company now trades under a single class of Common Stock. Please see Note 2 - *Summary of Significant Accounting Policies -Earnings Per Share* for more information.

For the three and six months ended June 30, 2023, the Company's EPS calculation includes only its share of net income for the period subsequent to the IPO, and omits income prior to the IPO. In addition, the basic weighted average shares outstanding calculation is based on the actual days during which the shares were outstanding from the date of our IPO through June 30, 2023.

The following table reflects the allocation of net income to common stockholders and EPS computations for the period indicated based on a weighted average number of shares of Common Stock outstanding for the three and six months ended June 30, 2024 and 2023 (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Numerator:				
Net income	$ 14,837	$ 71,211	$ 41,624	$ 134,116
Less: Pre-IPO net income attributable to Atlas Sand Company, LLC		—		54,561
Less: Net income attributable to redeemable noncontrolling interest		32,693		39,303
Net income attributable to Atlas Energy Solutions Inc.	$ 14,837	$ 38,518	$ 41,624	$ 40,252
Denominator:				
Basic weighted average shares outstanding	111,064	57,148	106,394	57,148
Dilutive potential of restricted stock units	379	272	238	272
Dilutive potential of performance share units	580	—	539	—
Diluted weighted average shares outstanding (1)	$ 112,023	$ 57,420	$ 107,171	$ 57,420
Basic EPS attributable to holders of Common Stock	$ 0.13	$ 0.67	$ 0.39	$ 0.70
Diluted EPS attributable to holders of Common Stock (1)	$ 0.13	$ 0.67	$ 0.39	$ 0.70

(1) Shares of Old Atlas Class A Common Stock issued in exchange for Operating Units did not have a dilutive effect on EPS and were not included in the EPS calculation.

Note 13 – Income Taxes

Atlas Inc. is a corporation and is subject to U.S. federal, state and local income taxes. In March 2023, Atlas Inc. completed its initial public offering of 18,000,000 shares of Old Atlas Class A Common Stock at a price to the public of $18.00 per share. The tax implications of the Reorganization, the IPO and the tax impact of Atlas Inc.'s status as a taxable corporation subject to U.S. federal income tax have been reflected in the accompanying Financial Statements. On March 13, 2023, the date on which the Company completed the IPO, a corresponding deferred tax liability of approximately $27.5 million was recorded associated with the differences between the tax and book basis of the investment in Atlas LLC. The offset of the deferred tax liability was recorded to additional paid-in capital.

On October 2, 2023, the Company completed the Up-C Simplification. The tax implications of the Up-C Simplification have been reflected in the accompanying Financial Statements. On October 2, 2023, a corresponding deferred tax liability of approximately $62.7 million was recorded associated with the exchange of the redeemable noncontrolling interest in Old Atlas for shares of the Company's Common Stock. The offset of the deferred tax liability was recorded to additional paid-in capital.

The effective combined U.S. federal and state income tax rate for the three and six months ended June 30, 2024 was 17.1% and 20.9%, respectively, and was 8.7% for both the three and the six months ended June 30, 2023.

During the three and six months ended June 30, 2024, we recognized income tax expense of $3.1 million and $11.0 million, respectively. We recognized $5.1 million and $12.7 million of income tax expense during the three and six months ended June 30, 2023, respectively.

Total income tax expense for the three months ended June 30, 2024 differed from amounts computed by applying the U.S. federal statutory tax rate of 21% to pre-tax book income for those periods due to state taxes, the benefit of percentage depletion in excess of basis, and expense of Section 162(m) nondeductible compensation. Total income tax expense for the six months ended June 30, 2024 differed from amounts computed by applying the U.S. federal statutory tax rate of 21% to pre-tax book income for those periods due to state taxes, the benefit of percentage depletion in excess of basis, expense of Section 162(m) nondeductible compensation and non-deductible transaction costs.

Total income tax expense for the three and six months ended June 30, 2023 differed from amounts computed by applying the U.S. federal statutory tax rate of 21% to pre-tax book income for those periods due to state taxes, income associated with the Pre-IPO period, and income associated with the non-controlling interest.

Note 14 – Related-Party Transactions

Brigham Land Management LLC

Brigham Land Management LLC ("Brigham Land") provides us with landman services for certain of our projects and initiatives. The services are provided on a per hour basis at market prices. Brigham Land is owned and controlled by Vince Brigham, an advisor to the Company and the brother of our Executive Chairman, Bud Brigham. For the three and six months ended June 30, 2024, we made aggregate payments to Brigham Land equal to approximately $0.1 million and $0.3 million, respectively. For the three and six months ended June 30, 2023, we made aggregate payments to Brigham Land equal to approximately $0.3 million and $0.5 million, respectively. As of June 30, 2024 and December 31, 2023, our outstanding accounts payable to Brigham Land was de minimis and $0.2 million, respectively.

Earth Resources, LLC

Earth Resources, LLC ("Earth Resources"), formerly known as Brigham Earth, LLC, provides us with professional and consulting services as well as access to certain information and software systems. Earth Resources is owned and controlled by our Executive Chairman, Bud Brigham. For the three and six months ended June 30, 2024, we made aggregate payments to Earth Resources for these services equal to approximately $0.1 million and $0.3 million, respectively. For the three and six months ended June 30, 2023, we made aggregate payments to Earth Resources for these services equal to approximately $0.1 million and $0.2 million, respectively. As of June 30, 2024 and December 31, 2023, we had de minimis accounts payable to Earth Resources.

Anthem Ventures, LLC

Anthem Ventures, LLC ("Anthem Ventures") provides us with transportation services. Anthem Ventures is owned and controlled by our Executive Chairman, Bud Brigham. For the three and six months ended June 30, 2024, we made aggregate payments to Anthem Ventures for these services equal to approximately de minimis and $0.1 million, respectively. For the three and six months ended June 30, 2023, we made aggregate payments to Anthem Ventures for these services equal to approximately $0.1 million and $0.2 million, respectively. As of June 30, 2024 and December 31, 2023, our outstanding accounts payable to Anthem Ventures was $0.1 million and $0.1 million, respectively.

In a Good Mood

In a Good Mood, LLC ("In a Good Mood") provides the Company with access, at cost, to reserved space in the Moody Center in Austin, Texas for concerts, sporting events and other opportunities as a benefit to our employees and for business entertainment. In a Good Mood is owned and controlled by our Executive Chairman, Bud Brigham. For the three and six months ended June 30, 2024, we made aggregate payments to In a Good Mood for these services of approximately de minimis and $0.1 million, respectively. For the three and six months ended June 30, 2023, we made de minimis aggregate payments to In a Good Mood for these services. As of June 30, 2024 and December 31, 2023, we did not have an outstanding accounts payable balance with this related party.

The Sealy & Smith Foundation

Refer to Note 9 – *Commitments and Contingencies* for disclosures related to the Company's royalty agreement and mining agreement with The Sealy & Smith Foundation, a related party.

Reorganization

Refer to Note 1 – *Business and Organization* for disclosures related to the Company's transactions with affiliates including entities controlled by Bud Brigham.

Registration Rights Agreement

In connection with the closing of the IPO, we entered into a registration rights agreement with certain Legacy Owners (the "Original Registration Rights Agreement") covering, in the aggregate, approximately 38.4% of the Old Atlas Class A and Class B Common Stock on a combined basis. Pursuant to the Original Registration Rights Agreement, we agreed to register under the U.S. federal securities laws the offer and resale of shares of Old Atlas Class A Common Stock (including shares issued in connection with any redemption of Operating Units) by such Legacy Owners or certain of their respective affiliates or permitted transferees under the Original Registration Rights Agreement.

On October 2, 2023, the Company entered into an amended and restated registration rights agreement (the "A&R Registration Rights Agreement") with New Atlas and certain stockholders identified on the signature pages thereto. The A&R Registration Rights Agreement was entered into in order to, among other things, provide for the assumption of Old Atlas's obligations under the Original Registration Rights Agreement by New Atlas. The A&R Registration Rights Agreement is substantially similar to the Original Registration Rights Agreement, but contains certain administrative and clarifying changes to reflect the transition from a dual class capital structure to a single class of Common Stock. We will generally be obligated to pay all registration expenses in connection with these registration obligations, regardless of whether a registration statement is filed or becomes effective. These registration rights are subject to certain conditions and limitations.

Stockholders' Agreement

In connection with the closing of the IPO, we entered into a stockholders' agreement (the "Original Stockholders' Agreement") with certain of our Legacy Owners (the "Principal Stockholders"). Among other things, the Original Stockholders' Agreement provides our Executive Chairman, Bud Brigham, the right to designate a certain number of nominees for election or appointment to our Board as described below according to the percentage of Common Stock held by such Principal Stockholders.

Pursuant to the Original Stockholders' Agreement, we are required to take all necessary actions, to the fullest extent permitted by applicable law (including with respect to any fiduciary duties under Delaware law), to cause the election or appointment of the nominees designated by Mr. Brigham or his affiliates, and each of the Principal Stockholders agreed to cause its respective shares of Common Stock to be voted in favor of the election of each of the nominees designated by Mr. Brigham or his affiliates. Mr. Brigham or his affiliates will be entitled to designate the replacement for any of his respective board designees whose board service terminates prior to the end of such director's term.

In addition, the Original Stockholders' Agreement provides that for so long as Mr. Brigham or any of his affiliates is entitled to designate any members of our Board, we will be required to take all necessary actions to cause each of the audit committee, compensation committee and nominating and governance committee of our Board to include in its membership at least one director designated by Mr. Brigham or his affiliates, except to the extent that such membership would violate applicable securities laws or stock exchange rules.

Furthermore, so long as the Principal Stockholders collectively beneficially own at least a majority of the outstanding shares of our Common Stock, we have agreed not to take, and will cause our subsidiaries not to take, the following actions (or enter into an agreement to take such actions) without the prior consent of Mr. Brigham or his affiliates, subject to certain exceptions:

- adopting or proposing any amendment, modification or restatement of or supplement to our certificate of incorporation or bylaws;
- increasing or decreasing the size of our Board; or
- issuing any equity securities that will rank senior to our Common Stock as to voting rights, dividend rights or distributions rights upon liquidation, winding up or dissolution of the Company.

On October 2, 2023, Old Atlas entered into an amended and restated stockholders' agreement (the "A&R Stockholders' Agreement") with New Atlas and certain of the Principal Stockholders. The A&R Stockholders' Agreement was entered into in order to, among other things, provide for the assumption of Old Atlas's obligations under the Original Stockholders' Agreement by New Atlas. The A&R Stockholders' Agreement is substantially similar to the Original Stockholders' Agreement, but contains certain administrative and clarifying changes to reflect the transition from a dual class capital structure to a single class of Common Stock.

Up-C Simplification

Refer to Note 1 – *Business and Organization* for disclosures related to the Company's Up-C Simplification.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the financial statements and related notes presented in this Quarterly Report on Form 10-Q (this "Report"), as well as our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Annual Report"), filed with the Securities and Exchange Commission (the "SEC") on February 27, 2024.

Unless the context otherwise requires, references to "New Atlas" are to Atlas Energy Solutions Inc. following the completion of the Up-C Simplification (as defined below), references to "Old Atlas" are to Atlas Energy Solutions Inc. prior to the completion of the Up-C Simplification, references to "Atlas Inc." are to Old Atlas for reporting periods prior to the completion of the Up-C Simplification and to New Atlas following the completion of the Up-C Simplification, and references to the "Company," "we," "us," and like expressions are to Atlas Inc. together with its subsidiaries, including Atlas Sand Company, LLC ("Atlas LLC"), the predecessor of Old Atlas. References to "Atlas Operating" are to Atlas Sand Operating, LLC, a wholly-owned subsidiary of Atlas Inc. and the direct parent company of Atlas LLC.

Cautionary Note Regarding Forward-Looking Statements

This Report contains forward-looking statements that are subject to risks and uncertainties. All statements, other than statements of historical fact included in this Report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Report, the words "may," "forecast," "continue," "could," "would," "will," "plan," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the section titled "Risk Factors" included in this Report and in our Annual Report. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we believe that the forward-looking statements contained in this Report are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in such forward-looking statements, including but not limited to:

- our ability to successfully integrate the business of Hi-Crush Inc., a Delaware corporation ("Hi-Crush"), following completion of the Hi-Crush Transaction;
- our ability to return the Kermit facility to full production following the fire that occurred on April 14, 2024, and the required reconstruction, and the timing of that return to full production;
- the availability and extent of insurance coverage for the damages to the Kermit facility resulting from the fire;
- the ultimate impact of the Kermit facility incident on the Company's future performance;
- higher than expected costs to operate our proppant production and processing facilities and develop the Dune Express (as defined below);
- the amount of proppant we are able to produce, which could be adversely affected by, among other things, operating difficulties and unusual or unfavorable geologic conditions;
- the volume of proppant we are able to sell and our ability to enter into supply contracts for our proppant on acceptable terms;
- the prices we are able to charge, and the margins we are able to realize, from our proppant sales;
- the demand for and price of proppant, particularly in the Permian Basin;
- the success of our electric dredging transition efforts;
- fluctuations in the demand for certain grades of proppant;
- the domestic and foreign supply of and demand for oil and natural gas;
- the effects of actions by, or disputes among or between, members of the Organization of Petroleum Exporting Countries and other oil producing nations (together, "OPEC+") with respect to production levels or other matters related to the prices of oil and natural gas;
- changes in the price and availability of natural gas, diesel fuel or electricity that we use as fuel sources for our proppant production facilities and related equipment;
- the availability of capital and our liquidity;

•the level of competition from other companies;

•pending legal or environmental matters;

•changes in laws and regulations (or the interpretation thereof) or increased public scrutiny related to the proppant production and oil and natural gas industries, silica dust exposure or the environment;

•facility shutdowns in response to environmental regulatory actions;

•technical difficulties or failures;

•liability or operational disruptions due to pit-wall or pond failure, environmental hazards, fires, explosions, chemical mishandling or other industrial accidents;

•unanticipated ground, grade or water conditions;

•inability to obtain government approvals or acquire or maintain necessary permits or mining, access or water rights;

•changes in the price and availability of transportation services;

•inability of our customers to take delivery;

•difficulty collecting on accounts receivable;

•the level of completion activity in the oil and natural gas industry;

•inability to obtain necessary production equipment or replacement parts;

•the amount of water available for processing;

•any planned or future expansion projects or capital expenditures;

•our ability to finance equipment, working capital and capital expenditures;

•inability to successfully grow organically, including through future land acquisitions;

•inaccuracies in estimates of volumes and qualities of our frac sand reserves;

•failure to meet our minimum delivery requirements under our supply agreements;

•material nonpayment or nonperformance by any of our significant customers;

•development of either effective alternative proppants or new processes that replace hydraulic fracturing;

•our ability to borrow funds and access the capital markets;

•our ability to comply with covenants contained in our debt instruments;

•the potential deterioration of our customers' financial condition, including defaults resulting from actual or potential insolvencies;

•changes in global political or economic conditions, including sustained inflation as well as financial market instability or disruptions to the banking system due to bank failures, both generally and in the markets we serve;

•the impact of geopolitical developments and tensions, war and uncertainty in oil-producing countries (including the invasion of Ukraine by Russia, the Israel-Hamas war, continued instability in the Middle East, including from the Houthi rebels in Yemen, and any related political or economic responses and counter-responses or otherwise by various global actors or the general effect on the global economy);

•health epidemics, such as the COVID-19 pandemic, natural disasters or inclement or hazardous weather conditions, including but not limited to cold weather, droughts, flooding, tornadoes and the physical impacts of climate change;

•physical, electronic and cybersecurity breaches;

•the effects of litigation;

•plans, objectives, expectations and intentions described in this Report that are not historical; and

•other factors discussed elsewhere in this Report, including in Item 1A. "Risk Factors."

We caution you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, the risks described under the section titled “Item 1A. Risk Factors” in this Report and the risk factors disclosed under the heading “Risk Factors” included in our Annual Report.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Report. Should one or more of the risks or uncertainties described in this Report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. All forward-looking statements, expressed or implied, included in this Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements to reflect events or circumstances after the date of this Report.

Overview

We are a low-cost producer of high-quality, locally sourced 100 mesh and 40/70 sand used as a proppant during the well completion process. Proppant is necessary to facilitate the recovery of hydrocarbons from oil and natural gas wells. One hundred percent of Atlas LLC’s sand reserves are located in Texas within the Permian Basin and our operations consist of proppant production and processing facilities, including four facilities near Kermit, Texas (together, the “Kermit facilities”), a fifth facility near Monahans, Texas (the “Monahans facility”), and the OnCore distributed mining network. As of June 30, 2024, our combined annual production capacity is approximately 28 million tons.

We also operate a logistics platform that is designed to increase the efficiency, safety and sustainability of the oil and natural gas industry within the Permian Basin. This includes our fleet of fit-for-purpose trucks and trailers and will include the Dune Express, an overland conveyor infrastructure solution currently under construction.

Our Predecessor

The predecessor of Atlas Inc. consists of Atlas LLC and certain of its wholly-owned subsidiaries: Atlas Sand Employee Holding Company, LLC; Atlas Sand Employee Company, LLC; Atlas OLC Employee Company, LLC; Atlas Construction Employee Company, LLC; Fountainhead Logistics Employee Company, LLC; Atlas Sand Construction, LLC; OLC Kermit, LLC; OLC Monahans, LLC; and Fountainhead Logistics, LLC on a consolidated basis (all of which we refer to collectively as “Atlas Predecessor”). Historical periods for Atlas Predecessor are presented on a consolidated basis given the common control ownership. Unless otherwise indicated, the historical condensed consolidated financial information included in this Report presents the historical financial information of Atlas Predecessor. Historical condensed consolidated financial information is not indicative of the results that may be expected in any future periods.

The Up-C Simplification

On October 2, 2023, Old Atlas and the Company completed the Up-C Simplification contemplated by a master reorganization agreement (the “Master Reorganization Agreement”), dated as of July 31, 2023, by and among New Atlas, Old Atlas, Atlas Operating, AESI Merger Sub Inc., a Delaware corporation (“PubCo Merger Sub”), Atlas Operating Merger Sub, LLC, a Delaware limited liability company (“Opco Merger Sub” and, together with PubCo Merger Sub, the “Merger Subs”), and Atlas Sand Holdings, LLC, in order to, among other things, reorganize under a new public holding company (the “Up-C Simplification”).

Pursuant to the Master Reorganization Agreement, (a) PubCo Merger Sub merged with and into Old Atlas (the “PubCo Merger”), as a result of which (i) each share of Old Atlas’s Class A common stock, par value $0.01 per share (the “Old Atlas Class A Common Stock”), then issued and outstanding was exchanged for one share of New Atlas’s common stock, par value $0.01 per share (the “Common Stock”), (ii) all of the shares of Old Atlas’s Class B common stock, par value $0.01 per share, then issued and outstanding were surrendered and cancelled for no consideration and (iii) Old Atlas survived the PubCo Merger as a direct, wholly owned subsidiary of New Atlas; and (b) Opco Merger Sub merged with and into Atlas Operating (the “Opco Merger” and, together with the PubCo Merger, the “Mergers”), as a result of which (i) each common unit representing a membership interest in Atlas Operating (each, an “Operating Unit”) then issued and outstanding, other than those Operating Units held by Old Atlas, was exchanged for one share of Common Stock and (ii) Atlas Operating became a wholly-owned subsidiary of New Atlas.

Recent Developments

Hi-Crush Transaction

On March 5, 2024 (“Closing Date”), the Company completed the acquisition of the Permian Basin proppant production and logistics businesses and operations of Hi-Crush Inc., a Delaware corporation (“Hi-Crush”), in exchange for mixed consideration totaling $455.8 million, subject to customary post-closing adjustments(the “Hi-Crush Transaction”), pursuant to that certain Agreement and Plan of Merger, dated February 26, 2024 (the “Merger Agreement”), by and among the Company, Atlas LLC, Wyatt Merger Sub 1 Inc., a Delaware corporation and direct, wholly-owned subsidiary of Atlas LLC, Wyatt Merger Sub 2, LLC, a Delaware limited liability company and direct, wholly-owned subsidiary of Atlas LLC, Hi-Crush, each stockholder that had executed the Merger Agreement or a joinder thereto (each a “Hi-Crush Stockholder” and, collectively, the “Hi-Crush Stockholders”), Clearlake Capital Partners V Finance, L.P., solely in its capacity as the Hi-Crush Stockholders’ representative and HC Minerals Inc., a Delaware corporation (collectively, the “Parties”). For further discussion, refer to Note 3 - *Hi-Crush Transaction* of the unaudited condensed consolidated financial statements (the “Financial Statements”) included elsewhere in this Report.

The foregoing description of the Hi-Crush Transaction and the Merger Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, a copy of which is filed as Exhibit 2.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 8, 2024.

Kermit Facility Operational Update

On April 14, 2024, a mechanical fire occurred at one of the Company's plants in Kermit, Texas. The fire primarily impacted the feed system of the processing facility, which transports sand from the dryers and separators to storage silos. During the second quarter of 2024, the Company utilized temporary loadout equipment at the plant to continue production. The Company was able to transition to the temporary loadout within 11 days of the fire incident. Reconstruction of the feed system was completed in June 2024 and the plant was operational by June 30, 2024.

The Company performed an impairment analysis on the Kermit asset group as a result of the fire and determined that no impairment was required. The disposal of the damaged assets from the fire had a net book value of $11.1 million that was recorded as a loss on disposal of assets on the condensed consolidated statements of operations. The Company has filed an insurance claim and is in the process of recovering replacement costs for returning the plant to production. The Company has recorded $10.0 million of insurance recovery in connection with this incident as this recovery amount is deemed collectable and legally enforceable as of June 30, 2024. The proceeds are recorded as insurance recovery (gain) on the condensed consolidated statements of operations and within accounts receivable on the condensed consolidated balance sheets.

Financial Developments

Deferred Cash Consideration Note

In accordance with the Merger Agreement, the Company issued a secured PIK toggle seller note in an initial aggregate principle amount of $111.8 million, subject to customary purchase price adjustments, with a final maturity date of January 31, 2026 (the “Deferred Cash Consideration Note”). The Deferred Cash Consideration Note was part of the consideration transferred and valued at fair value at the acquisition date. The Deferred Cash Consideration Note bears interest at a rate of 5.00% per annum if paid in cash, or 7.00% per annum if paid in kind. Interest on the Deferred Cash Consideration Note is payable quarterly in arrears beginning March 29, 2024 through maturity.

The Deferred Cash Consideration Note included $4.6 million of debt discount and approximately $0.1 million deferred financing costs. The discount and deferred financing costs are a direct reduction from the carrying amount of the debt obligation on the Company’s condensed consolidated balance sheets and are amortized to interest expense using the effective interest method.

Atlas LLC’s obligations under the Deferred Cash Consideration Note are secured by certain of the assets acquired in connection with the Hi-Crush Transaction. The Deferred Cash Consideration Note is also unconditionally guaranteed by Atlas LLC on an unsecured basis.

First Amendment to the 2023 Term Loan Credit Agreement

On February 26, 2024, the Company, Atlas LLC and certain other subsidiaries of the Company entered into the First Amendment to Credit Agreement (the “Term Loan Amendment”), among Company, Atlas LLC, the lenders party thereto and Stonebriar Commercial Finance LLC (“Stonebriar”), as administrative agent (the “Term Agent”), which amends the 2023 Term Loan Credit Agreement (as defined below under “Debt Agreements”).

The Term Loan Amendment provided an additional delayed draw term loan (the “ADDT Loan”), in the aggregate principal amount of $150.0 million with interest (computed on the basis of a 365-day year for the actual number of days elapsed) on the unpaid principal amount thereof from and including the date of amendment until paid in full at the rate of 10.86% per annum. The ADDT Loan is payable in 76 consecutive monthly installments of combined principal and interest, each in the amount of $2.7 million commencing April 1, 2024 and continuing up to and including August 1, 2030.

The ADDT Loan included $1.5 million of debt discount $0.5 million deferred financing costs. The discount and deferred financing costs are a direct reduction from the carrying amount of the debt obligation on the Company's condensed consolidated balance sheets and are amortized to interest expense using the effective interest method.

First Amendment to the 2023 ABL Credit Agreement

On February 26, 2024, Atlas LLC and certain other subsidiaries of the Company entered into the First Amendment to Loan, Security and Guaranty Agreement (the "ABL Amendment"), among Atlas LLC, the subsidiary guarantors party thereto, the lenders party thereto and the ABL Agent (as defined below under "Debt Agreements"), which amends the 2023 ABL Credit Agreement (as defined below under "Debt Agreements").

The ABL Amendment increased the revolving credit commitment to $125.0 million. The existing lenders increased their commitment by $25.0 million which resulted in a debt modification under Accounting Standards Codification ("ASC") 470, "Debt." The ABL Amendment also added a new lender with a $25.0 million commitment, thus creating a new debt arrangement under ASC 470, "Debt." The deferred financing costs and debt issuance cost will be amortized on a prospective basis over the term of the agreement. The maturity date of the ABL Credit Agreement was extended from February 22, 2028 to the earliest of (a) February 26, 2029; (b) the date that is 91 days prior to the maturity date for any portion of the Term Loan Debt; or (c) any date on which the aggregate Commitments terminate hereunder.

The ABL Amendment requires that if Availability (as defined in the 2023 ABL Credit Agreement) is less than the greater of (i) 12.50% of the Borrowing Base and (ii) $12.5 million, Atlas LLC must maintain a Fixed Charge Coverage Ratio (as defined in the 2023 ABL Credit Agreement) of at least 1.00 to 1.00 while a Covenant Trigger Period (as defined in the 2023 ABL Credit Agreement) is in effect.

Under the ABL Amendment, Atlas LLC is permitted to make payments of dividends and distributions pursuant to certain limited exceptions and baskets set forth therein and otherwise generally subject to certain restrictions described therein, including that (i) no Event of Default (as defined under the 2023 ABL Credit Agreement) has occurred and is continuing, and (ii) no loans and no more than $7.5 million in letters of credit that have not been cash collateralized are outstanding, and liquidity exceeds $30.0 million at all times during the 30 days prior to the date of the dividend or distribution; provided that if any loans are outstanding or outstanding letters of credit exceed $7.5 million and no Event of Default has occurred and is continuing, then Atlas LLC is permitted to make payments of dividends and distributions if, (i) Specified Availability (as defined under the 2023 ABL Credit Agreement) is higher than the greater of (a) $20.0 million and (b) 20% of the pro forma Borrowing Base (as defined under the 2023 ABL Credit Agreement) then in effect and during the 30 days prior to the date of the dividend or distribution as if such dividend or distribution had been made at the beginning of such period, or if (ii) (a) Specified Availability is higher than the greater of (x) $15.0 million and (y) 15% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distributions as if such dividend or distribution had been made at the beginning of such period and (b) the Fixed Charge Coverage Ratio (as defined under the 2023 ABL Credit Agreement), as calculated on a pro forma basis, is greater than 1.00 to 1.00, as provided under the 2023 ABL Credit Agreement. Additionally, Atlas LLC may make additional payments of dividends and distributions in qualified equity interests and may make Permitted Tax Distributions (as defined under the 2023 ABL Credit Agreement).

On March 5, 2024, the Company drew down $50.0 million under the 2023 ABL Credit Facility for general corporate purposes. The draw included $0.3 million in debt issuance costs and $0.3 million in deferred financing costs. These costs are recorded under other long-term assets on the condensed consolidated balance sheets and are amortized on a straight-line basis over the life of the agreement.

Dividends and Distributions

On February 8, 2024, the Company declared a dividend of $0.21 per share (base dividend of $0.16 per share and a variable dividend of $0.05 per share) of Common Stock. The dividend was paid on February 29, 2024 to holders of record of Common Stock as of the close of business on February 22, 2024.

On May 6, 2024, the Company declared a dividend of $0.22 per share (base dividend of $0.16 per share and a variable dividend of $0.06 per share) of Common Stock. The dividend was paid on May 23, 2024 to holders of record of Common Stock as of the close of business on May 16, 2024.

On August 1, 2024, the Company declared a dividend of $0.23 per share of Common Stock. The dividend will be payable on August 22, 2024 to holders of record of Common Stock as of the close of business on August 15, 2024.

Recent Trends and Outlook

The price for West Texas Intermediate ("WTI") crude oil ended the second quarter of 2024 at $82.69 per barrel ("Bbl"), as compared to $81.28 per Bbl in the first quarter of 2024, representing a modest increase of approximately 2%. Range bound commodity prices indicated a comfortably supplied oil market during the quarter, which was marginally offset by slowing demand. OPEC+ countries reiterated that a further rollback on future production cuts would be subject to market conditions. This coupled with continued geopolitical tensions across Europe and the Middle East have supported a higher oil price environment as conflicts in both Ukraine and Gaza persist.

As a result, oilfield activity levels during the period were relatively muted. The Permian Basin drilling rig count declined by eight active rigs quarter-over-quarter, ending the period at 308 active rigs. While we are seeing efficiencies drive overall shale production, fewer drilling rigs and hydraulic fracturing crews are required for the equivalent production output.

However, notwithstanding the volatility in the oil and gas markets, there remain three potential positive long-term trends that benefit us:

- First, E&P companies continue to drill longer lateral wells, which drives up proppant demand for each well completed in the Permian Basin. Longer laterals increase the number of frac stages required to frac as well. As lateral lengths continue to increase, the aggregate amount of proppant per well increases.
- Second, frac sand demand continues to increase due to improved completion efficiencies, driven by steady improvement in the average tons of sand pumped per frac crew per month. As frac crews become more efficient, they are able to increase their monthly sand consumption.
- Third, E&P companies continue to adopt Simul- and Trimul-frac completions designs, which can consume up to 30% more proppant than typical legacy completion designs.

We believe our increase in size and enhanced scale and reliability, in part resulting from the acquisition of Hi-Crush, will allow us to meet the growing scale of E&P companies as they continue to consolidate. While the available Permian Basin proppant supply continues to grow, we believe the market has the potential to remain stable during the second half of 2024, and potential to tighten in 2025 as we believe activity levels could increase in the event commodity prices move higher.

How We Generate Revenue

We generate revenue by mining, processing and distributing proppant that our customers use in connection with their operations. We sell proppant to our customers under supply agreements or as spot sales at prevailing market rates, which is dependent upon the cost of producing proppant, the proppant volumes sold and the desired margin and prevailing market conditions.

Revenues also include charges for sand logistics services provided to our customers. Our logistics service revenue fluctuates based on several factors, including the volume of proppant transported, the distance between our facilities and our customers, and prevailing freight rates. Revenue is generally recognized as products are delivered in accordance with the contract.

Some of our contracts contain shortfall provisions that calculate agreed upon fees that are billed when the customer does not satisfy the minimum purchases over a period of time defined in each contract.

Costs of Conducting Our Business

We incur operating costs primarily from direct and indirect labor, freight charges, utility costs, fuel and maintenance costs and royalties. We incur labor costs associated with employees at our proppant production facilities, which represent the most significant cost of converting proppant to finished product. Our proppant production facilities undergo maintenance to minimize unscheduled downtime and ensure the ongoing quality of our proppant and ability to meet customer demands. We may incur variable utility costs in connection with the operation of our processing facilities, primarily natural gas and electricity, which are both susceptible to market fluctuations. We lease equipment in many areas of our operations, including our proppant production hauling equipment. We incur variable royalty expense and/or delay rentals related to our agreements with the owners of our reserves. In addition, other costs including overhead allocation, depreciation and depletion are capitalized as a component of inventory and are reflected in cost of sales when inventory is sold. Our logistics services incur operating costs primarily composed of variable freight charges from trucking companies' delivery of sand to customer wellsites, equipment leases, direct and indirect labor, fuel and maintenance costs and royalties.

How We Evaluate Our Operations

Non-GAAP Financial Measures

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Adjusted EBITDA less Capital Expenditures, Adjusted Free Cash Flow Margin, Adjusted EBITDA less Capital Expenditures Margin, Adjusted Free Cash Flow Conversion, Contribution Margin, Maintenance Capital Expenditures and Net Debt are non-GAAP supplemental financial measures used by our management and by external users of our Financial Statements such as investors, research analysts and others, in the case of Adjusted EBITDA, to assess our operating performance on a consistent basis across periods by removing the effects of development activities, provide views on capital resources available to organically fund growth projects and, in the case of Adjusted Free Cash Flow and Adjusted EBITDA less Capital Expenditures, assess the financial performance of our assets and their ability to sustain dividends or reinvest to organically fund growth projects over the long term without regard to financing methods, capital structure or historical cost basis.

We define Adjusted EBITDA as net income before depreciation, depletion and accretion expense, interest expense, income tax expense, stock and unit-based compensation, loss on extinguishment of debt, loss on disposal of assets, insurance recovery (gain), unrealized commodity derivative gain (loss), other acquisition related costs, and non-recurring transaction costs. Management believes Adjusted EBITDA is useful because it allows them to more effectively evaluate our operating performance and compare the results of our operations from period to period and against our peers without regard to our financing methods or capital structure. We exclude the items listed above from net income in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired.

We define Adjusted EBITDA Margin as Adjusted EBITDA divided by total sales.

We define Adjusted Free Cash Flow as Adjusted EBITDA less Maintenance Capital Expenditures. We define Adjusted EBITDA less Capital Expenditures as Adjusted EBITDA less net cash used in investing activities. We believe that Adjusted Free Cash Flow and Adjusted EBITDA less Capital Expenditures are useful to investors as they provide measures of the ability of our business to generate cash.

We define Adjusted Free Cash Flow Margin as Adjusted Free Cash Flow divided by total sales.

We define Adjusted EBITDA less Capital Expenditures Margin as Adjusted EBITDA less Capital Expenditures divided by total sales.

We define Adjusted Free Cash Flow Conversion as Adjusted Free Cash Flow divided by Adjusted EBITDA.

We define Contribution Margin as gross profit plus depreciation, depletion and accretion expense.

We define Maintenance Capital Expenditures as capital expenditures excluding growth capital expenditures and reconstruction of previously incurred growth capital expenditures.

We define Net Debt as total debt, net of discount and deferred financing costs, plus right-of-use lease liabilities, less cash and cash equivalents.

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Adjusted EBITDA less Capital Expenditures, Adjusted Free Cash Flow Margin, Adjusted EBITDA less Capital Expenditures Margin, Adjusted Free Cash Flow Conversion, Contribution Margin, Maintenance Capital Expenditures and Net Debt do not represent and should not be considered alternatives to, or more meaningful than, net income, income from operations, net cash provided by operating activities or any other measure of financial performance presented in accordance with GAAP as measures of our financial performance. Adjusted EBITDA, Adjusted Free Cash Flow, and Adjusted EBITDA less Capital Expenditures have important limitations as analytical tools because they exclude some but not all items that affect net income, the most directly comparable GAAP financial measure. Our computation of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Adjusted Free Cash Flow Margin, Adjusted EBITDA less Capital Expenditures, Adjusted EBITDA less Capital Expenditures Margin, Adjusted Free Cash Flow Conversion, Contribution Margin, Maintenance Capital Expenditures and Net Debt may differ from computations of similarly titled measures of other companies.

The following table presents a reconciliation of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Adjusted EBITDA less Capital Expenditures, Adjusted Free Cash Flow Margin, Adjusted EBITDA less Capital Expenditures Margin, Adjusted Free Cash Flow Conversion, Contribution Margin, Maintenance Capital Expenditures and Net Debt to the most directly comparable GAAP financial measure for the periods indicated.

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(unaudited) (In thousands)			
Net income (1)	**$ 14,837**	**$ 71,211**	**$ 41,624**	**$ 134,116**
Depreciation, depletion and accretion expense	25,886	9,814	43,893	18,622
Amortization expense of acquired intangible assets	3,768	—	4,829	—
Interest expense	12,014	4,027	18,990	8,048
Income tax expense	3,066	5,054	11,001	12,731
EBITDA	**$ 59,571**	**$ 90,106**	**$ 120,337**	**$ 173,517**
Stock and unit-based compensation	5,466	1,624	9,672	2,246
Loss on disposal of assets	11,098	—	11,098	—
Insurance recovery (gain)	(10,000)	—	(10,000)	—
Non-recurring transaction costs	22	1,116	390	1,116
Other acquisition related costs	5,888	—	16,091	—
Adjusted EBITDA	**72,045**	**92,846**	**147,588**	**176,879**
Maintenance Capital Expenditures	5,418	6,025	9,878	10,787
Adjusted Free Cash Flow	**$ 66,627**	**$ 86,821**	**$ 137,710**	**$ 166,092**

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(unaudited) (In thousands)			
Net income (1)	**$ 14,837**	**$ 71,211**	**$ 41,624**	**$ 134,116**
Depreciation, depletion and accretion expense	25,886	9,814	43,893	18,622
Amortization expense of acquired intangible assets	3,768	—	4,829	—
Interest expense	12,014	4,027	18,990	8,048
Income tax expense	3,066	5,054	11,001	12,731
EBITDA	**$ 59,571**	**$ 90,106**	**$ 120,337**	**$ 173,517**
Stock and unit-based compensation expense	5,466	1,624	9,672	2,246
Loss on disposal of assets	11,098	—	11,098	—
Insurance recovery (gain)	(10,000)	—	(10,000)	—
Non-recurring transaction costs	22	1,116	390	1,116
Other acquisition related costs	5,888	—	16,091	—
Adjusted EBITDA	**$ 72,045**	**$ 92,846**	**$ 147,588**	**$ 176,879**
Capital expenditures	115,790	85,895	211,276	146,835
Hi-Crush acquisition	—	—	142,233	—
Adjusted EBITDA less Capital Expenditures	**$ (43,745)**	**$ 6,951**	**$ (205,921)**	**$ 30,044**

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(unaudited) (In thousands)			
Net cash provided by operating activities	**$ 60,856**	**$ 103,883**	**$ 100,418**	**$ 158,118**
Current income tax expense (2)	308	(765)	722	3,104
Change in operating assets and liabilities	(6,586)	(15,212)	11,914	7,107
Cash interest expense (2)	10,813	3,804	17,304	7,619
Maintenance Capital Expenditures (2)	(5,418)	(6,025)	(9,878)	(10,787)
Non-recurring transaction costs	22	1,116	390	1,116
Other acquisition related costs	5,888	—	16,091	—
Other	744	20	749	(185)
Adjusted Free Cash Flow	**$ 66,627**	**$ 86,821**	**$ 137,710**	**$ 166,092**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited) (In thousands, except percentages)			
Net cash provided by operating activities	**$ 60,856**	**$ 103,883**	**$ 100,418**	**$ 158,118**
Current income tax expense (2)	308	(765)	722	3,104
Change in operating assets and liabilities	(6,586)	(15,212)	11,914	7,107
Cash interest expense (2)	10,813	3,804	17,304	7,619
Capital expenditures	(115,790)	(85,895)	(211,276)	(146,835)
Hi-Crush acquisition	—	—	(142,233)	—
Non-recurring transaction costs	22	1,116	390	1,116
Other acquisition related costs	5,888	—	16,091	—
Other	744	20	749	(185)
Adjusted EBITDA less Capital Expenditures	**$ (43,745)**	**$ 6,951**	**$ (205,921)**	**$ 30,044**
Adjusted EBITDA Margin	25.1 %	57.4 %	30.7 %	56.1 %
Adjusted EBITDA less Capital Expenditure Margin	(15.2)%	4.3 %	(42.9)%	9.5 %
Adjusted Free Cash Flow Margin	23.2 %	53.7 %	28.7 %	52.7 %
Adjusted Free Cash Flow Conversion	92.5 %	93.5 %	93.3 %	93.9 %

	Three Months Ended June, 30		Six Months Ended June, 30	
	2024	2023	2024	2023
	(unaudited) (In thousands)			
Gross Profit	**$ 60,355**	**$ 88,851**	**$ 129,101**	**$ 171,195**
Depreciation, depletion and accretion expense	25,027	9,433	42,202	17,952
Contribution Margin	**$ 85,382**	**$ 98,284**	**$ 171,303**	**$ 189,147**

(1)Atlas Inc. is a corporation and is subject to U.S. federal income tax. Atlas LLC has elected to be treated as a partnership for income tax purposes and, therefore, was not subject to U.S. federal income tax at an entity level during the periods presented. As a result, the condensed consolidated net income in our historical financial statements does not reflect the tax expense we would have incurred if we had been subject to U.S. federal income tax at an entity level during such periods.
(2)A reconciliation of the adjustment of these items used to calculate Adjusted Free Cash Flow to the Financial Statements is included below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited) (In thousands)			
Current tax expense reconciliation:				
Income tax expense	**$ 3,066**	**$ 5,054**	**$ 11,001**	**$ 12,731**
Less: deferred tax expense	(2,758)	(5,819)	(10,279)	(9,627)
Current income tax expense (benefit)	**$ 308**	**$ (765)**	**$ 722**	**$ 3,104**
Cash interest expense reconciliation:				
Interest expense, net	**$ 10,458**	**$ 521**	**$ 15,436**	**$ 3,963**
Less: Amortization of debt discount	(1,083)	(120)	(1,490)	(238)
Less: Amortization of deferred financing costs	(118)	(104)	(196)	(191)
Less: Interest income	1,556	3,507	3,554	4,085
Cash interest expense	**$ 10,813**	**$ 3,804**	**$ 17,304**	**$ 7,619**
Maintenance Capital Expenditures, accrual basis reconciliation:				
Purchases of property, plant and equipment	**$ 115,790**	**$ 85,895**	**$ 211,276**	**$ 146,835**
Changes in operating assets and liabilities associated with investing activities (3)	16,134	20,996	13,559	27,807
Less: Growth capital expenditures and reconstruction of previously incurred growth capital expenditures	(126,506)	(100,866)	(214,957)	(163,855)
Maintenance Capital Expenditures, accrual basis	**$ 5,418**	**$ 6,025**	**$ 9,878**	**$ 10,787**

	June 30, 2024	June 30, 2023
	(unaudited) (In thousands)	
Total Debt	**$ 478,003**	**$ 130,947**
Discount and deferred financing costs	12,361	1,475
Finance right-of-use lease liabilities	7,146	39,330
Cash and cash equivalents	104,723	341,674
Net Debt	**$ 392,787**	**$ (169,922)**

(3)Positive working capital changes reflect capital expenditures in the current period that will be paid in a future period. Negative working capital changes reflect capital expenditures incurred in a prior period but paid during the period presented.

Factors Affecting the Comparability of Our Results of Operations

M&A Activity

On March 5, 2024, the Company completed the Hi-Crush Transaction, in which the Company acquired substantially all of Hi-Crush's Permian Basin proppant production and logistics businesses and operations in exchange for (i) cash consideration of $140.1 million, (ii) 9.7 million shares of Common Stock issued at the closing of the transaction, and (iii) the Deferred Cash Consideration Note in an initial aggregate principle amount of $111.8 million. This history impacts the comparability of our operational results from year to year. Additional information on these transactions can be found in Note 3 - *Hi-Crush Transaction* of the condensed consolidated financial statements included elsewhere in this Report.

Public Company Expenses

As a result of the IPO, we incurred direct, incremental selling, general and administrative expenses as a result of being a publicly traded company, including, but not limited to, costs associated with hiring new personnel, implementation of compensation programs that are competitive with our public company peer group, including stock-based compensation, preparing quarterly reports to stockholders, tax return preparation, independent and internal auditor fees, investor relations activities, registrar and transfer agent fees, incremental director and officer liability insurance costs and independent director compensation. These direct, incremental selling, general and administrative expenses are not included in our results of operations prior to the IPO.

Income Taxes

Atlas Inc. is a corporation subject to U.S. federal, state and local income taxes. Although Atlas Predecessor is subject to margin tax in the State of Texas (at less than 1% of modified pre-tax earnings), it is and historically has been treated as a pass-through entity for U.S. federal, state and local income tax purposes, and as such generally is and was not subject to U.S. federal, state or local income taxes. Rather, the tax liability with respect to the taxable income of Atlas Predecessor is and was passed through to its owners. Accordingly, the financial data attributable to Atlas Predecessor contains no provision for U.S. federal income taxes or income taxes in any state or locality (other than margin tax in the State of Texas). Atlas Inc. is subject to U.S. federal, state and local taxes at a blended statutory rate of approximately 22%.

We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled pursuant to the provisions of ASC 740, Income Taxes. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

On March 13, 2023 (the closing date of the IPO), a corresponding deferred tax liability of approximately $27.5 million associated with the differences between the tax and book basis of the investment in Atlas LLC was recorded. The offset of the deferred tax liability was recorded to additional paid-in capital.

On October 2, 2023, the date on which the Company completed the Up-C Simplification, a corresponding deferred tax liability of approximately $62.7 million was recorded associated with the exchange of the redeemable noncontrolling interest in Old Atlas for shares of the Company's Common Stock. The offset of the deferred tax liability was recorded to additional paid-in capital.

Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited) (In thousands)			
Product sales	$ 128,210	$ 125,216	$ 241,642	$ 253,358
Service sales	159,308	36,572	238,543	61,848
Total sales	287,518	161,788	480,185	315,206
Cost of sales (excluding depreciation, depletion and accretion expense)	202,136	63,504	308,882	126,059
Depreciation, depletion and accretion expense	25,027	9,433	42,202	17,952
Gross profit	60,355	88,851	129,101	171,195
Operating expenses:				
Selling, general and administrative expense (including stock and unit-based compensation expense of $5,466, $1,624, $9,672, and $2,246, respectively)	27,266	12,183	55,274	20,687
Amortization expense	3,768	—	4,829	—
Loss on disposal of assets	11,098	—	11,098	—
Insurance recovery (gain)	(10,000)	—	(10,000)	—
Operating income	28,223	76,668	67,900	150,508
Interest (expense), net	(10,458)	(521)	(15,436)	(3,963)
Other income	138	118	161	302
Income before income taxes	17,903	76,265	52,625	146,847
Income tax expense	3,066	5,054	11,001	12,731
Net income	$ 14,837	$ 71,211	$ 41,624	$ 134,116

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Product Sales. Product sales increased by $3.0 million to $128.2 million for the three months ended June 30, 2024, as compared to $125.2 million for the three months ended June 30, 2023. A decrease in proppant prices between the periods contributed a $89.2 million decrease in product sales, while a increase in sales volume contributed to a $92.2 million increase in product sales.

Service Sales. Services sales, which includes freight for last-mile logistics services, increased by $122.7 million to $159.3 million for the three months ended June 30, 2024, as compared to $36.6 million for the three months ended June 30, 2023. The increase in logistics revenue was due to higher sales volumes shipped to last-mile logistics customers as well as a full quarter of contribution from Hi-Crush.

Cost of sales (excluding depreciation, depletion and accretion expense). Cost of sales (excluding depreciation, depletion and accretion expense) increased by $138.6 million to $202.1 million for the three months ended June 30, 2024, as compared to $63.5 million for the three months ended June 30, 2023.

Cost of sales (excluding depreciation, depletion and accretion) related to product sales increased by $36.4 million to $68.0 million for the three months ended June 30, 2024, as compared to $31.6 million for the three months ended June 30, 2023, due to a full quarter of contribution from Hi-Crush as well as $7.0 million of the cost related to additional temporary loadout equipment associated with the mechanical fire at the Kermit facility. This was offset by a decrease in utility and royalty expense over the period.

Cost of sales (excluding depreciation, depletion and accretion expense) related to services increased by $102.2 million to $134.1 million for the three months ended June 30, 2024, as compared to $31.9 million for the three months ended June 30, 2023. The increase was due to higher sales volumes shipped to last-mile logistics customers during the period as well as a full quarter of contribution from Hi-Crush.

Depreciation, depletion and accretion expense. Depreciation, depletion and accretion expense increased by $15.6 million to $25.0 million for the three months ended June 30, 2024, as compared to $9.4 million for the three months ended June 30, 2023, due to additional depreciable assets placed into service when compared to the prior period as well as a full quarter of contribution from Hi-Crush.

Selling, general and administrative expense. Selling, general and administrative expense increased by $15.1 million to $27.3 million for the three months ended June 30, 2024, as compared to $12.2 million for the three months ended June 30, 2023. The increase is due to $8.4 million of employee costs, including an increase of $3.9 million of stock-based compensation expense, $0.8 million of travel, sales and other corporate expenses associated with incremental costs incurred in conjunction with our acquisition of Hi-Crush, and $5.9 million of other acquisition related costs related to the Hi-Crush Transaction during the three months ended June 30, 2024, compared to the three months ended June 30, 2023.

Our selling, general and administrative expense includes the non-cash expense for stock-based compensation expense for equity awards granted to our employees. For the three months ended June 30, 2024, stock-based compensation expense was $5.5 million, as compared to $1.6 million of stock-based expense for the three months ended June 30, 2023.

Loss on disposal of assets. Loss on disposal of assets increased by $11.1 million to $11.1 million for the three months ended June 30, 2024, as compared to no loss on disposal of assets for the three months ended June 30, 2023, due to $11.1 million of certain assets associated with mechanical fire at the Kermit facility having no remaining carrying value and were disposed. See *Note 1 - Business and Organization - Kermit Facility Operational Update* for more information.

Insurance recovery (gain). Insurance recovery increased by $10.0 million to $10.0 million for the three months ended June 30, 2024, as compared to no insurance recovery for the three months ended June 30, 2023, due to $10.0 million of an insurance claim associated with the mechanical fire being deemed collectable and legally enforceable as of June 30, 2024. See *Note 1 - Business and Organization - Kermit Facility Operational Update* for more information.

Interest (expense), net. Interest expense, net increased by $10.0 million to $10.5 million for the three months ended June 30, 2024, as compared to $0.5 million for the three months ended June 30, 2023. The increase is driven by the acquisition financing for the Hi-Crush Transaction, consisting of the $150.0 million ADDT Loan and $111.8 million Deferred Cash Consideration Note.

Income tax expense. Income tax expense decrease $2.0 million to $3.1 million for the three months ended June 30, 2024, as compared to $5.1 million for the three months ended June 30, 2023. The decrease is primarily due to a decrease in income before income taxes.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Product Sales. Product sales decreased by $11.8 million to $241.6 million for the six months ended June 30, 2024, as compared to $253.4 million for the six months ended June 30, 2023. A decrease in proppant prices between the periods contributed to a $158.4 million decrease in product sales, while a increase in sales volume contributed to a $146.6 million increase in product sales.

Service Sales. Services sales, which includes freight for last-mile logistics services, increased by $176.7 million to $238.5 million for the six months ended June 30, 2024, as compared to $61.8 million for the six months ended June 30, 2023. The increase in logistics revenue was due to higher sales volumes shipped to last-mile logistics customers as well as a full quarter of contribution from Hi-Crush.

Cost of sales (excluding depreciation, depletion and accretion expense). Cost of sales (excluding depreciation, depletion and accretion expense) increased by $182.8 million to $308.9 million for the six months ended June 30, 2024, as compared to $126.1 million for the six months ended June 30, 2023.

Cost of sales (excluding depreciation, depletion and accretion) related to product sales increased by $36.0 million to $107.4 million for the six months ended June 30, 2024, as compared to $71.4 million for the six months ended June 30, 2023, due to a full quarter of contribution from Hi-Crush as well as $7.0 million of the cost related to additional temporary loadout equipment associated with the mechanical fire at the Kermit facility. This was offset by a decrease in maintenance, utility and royalty expense over the period.

Cost of sales (excluding depreciation, depletion and accretion expense) related to services increased by $146.8 million to $201.5 million for the six months ended June 30, 2024, as compared to $54.7 million for the six months ended June 30, 2023. The increase was due to higher sales volumes shipped to last-mile logistics customers during the period as well as a full quarter of contribution from Hi-Crush.

Depreciation, depletion and accretion expense. Depreciation, depletion and accretion expense increased by $24.2 million to $42.2 million for the six months ended June 30, 2024, as compared to $18.0 million for the six months ended June 30, 2023, due to additional depreciable assets placed into service when compared to the prior period as well as a full quarter of contribution from Hi-Crush.

Selling, general and administrative expense. Selling, general and administrative expense increased by $34.6 million to $55.3 million for the six months ended June 30, 2024, as compared to $20.7 million for the six months ended June 30, 2023. The increase is due to an increase of $14.0 million of employee costs, including an increase of $7.5 million of stock-based compensation expense, $4.1 million of travel, sales and other corporate expenses associated with incremental costs incurred in conjunction with our acquisition of Hi-Crush, and $16.5 million of non-recurring transaction costs and other acquisition related costs related to the Hi-Crush Transaction during the six months ended June 30, 2024, compared to the six months ended June 30, 2023.

Our selling, general and administrative expense includes the non-cash expense for stock-based compensation expense for equity awards granted to our employees. For the six months ended June 30, 2024, stock-based compensation expense was $9.7 million, as compared to $2.2 million of stock and unit-based compensation expense for the six months ended June 30, 2023.

Loss on disposal of assets. Loss on disposal of assets increased by $11.1 million to $11.1 million for the six months ended June 30, 2024, as compared to no loss on disposal of assets for the six months ended June 30, 2023, due to $11.1 million of certain assets associated with mechanical fire at the Kermit facility having no remaining carrying value and were disposed. See *Note 1 - Business and Organization - Kermit Facility Operational Update* for more information.

Insurance recovery (gain). Insurance recovery increased by $10.0 million to $10.0 million for the six months ended June 30, 2024, as compared to no insurance recovery for the six months ended June 30, 2023, due to $10.0 million of an insurance claim associated with the mechanical fire being deemed collectable and legally enforceable as of June 30, 2024. See *Note 1 - Business and Organization - Kermit Facility Operational Update* for more information.

Interest (expense), net. Interest expense, net increased by $11.4 million to $15.4 million for the six months ended June 30, 2024, as compared to $4.0 million for the six months ended June 30, 2023. The increase is driven by the acquisition financing for the Hi-Crush Transaction, consisting of the $150.0 million ADDT Loan and $111.8 million Deferred Cash Consideration Note.

Income tax expense. Income tax expense deceased by $1.7 million to $11.0 million for the six months ended June 30, 2024, as compared to $12.7 million for the six months ended June 30, 2023. The decrease is primarily due to a decrease in income before income taxes. This was offset by an increase from Atlas Inc. incurring U.S. federal income taxes subsequent to our IPO for the full six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity to date have been capital contributions from our owners, cash flows from operations, and borrowings under our previous term loan credit facilities, and our previous asset-based loan credit facilities. Going forward, we expect our primary sources of liquidity to be cash flows from operations, availability under our 2023 ABL Credit Facility as amended (as defined below under "–Debt Agreements"), borrowings under our 2023 Term Loan Credit Facility as amended (as defined below under –Debt Agreements"), or any other credit facility we enter into in the future and proceeds from any future issuances of debt or equity securities. We expect our primary use of capital will be for payment of any dividends to our stockholders and for investing in our business, specifically for construction of the Dune Express, and acquisition of fit-for-purpose equipment for our trucking fleet used in our logistics platform. In addition, we have routine facility upgrades and additional ancillary capital expenditures associated with, among other things, contractual obligations and working capital obligations.

As of June 30, 2024, we had working capital, defined as current assets less current liabilities, of $125.8 million, $74.5 million of availability under the 2023 ABL Credit Facility, and $100.0 million of DDT Loans (as defined below under "Debt Agreements). Our cash and cash equivalents totaled $104.7 million.

Cash Flow

The following table summarizes our cash flow for the periods indicated:

	Six Months Ended June 30,	
	2024	2023
	(unaudited)	
Consolidated Statement of Cash Flow Data:	(In thousands)	
Net cash provided by operating activities	$ 100,418	$ 158,118
Net cash used in investing activities	(353,509)	(146,835)
Net cash provided by financing activities	147,640	248,381
Net increase (decrease) in cash	$ (105,451)	$ 259,664

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Net Cash Provided by Operating Activities. Net cash provided by operating activities was $100.4 million and $158.1 million for the six months ended June 30, 2024 and 2023, respectively. The decrease is primarily attributable to increased cost of sales (excluding depreciation, depletion and accretion expense) of $182.8 million as well as an increase in selling, general and administrative expense of $34.6 million. The increase was partially offset by a $165.0 million increase in revenues.

Net Cash Used in Investing Activities. Net cash used in investing activities was $353.5 million and $146.8 million for the six months ended June 30, 2024 and 2023, respectively. The increase is primarily attributable to $142.2 million spent on the Hi-Crush Transaction as well as capital spending at the Kermit and Monahans facilities, Dune Express and logistics assets during the six months ended June 30, 2024 when compared to the six months ended June 30, 2023.

Net Cash Provided by Financing Activities. Net cash provided by financing activities was $147.6 million and $248.4 million for the six months ended June 30, 2024 and 2023, respectively. This decrease is primarily related to $303.4 million of initial IPO proceeds raised in June 30, 2023 as compared to June 30, 2024. This was offset by an increase of $201.5 million of net proceeds from borrowing related to our acquisition financing during the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

Capital Requirements

Our primary growth and technology initiatives include continued construction of the Dune Express and acquisition of fit-for-purpose equipment for our trucking fleet. Outside of our growth and technology initiatives, our business is not presently capital intensive in nature and only requires the maintenance of our facilities. In addition to capital expenditures, we have certain contractual long-term capital requirements associated with our lease, royalty payments and debt. See Note 7 - *Leases*, Note 8 - *Debt* and Note 9 - *Commitments and Contingencies* of the Financial Statements included elsewhere in this Report. Our current level of maintenance capital expenditures is expected to remain within our cash on hand and internally generated cash flow.

We intend to fund our capital requirements through our primary sources of liquidity, which include cash on hand and cash flows from operations and, if needed, availability under our 2023 ABL Credit Facility and borrowings under our 2023 Term Loan Credit Facility.

At any time that our Board declares a dividend to holders of our Common Stock, we currently expect such dividend to be paid from cash provided by operating activities. We do not expect to borrow funds to finance dividends on our Common Stock. The timing and amount of any future dividends will be subject to the discretion of our Board from time to time.

Debt Agreements

Deferred Cash Consideration Note

In accordance with the Merger Agreement, the Company issued the Deferred Cash Consideration Note in favor of the Hi-Crush Stockholders in the original aggregate principal amount of $111.8 million. The Deferred Cash Consideration Note was part of the consideration transferred and valued at fair value at the acquisition date, which is subject to customary purchase price adjustments and payable in cash or in kind, at Atlas LLC's election. The Deferred Cash Consideration Note will mature on January 31, 2026 and bears interest at a rate of 5.00% per annum if paid in cash, or 7.00% per annum if paid in kind. Interest on the Deferred Cash Consideration Note is payable quarterly in arrears beginning March 29, 2024 through maturity. Interest expense associated with the Deferred Cash Consideration Note was $1.4 million and $1.8 million for the three and six months ended June 30, 2024, respectively.

The Deferred Cash Consideration Note included $4.6 million of debt discount and approximately $0.1 million deferred financing costs. The discount and deferred financing costs are a direct reduction from the carrying amount of the debt obligation on the Company's condensed consolidated balance sheets and are amortized to interest expense using the effective interest method. Interest expense associated with the discount and deferred financing costs were approximately $0.7 million and $0.8 million in total for the three and six months ended June 30, 2024, respectively.

Atlas LLC's obligations under the Deferred Cash Consideration Note are secured by certain of the assets acquired in connection with the Hi-Crush Transaction. The Deferred Cash Consideration Note is also unconditionally guaranteed by Atlas LLC on an unsecured basis.

2023 Term Loan Credit Facility

On July 31, 2023, Atlas LLC entered into a credit agreement (the "2023 Term Loan Credit Agreement") with Stonebriar, as administrative agent and initial lender, pursuant to which Stonebriar extended Atlas LLC a term loan credit facility comprising a $180.0 million single advance term loan that was made on July 31, 2023 (the "Initial Term Loan") and commitments to provide up to $100.0 million of delayed draw term loans (collectively, the "2023 Term Loan Credit Facility").

The Initial Term Loan is payable in 84 consecutive monthly installments and a final payment of the remaining outstanding principal balance at maturity. The Initial Term Loan has a final maturity date of July 31, 2030 (the "Maturity Date"). The Initial Term Loan bears interest at a rate equal to 9.50% per annum.

Each delayed draw term loan (the "DDT Loans") under the 2023 Term Loan Credit Facility will be payable in equal monthly installments, with the monthly installments comprising 80% of the DDT Loan and a final payment of the remaining 20% of the outstanding principal balance due at maturity, unless earlier prepaid. The DDT Loans will bear interest at a rate equal to the applicable Term Secured Overnight Financing Rate ("SOFR") Rate as of each Delayed Draw Funding Date (each as defined in the 2023 Term Loan Credit Agreement) plus 5.95% per annum. All monthly installments with respect to the Initial Term Loan and the DDT Loans payable on or prior to January 1, 2025 will be interest only. Interest expense associated with the debt was $4.3 million and $8.6 million for the three and six months ended June 30, 2024, respectively. The interest expense associated with the discount and deferred financing costs were $0.3 million and $0.6 million for the three and six months ended June 30, 2024, respectively.

At any time prior to the Maturity Date, Atlas LLC may redeem loans outstanding under the 2023 Term Loan Credit Facility, in whole or in part, at a price equal to 100% of the principal amount being prepaid (the "Prepayment Amount") plus a prepayment fee. The prepayment fee is equal to 8% of the Prepayment Amount for any prepayment that occurs on or prior to December 31, 2024, 4% of the Prepayment Amount for any prepayment that occurs after December 31, 2024 but on or prior to December 31, 2025, 3% of the Prepayment Amount for any prepayment that occurs after December 31, 2025 but on or prior to December 31, 2026 and 2% of the Prepayment Amount for any prepayment that occurs thereafter. Upon the maturity of the 2023 Term Loan Credit Facility, the entire unpaid principal amount of the loans outstanding thereunder, together with interest, fees and other amounts payable in connection with the facility, will be immediately due and payable without further notice or demand.

Dividends and distributions to equity holders are permitted to be made pursuant to certain limited exceptions and baskets described in the 2023 Term Loan Credit Agreement and otherwise generally subject to certain restrictions set forth in the 2023 Term Loan Credit Agreement, including the requirements that (a) no Event of Default (as defined under the 2023 Term Loan Credit Agreement) has occurred and is continuing and (b) Atlas LLC maintains at least $30.0 million of Liquidity (as defined under the 2023 Term Loan Credit Agreement) pro forma for the Restricted Payment (as defined under the 2023 Term Loan Credit Agreement).

The 2023 Term Loan Credit Facility includes certain non-financial covenants, including but not limited to restrictions on incurring additional debt and certain distributions. The 2023 Term Loan Credit Facility is subject to a maximum 4.0 to 1.0 Leverage Ratio (as defined in the 2023 Term Loan Credit Agreement) financial covenant. Such financial covenant is tested as of the last day of each fiscal quarter.

Proceeds from the 2023 Term Loan Credit Facility were used to repay outstanding indebtedness under our previous credit facility extended pursuant to the Credit Agreement, dated October 20, 2021, between Atlas LLC, as borrower, and Stonebriar, as lender, as amended (collectively, the "2021 Term Loan Credit Facility"). Proceeds were also used to repay obligations outstanding under certain equipment lease arrangements with Stonebriar and for general corporate purposes. As of June 30, 2024, Atlas LLC was in compliance with the covenants of the 2023 Term Loan Credit Facility.

The 2023 Term Loan Credit Facility is unconditionally guaranteed, jointly and severally, by Atlas LLC and its subsidiaries and secured by substantially all of the assets of Atlas LLC and its subsidiaries. The 2023 Term Loan Credit Facility is unconditionally guaranteed on an unsecured basis by Atlas Energy Solutions Inc.

First Amendment to the 2023 Term Loan Credit Agreement

On February 26, 2024, the Company, Atlas LLC and certain other subsidiaries of the Company entered into the Term Loan Amendment.

The Term Loan Amendment provided the ADDT Loan in the aggregate principal amount of $150.0 million with interest (computed on the basis of a 365-day year for the actual number of days elapsed) on the unpaid principal amount thereof from and including the date of the amendment until paid in full at the rate per annum equal to 10.86%. The ADDT Loan is payable in 76 consecutive monthly installments of combined principal and interest each in the amount of $2.7 million commencing April 1, 2024 and continuing up to and including August 1, 2030. There was interest expense of $4.0 million and $5.4 million for the three and six months ended June 30, 2024, respectively.

The ADDT Loan included $1.5 million of debt discount and $0.5 million in deferred financing costs. The discount and deferred financing costs are a direct reduction from the carrying amount of the debt obligation on the Company's condensed consolidated balance sheets and are amortized to interest expense using the effective interest method. Interest expense associated with the discount and deferred financing costs were $0.1 million and $0.2 million in total for the three and six months ended June 30, 2024, respectively.

2023 ABL Credit Facility

On February 22, 2023, Atlas LLC, certain of its subsidiaries, as guarantors, Bank of America, N.A., as administrative agent (the “ABL Agent”), and certain financial institutions party thereto as lenders (the “2023 ABL Lenders”) entered into a Loan, Security and Guaranty Agreement (the “2023 ABL Credit Agreement”) pursuant to which the 2023 ABL Lenders provide revolving credit financing to the Company in an aggregate principal amount of up to $75.0 million (the “2023 ABL Credit Facility”), with Availability (as defined in the 2023 ABL Credit Agreement) thereunder subject to a “Borrowing Base” as described in the 2023 ABL Credit Agreement. The 2023 ABL Credit Facility includes a letter of credit sub-facility, which permits issuance of letters of credit up to an aggregate amount of $25.0 million. The scheduled maturity date of the 2023 ABL Credit Facility is February 22, 2028; provided that the 2023 ABL Credit Facility will mature on June 30, 2027 if any amount of the 2023 Term Loan Credit Facility that has a maturity date less than 91 days prior to February 22, 2028 is outstanding on June 30, 2027.

Atlas LLC may also request swingline loans under the 2023 ABL Credit Agreement in an aggregate principal amount not to exceed $7.5 million. During the three months ended Mach 31, 2024 and the year ended December 31, 2023, Atlas LLC had no outstanding swingline loans under the 2023 ABL Credit Facility.

Borrowings under the 2023 ABL Credit Facility bear interest, at Atlas LLC’s option, at either a base rate or Term SOFR (as defined in the 2023 ABL Credit Agreement), as applicable, plus an applicable margin based on average availability as set forth in the 2023 ABL Credit Agreement. Term SOFR loans bear interest at Term SOFR for the applicable interest period plus an applicable margin, which ranges from 1.50% to 2.00% per annum based on average availability as set forth in the 2023 ABL Credit Agreement. Base rate loans bear interest at the applicable base rate, plus an applicable margin, which ranges from 0.50% to 1.00% per annum based on average availability as set forth in the 2023 ABL Credit Agreement. In addition to paying interest on outstanding principal under the 2023 ABL Credit Facility, Atlas LLC is required to pay a commitment fee which ranges from 0.375% per annum to 0.500% per annum with respect to the unutilized commitments under the 2023 ABL Credit Facility, based on the average utilization of the 2023 ABL Credit Facility. Atlas LLC is also required to pay customary letter of credit fees, to the extent that one or more letter of credit is outstanding. For the three and six months ended June 30, 2024, we recognized $0.1 million and $0.3 million, respectively, of interest expense, unutilized commitment fees and other fees under the 2023 ABL Credit Facility, classified as interest expense. For both the three and six months ended June 30, 2023, we recognized $0.1 million of interest expense.

The Borrowing Base was initially set at $75.0 million and the amount of available credit changes every month, depending on the amount of eligible accounts receivable and inventory we have available to serve as collateral. With the ABL Amendment, discussed below, the Borrowing Base increased to $125.0 million. The Borrowing Base components are subject to customary reserves and eligibility criteria.

On March 5, 2024, the Company drew down $50.0 million under the 2023 ABL Credit Facility for general corporate purposes. There was interest expense of $0.9 million and $1.1 million for the three and six months ended June 30, 2024, respectively. The draw included $0.3 million in debt issuance costs and $0.3 million in deferred financing costs. These costs are recorded under other long-term assets on the condensed consolidated balance sheets and are amortized on a straight-line basis over the life of the agreement. Interest expense associated with the amortization of these costs was $0.1 million for the three and six months ended June 30, 2024, respectively.

As of June 30, 2024, Atlas LLC had $50.0 million in outstanding borrowings and $0.6 million in outstanding letters of credit under the 2023 ABL Credit Facility.

The 2023 ABL Credit Facility requires that if Availability is less than the greater of (i) 12.50% of the Borrowing Base and (ii) $7.5 million, Atlas LLC must maintain a Fixed Charge Coverage Ratio of at least 1.00 to 1.00 while a Covenant Trigger Period is in effect.

Under the 2023 ABL Credit Agreement, Atlas LLC is permitted to make payments of dividends and distributions pursuant to certain limited exceptions and baskets set forth therein and otherwise generally subject to certain restrictions described therein, including that (i) no Event of Default has occurred and is continuing, and (ii) no loans and no more than $7.5 million in letters of credit that have not been cash collateralized are outstanding, and liquidity exceeds $30.0 million at all times during the 30 days prior to the date of the dividend or distribution; provided that if any loans are outstanding or outstanding letters of credit exceed $7.5 million and no Event of Default has occurred and is continuing, then Atlas LLC is permitted to make payments of dividends and distributions if, (i) Availability is higher than the greater of (a) $12 million and (b) 20% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distribution as if such dividend or distribution had been made at the beginning of such period, or if (ii) (a) Availability is higher than the greater of (x) $9 million and (y) 15% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distributions as if such dividend or distribution had been made at the beginning of such period and (b) the Fixed Charge Coverage Ratio, as calculated on a pro forma basis, is greater than 1.00 to 1.00, as provided under the 2023 ABL Credit Agreement. Additionally, Atlas LLC may make additional payments of dividends and distributions in qualified equity interests and may make Permitted Tax Distributions.

The 2023 ABL Credit Facility contains certain customary representations and warranties, affirmative and negative covenants, and events of default. As of June 30, 2024, the Company was in compliance with the covenants under the 2023 ABL Credit Facility.

The 2023 ABL Credit Facility is unconditionally guaranteed, jointly and severally, by Atlas LLC and its subsidiaries and secured by substantially all of the assets of Atlas LLC and its subsidiaries.

First Amendment to the 2023 ABL Credit Agreement

On February 26, 2024, Atlas LLC and certain other subsidiaries of the Company entered into the ABL Amendment, among Atlas LLC, the subsidiary guarantors party thereto, the lenders party thereto and the ABL Agent.

The ABL Amendment increased the revolving credit commitment to $125.0 million. The existing lenders increased their commitment by $25.0 million which resulted in a debt modification under ASC 470, “Debt.” The ABL Amendment also added a new lender with a $25.0 million commitment, thus creating a new debt arrangement under ASC 470, “Debt.” The deferred financing costs and debt issuance cost will be amortized on a prospective basis over the term of the agreement. The maturity date of the ABL Credit Agreement was extended from February 22, 2028 to the earliest of (a) February 26, 2029; (b) the date that is 91 days prior to the maturity date for any portion of the Term Loan Debt; or (c) any date on which the aggregate Commitments terminate hereunder.

The ABL Amendment requires that if Availability is less than the greater of (i) 12.50% of the Borrowing Base and (ii) $12.5 million, Atlas LLC must maintain a Fixed Charge Coverage Ratio of at least 1.00 to 1.00 while a Covenant Trigger Period is in effect.

Under the ABL Amendment, Atlas LLC is permitted to make payments of dividends and distributions pursuant to certain limited exceptions and baskets set forth therein and otherwise generally subject to certain restrictions described therein, including that (i) no Event of Default has occurred and is continuing, and (ii) no loans and no more than $7.5 million in letters of credit that have not been cash collateralized are outstanding, and liquidity exceeds $30.0 million at all times during the 30 days prior to the date of the dividend or distribution; provided that if any loans are outstanding or outstanding letters of credit exceed $7.5 million and no Event of Default has occurred and is continuing, then Atlas LLC is permitted to make payments of dividends and distributions if, (i) Specified Availability (as defined under the 2023 ABL Credit Agreement) is higher than the greater of (a) $20.0 million and (b) 20% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distribution as if such dividend or distribution had been made at the beginning of such period, or if (ii) (a) Specified Availability is higher than the greater of (x) $15.0 million and (y) 15% of the pro forma Borrowing Base then in effect and during the 30 days prior to the date of the dividend or distributions as if such dividend or distribution had been made at the beginning of such period and (b) the Fixed Charge Coverage Ratio (as defined under the 2023 ABL Credit Agreement), as calculated on a pro forma basis, is greater than 1.00 to 1.00, as provided under the 2023 ABL Credit Agreement. Additionally, Atlas LLC may make additional payments of dividends and distributions in qualified equity interests and may make Permitted Tax Distributions (as defined under the 2023 ABL Credit Agreement).

Other Indebtedness

The Company has other Indebtedness of $4.1 million of equipment finance notes as of June 30, 2024. These equipment finance notes have terms ending in July 2024 through June 2025 and interest rates ranging from 1.99% to 3.24%.

Critical Accounting Policies and Estimates

As of June 30, 2024, there have been no material changes to our critical accounting policies and related estimates previously disclosed in our Annual Report, except in connection with the recently completed Hi-Crush Transaction (described below under “Business Combination” and “Valuation of Goodwill and Acquired Intangible Assets.”) Refer to the accounting policies discussed in the notes to our Financial Statements under Note 2 - *Summary of Significant Accounting Policies.*

Property, Plant and Equipment, Including Depreciation and Depletion

In order to calculate depreciation of our fixed assets, other than plant facilities and mine development costs, we use the best estimated useful lives at the time the asset is placed into service.

Mining property and development costs, including plant facilities directly associated with mining properties, are amortized using the units of production method on estimated measures of tons of in-place reserves. The impact to reserve estimates is recognized on a prospective basis. Drilling and related costs are capitalized for deposits where proven and probable reserves exist. These activities are directed at obtaining additional information on the deposit or converting non-reserve minerals to proven and probable reserves, with the benefit being realized over a period greater than one year. At a minimum, we will assess the useful lives and residual values of all long-lived assets on an annual basis to determine if adjustments are required. The actual reserve life may differ from the assumptions we have made about the estimated reserve life.

We review property, plant and equipment for impairment annually or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If such a review should indicate that the carrying amount of long-lived assets is not recoverable, the Company will reduce the carrying amount of such assets to fair value.

Emerging Growth Company Status

Under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), we meet the definition of an "emerging growth company," which allows us to have an extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. We have elected to take advantage of all of the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under Section 107 of the JOBS Act, until we are no longer an emerging growth company.

Our election to use the phase-in periods permitted by this election may make it difficult to compare our Financial Statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the longer phase-in periods under Section 107 of the JOBS Act and that will comply with new or revised financial accounting standards. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

Business Combinations

We allocate the purchase price of any business we acquire to the identifiable assets acquired and liabilities assumed based on their estimated fair values. Any excess purchase price over the fair value of the net identifiable assets acquired is recorded as goodwill. We use all available information to estimate fair values, including quoted market prices, the carrying value of acquired assets and assumed liabilities and valuation techniques such as discounted cash flows, relief-from-royalty method, with or without method, or multi-period excess earnings method. We engage third-party appraisal firms to assist in the fair value determination of identifiable long-lived assets, identifiable intangible assets, as well as any contingent consideration that provides for additional consideration to be paid to the seller if certain future conditions are met. These estimates are reviewed during the 12-month measurement period and adjusted as soon as the necessary information becomes available but no later than one year from the acquisition date. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our financial condition or results of operations. The purchase price in the Hi-Crush Transaction includes a holdback, which is measured at fair value. The holdback is subject to increases or reductions based on changes in the estimated net working capital amounts compared to the final settlement of the net working capital and other customary purchase price adjustments. The holdback amount is based on management's best estimate as of the date of this filing and may be subject to further adjustments. This amount is recorded in other current liabilities on our condensed consolidated balance sheets. For further discussion on our recently completed acquisition of Hi-Crush, see Note 3 - *Hi-Crush Transaction*, to the accompanying Financial Statements.

Valuation of Goodwill and Acquired Intangible Assets

We assess our goodwill and acquired intangible assets for impairment annually, or whenever events or circumstances indicate that the carrying amount of goodwill or acquired intangible assets may not be recoverable. If the carrying value of an asset exceeds its fair value, we record an impairment charge that reduces our earnings. We perform our qualitative assessments of the likelihood of impairment by considering qualitative factors, such as macroeconomic, industry, market or any other factors that have a significant bearing on fair value. The expected future cash flows used for impairment reviews and related fair value calculations are based on subjective, judgmental assessments of projected revenue growth, pricing, gross profit rates, SG&A rates, working capital fluctuations, capital expenditures, discount rates and terminal growth rates. For further discussion on our recently completed acquisition, see Note 4 - *Goodwill and Acquired Intangible Assets* and Note 6 - *Property, Plant, and Equipment*, to the accompanying Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our business is subject to various types of market risks that include interest rate risks, market demand risks, commodity pricing risks, credit risks and inflation risks. Our risk exposure related to these items has not changed materially since December 31, 2023.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”), we have evaluated, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2024.

As disclosed in Note 3 - *Hi Crush Transaction* in the notes to the accompanying Financial Statements, we acquired Hi-Crush and certain of its wholly-owned subsidiaries on March 5, 2024, and its total revenues constituted approximately 57% and 44% of total revenues as shown on our Financial Statements for the three and six months ended June 30, 2024, respectively. The total assets of Hi-Crush acquired in the Hi-Crush Transaction constituted approximately 33% of total assets as shown on our Financial Statements as of June 30, 2024. We excluded Hi-Crush’s disclosure controls and procedures that are subsumed by its internal control over financial reporting from the scope of management's assessment of the effectiveness of our disclosure controls and procedures. This exclusion is in accordance with the guidance issued by the Staff of the SEC that an assessment of a recently acquired business’s internal controls may be omitted from management's assessment of internal control over financial reporting for one year following the acquisition. As part of the Company’s ongoing integration activities, the Company’s financial reporting controls and procedures are in the process of being implemented with respect to the acquired operations. Atlas and Hi-Crush used separate accounting systems through June 30, 2024. The Financial Statements presented in this Report were prepared using information obtained from these separate accounting systems.

Changes in Internal Control over Financial Reporting

Except as described above, there were no changes to our internal control over financial reporting that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On July 2, 2024, Patrick Ayers, a purported shareholder (the Plaintiff), filed a derivative and class action complaint in the Delaware Court of Chancery against certain current and former directors of the company and certain of the company's affiliates. The complaint asserts claims of breach of fiduciary duty related to the corporate reorganization that changed the company's Up-C structure to a customary C corporation. The complaint seeks unspecified damages from the defendants for the plaintiff individually and on behalf of the company and other former Class A stockholders as well as an award of attorneys' fees and costs. We dispute these allegations and intend to vigorously defend against these claims.

In addition to the matter above, we are currently involved in, and may in the future be involved in, legal proceedings, claims, regulatory inquiries, audits, and governmental investigations incidental to our business, including putative class actions, collective actions, employment, commercial claims and other matters. While the outcome of any litigation is inherently unpredictable, based on currently available facts and our current insurance coverages, we do not believe that the ultimate resolution of any of these matters will have a material adverse impact on our financial condition, results of operations or cash flows. We are not aware of any material legal proceedings contemplated by governmental authorities.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed under the heading "Risk Factors" in our Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 C.F.R. Section 229.104) is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

Item 5. Other Information.

During the fiscal quarter ended June 30, 2024, none of our officers or directors (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

The information called for by this Item is incorporated herein by reference from the Exhibit Index included in this Quarterly Report on Form 10-Q.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, as filed with the Secretary of State of the State of Delaware on October 2, 2023 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (Commission File No. 001-41828) filed on October 3, 2023).
3.2	Amended and Restated Bylaws of the Company, effective as of October 2, 2023 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (Commission File No. 001-41828) filed on October 3, 2023).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95.1*	Mine Safety Disclosures.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104*	Cover page formatted as Inline XBRL and contained in Exhibit 101

*	These exhibits are filed or furnished with this Quarterly Report on Form 10-Q.
#	Certain schedules, annexes or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K, but will be furnished supplementally to the SEC upon request.

SIGNATURES

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

		ATLAS ENERGY SOLUTIONS INC.
Date: August 6, 2024	By:	/s/ John Turner **John Turner** **President and Chief Executive Officer**
	By:	/s/ Blake McCarthy **Blake McCarthy** **Chief Financial Officer**

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, John Turner, President and Chief Executive Officer of Atlas Energy Solutions Inc., certify that:

1.I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 of Atlas Energy Solutions Inc. (the “registrant”);

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c)Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	August 6, 2024	By:	/s/ John Turner
			John Turner
			President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Blake McCarthy, Chief Financial Officer of Atlas Energy Solutions Inc., certify that:

1.I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 of Atlas Energy Solutions Inc. (the "registrant");

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 6, 2024	By:	/s/ Blake McCarthy
			Blake McCarthy
			Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Atlas Energy Solutions Inc., a Delaware corporation (the "Company"), on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Turner, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2024	By:	/s/ John Turner
		John Turner
		President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Atlas Energy Solutions Inc., a Delaware corporation (the “Company”), on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Blake McCarthy, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2024	By:	/s/ Blake McCarthy
		Blake McCarthy
		Chief Financial Officer

Exhibit 95.1

Mine Safety Disclosures

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the "Mine Act").

Mine Safety Information. Whenever the Federal Mine Safety and Health Administration ("MSHA") believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation that describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, may be reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the applicable MSHA District or the MSHA inspector(s) assigned.

The following table details the total number of, and the proposed dollar assessment for, violations, citations and orders issued by MSHA during the quarter ended June 30, 2024 upon periodic inspection of our mine facilities in accordance with the referenced sections of the Mine Act:

(*in whole dollars*)

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations[(1)]	Section 104(b) Orders[(2)]	Section 104(d) Citations and Orders[(3)]	Violations Under Section 110(b)(2) [(4)]	Section 107(a) Orders[(5)]	Total Dollar Value of MSHA Assessments Proposed[(6)]	Total Number of Mining-Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(e) (Yes/No)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
N. Kermit, TX	8	0	0	0	0	$7,086	0	No	No	0	0	0
S. Kermit, TX	0	0	0	0	0	0	0	No	No	0	0	0
Hi-Crush Kermit, TX	0	0	0	0	0	0	0	No	No	0	0	0
OnCore1	1	0	0	0	0	$2,487	0	No	No	0	0	0
OnCore2	1	0	0	0	0	$2,130	0	No	No	0	0	0
OnCore2b	0	0	0	0	0	0	0	No	No	0	0	0
OnCore3b	0	0	0	0	0	0	0	No	No	0	0	0
OnCore4	0	0	0	0	0	$147	0	No	No	0	0	0
OnCore5	0	0	0	0	0	0	0	No	No	0	0	0
OnCore6	0	0	0	0	0	0	0	No	No	0	0	0
OnCore7	0	0	0	0	0	0	0	No	No	0	0	0
OnCore8	0	0	0	0	0	0	0	No	No	0	0	0

(1)Citations received from MSHA under Section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.

(2)Orders issued by MSHA under Section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.

(3)Citations and orders issued by MSHA under Section 104(d) of the Mine Act for an unwarrantable failure to comply with mandatory health or safety standards.

(4)Violations deemed by MSHA to be flagrant under Section 110(b)(2) of the Mine Act.

(5)Orders issued by MSHA under Section 107(a) of the Mine Act for situations in which MSHA determined an “imminent danger” (as defined by MSHA) existed.

(6)Amounts included are the total dollar value of proposed assessments received from MSHA from April 1, 2024, through June 30, 2024, regardless of whether the assessment has been challenged or appealed. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by the MSHA District’s approach to enforcement and vary depending on the size and type of the operation. There may be violations which have not been assessed as at the time of this report.