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

FORM 10-Q

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

For the quarterly period ended September 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 001-40503

NET Power Inc.

(Exact name of registrant as specified in its charter)

Delaware 98-1580612

(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.)

320 Roney St. 27701
Suite 200
Durham, North Carolina

(Address of Principal Executive Offices) (Zip Code)

(919) 287-4750

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
Class A Common Stock	NPWR	The New York Stock Exchange
Warrants, each exercisable for one share of Class A Common Stock at a price of \$11.50	NPWR-WT	The 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 x No o

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 x No o

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. o

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

The registrant had outstanding 75,248,435 shares of Class A Common Stock and 140,170,864 shares of Class B Common Stock as of November 8, 2024.

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Certain Defined Terms

For the definitions of certain defined terms used throughout this Quarterly Report on Form 10-Q (this "Report"), please refer to the section entitled "Certain Defined Terms" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Annual Report").

Cautionary Note Regarding Forward-Looking Statements

This Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "future," "intend," "may," "opportunity," "plan," "project," "seek," "should," "strategy," "will," "will likely result," "would" and other similar words and expressions, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements may relate to the development of the Company's technology, the anticipated demand for the Company's technology and the markets in which the Company operates, the timing of the deployment of plant deliveries, and the Company's business strategies, capital requirements, potential growth opportunities and expectations for future performance (financial or otherwise). Forward-looking statements are based on current expectations, estimates, projections, targets, opinions and/or beliefs of the Company, and such statements involve known and unknown risks, uncertainties and other factors.

The risks and uncertainties that could cause those actual results to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to: (i) risks relating to the uncertainty of the projected financial information with respect to the Company and risks related to the Company's ability to meet its projections; (ii) the ability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, competition, the ability of the Company to grow and manage growth profitably, and the ability of the Company retain its management and key employees; (iii) the Company's ability to utilize its net operating loss and tax credit carryforwards effectively; (iv) the capital-intensive nature of the Company's business model, which will likely require the Company to raise additional capital in the future; (v) barriers the Company may face in its attempts to deploy and commercialize its technology; (vi) the complexity of the machinery the Company relies on for its operations and development; (vii) potential changes and/or delays in site selection and construction that result from regulatory, logistical, and financing challenges; (viii) the Company's ability to establish and maintain supply relationships; (ix) risks related to the Company's arrangements with third parties for the development, commercialization and deployment of technology associated with the Company's technology; (x) risks related to the Company's other strategic investors and partners; (xi) the Company's ability to successfully commercialize its operations; (xii) the availability and cost of raw materials; (xiii) the ability of the Company's supply base to scale to meet the Company's anticipated growth; (xiv) the Company's ability to expand internationally; (xv) the Company's ability to update the design, construction and operations of its technology; (xvi) the impact of potential delays in discovering manufacturing and construction issues; (xvii) the possibility of damage to the Company's Texas facilities as a result of natural disasters; (xviii) the ability of commercial plants using the Company's technology to efficiently provide net power output; (xix) the Company's ability to obtain and retain licenses; (xx) the Company's ability to establish an initial commercial scale plant; (xxi) the Company's ability to license to large customers; (xxii) the Company's ability to accurately estimate future commercial demand; (xxiii) the Company's ability to adapt to the rapidly evolving and competitive natural and renewable power industry; (xxiv) the Company's ability to comply with all applicable laws and regulations; (xxv) the impact of public perception of fossil fuel-derived energy on the Company's business; (xxvi) any political or other disruptions in gas producing nations; (xxvii) the Company's ability to protect its intellectual property and the intellectual property it licenses; (xxviii) risks relating to data privacy and cybersecurity, including the potential for cyberattacks or security incidents that could disrupt our or our service providers' operations; (xxix) potential litigation that may be instituted against the Company; and (xxx) other risks and uncertainties indicated in Part I, Item 1A of the Annual Report and other documents subsequently filed with the SEC by the Company.

Should one or more of these risks or uncertainties materialize, or should any of the assumptions made by our management prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements contained in this Report. Accordingly, you should not place undue reliance on these forward-looking statements in deciding whether to invest in our securities.

Forward-looking statements speak only as of the date they are made. Except to the extent required by applicable law or regulation, we undertake no obligation to update the forward-looking statements contained herein to reflect events or circumstances after the date of this Report or to reflect the occurrence of unanticipated events. The Company gives no assurance that it will achieve its expectations.

Part I - Financial Information

Item 1. Financial Statements

NET Power Inc.

Condensed Consolidated Balance Sheets (Unaudited)

In thousands, except share and unit amounts

	September 30, 2024 (Successor)	December 31, 2023 (Successor)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 386,257	\$ 536,927
Short-term investments	100,000	100,000
Investments in securities, available-for-sale	72,868	—
Accounts receivable, net	—	58
Interest receivable	2,358	1,942
Prepaid expenses	2,407	1,777
Other current assets	184	93
Total current assets	<u>564,074</u>	<u>640,797</u>
Long-term assets		
Restricted cash	2,432	—
Investments in securities, available-for-sale	18,411	—
Intangible assets, net	1,257,589	1,307,265
Goodwill	359,847	423,920
Property, plant and equipment, net	130,849	96,856
Operating lease right-of-use assets	2,763	2,212
Other long-term assets	583	—
Total assets	<u>\$ 2,336,548</u>	<u>\$ 2,471,050</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 3,642	\$ 617
Accrued liabilities	18,061	10,915
Due to related parties	404	142
Operating lease liabilities, current portion	491	347
Finance lease liabilities, current portion	187	—
Tax-related partnership distribution liability	4,130	—
Total current liabilities	<u>26,915</u>	<u>12,021</u>
Long-term liabilities		
Earnout Shares liability	460	1,671
Warrant liability	27,768	55,920
Asset retirement obligation	2,191	2,060
Noncurrent operating lease liabilities	2,324	1,808
Noncurrent finance lease liabilities	166	—
Tax Receivable Agreement liability	14,661	8,937
Deferred taxes	16,352	57,719
Total liabilities	<u>90,837</u>	<u>140,136</u>
Commitments and contingencies (Note 15)		

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

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NET Power Inc.

Condensed Consolidated Balance Sheets (continued)

In thousands, except share and unit amounts

	September 30, 2024 (Successor)	December 31, 2023 (Successor)
Mezzanine shareholders' equity		
Redeemable non-controlling interests in subsidiary	1,478,236	1,545,905
Shareholders' equity		
Preferred Stock, \$.0001 par value; 1,000,000 shares authorized; no shares issued or outstanding as of September 30, 2024 (Successor) and December 31, 2023 (Successor)	—	—
Class A Common Stock, \$.0001 par value; 520,000,000 shares authorized; 75,244,708 shares issued and outstanding as of September 30, 2024 (Successor) and 71,277,906 shares issued and outstanding as of December 31, 2023 (Successor)	7	7
Class B Common Stock, \$.0001 par value; 310,000,000 shares authorized; 140,170,864 shares issued and outstanding as of September 30, 2024 (Successor) and 141,787,429 shares issued and outstanding as of December 31, 2023 (Successor)	14	14
Additional paid-in capital	849,066	851,841
Accumulated other comprehensive loss	112	—
Accumulated deficit	(81,724)	(66,853)
Total shareholders' equity	767,475	785,009
Total liabilities, mezzanine shareholders' equity and shareholders' equity	\$ 2,336,548	\$ 2,471,050

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

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NET Power Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

In thousands, except share and unit amounts

	Period from		Period from		January 1 – June 7, 2023 (Predecessor)
	July 1 - September 30, 2024 (Successor)	July 1 - September 30, 2023 (Successor)	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	
Revenue	\$ 12	\$ —	\$ 250	\$ —	\$ 175
Cost of revenue	1	—	31	—	3
Gross profit	11	—	219	—	172
Operating expenses					
General and administrative	8,418	8,351	22,561	32,836	12,684
General and administrative – related party	30	38	82	51	177
Sales and marketing	1,032	931	2,660	1,087	869
Research and development	17,173	8,686	43,058	14,437	2,068
Research and development – related party	160	346	1,025	433	12,243
Project development	233	289	1,426	219	479
Option settlement – related party	—	—	—	79,054	—
Depreciation, amortization and accretion	20,210	20,027	60,289	24,945	5,802
Total operating expenses	47,256	38,668	131,101	153,062	34,322
Operating loss	(47,245)	(38,668)	(130,882)	(153,062)	(34,150)
Other income (expense)					
Interest income (expense)	7,992	8,675	24,712	10,800	(30)
Change in Earnout Shares liability and Warrant liability	27,690	(61,984)	29,361	(60,975)	—
Other income	3	1	10	5	4
Net other income (expense)	35,685	(53,308)	54,083	(50,170)	(26)
Net loss before income tax	(11,560)	(91,976)	(76,799)	(203,232)	(34,176)
Income tax benefit	4,746	10	11,137	681	—
Net loss after income tax	(6,814)	(91,966)	(65,662)	(202,551)	(34,176)
Net loss attributable to non-controlling interests	(7,632)	(61,402)	(50,791)	(136,987)	—
Net income (loss) attributable to NET Power Inc.	818	(30,564)	(14,871)	(65,564)	(34,176)
Other comprehensive income (loss)					
Unrealized gain on investments	528	—	461	—	—
Foreign currency translation gain	—	1	—	—	—
Total other comprehensive income	528	1	461	—	—
Comprehensive loss	(6,286)	(91,965)	(65,201)	(202,551)	(34,176)
Comprehensive loss attributable to non-controlling interests	(7,284)	(61,402)	(50,487)	(136,987)	—
Comprehensive income (loss) attributable to NET Power Inc.	\$ 998	\$ (30,563)	\$ (14,714)	\$ (65,564)	\$ (34,176)
Earnings (loss) per share of Class A Common Stock (Successor) or per membership interest (Predecessor), basic and diluted	\$ 0.01	\$ (0.44)	\$ (0.21)	\$ (0.96)	\$ (9.07)
Weighted average shares of Class A Common Stock or membership interests, basic and diluted	73,536,697	68,966,972	72,540,878	68,644,032	3,766,871

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

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NET Power Inc.

Condensed Consolidated Statements of Shareholders' Equity and Non-Controlling Interest (Unaudited)

In thousands, except share and unit amounts

	Class A Common Stock		Class B Common Stock		Accumulated Other			Total Shareholders' Equity	Non-controlling Interests - Mezzanine	
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Comprehensive Income (Loss)	Accumulated Deficit		Equity	Equity
Balance at December 31, 2023										
(Successor)	71,277,906	\$ 7	141,787,429	\$ 14	\$ 851,841	\$ —	\$ (66,853)	\$ 785,009	\$ 1,545,905	
Redemption of Class B Common Stock	679,559	—	(679,559)	—	74	—	—	74	—	(74)
Issuance of Class A Common Stock	12,587	—	—	—	4,032	—	—	4,032	—	(4,005)
Tax Receivable Agreement, net of deferred taxes	—	—	—	—	(567)	—	—	(567)	—	—
Unrealized gain on investments	—	—	—	—	—	224	—	224	—	438
Amortization of share-based payments	—	—	693,941	—	647	—	—	647	—	5,622
Adjustment of redeemable non-controlling interest to redemption value, net of deferred taxes	—	—	—	—	(118,225)	—	—	(118,225)	—	118,225
Net loss	—	—	—	—	—	—	(11,421)	(11,421)	—	(30,211)
Balance at March 31, 2024 (Successor)	71,970,052	\$ 7	141,801,811	\$ 14	\$ 737,802	\$ 224	\$ (78,274)	\$ 659,773	\$ 1,635,900	
Redemption of Class B Common Stock	611,455	—	(611,455)	—	708	—	—	708	—	(708)
Issuance of Class A Common Stock	2,129	—	—	—	29	—	—	29	—	(3)
Exercise of Warrants	700	—	—	—	10	—	—	10	—	—
Tax Receivable Agreement, net of deferred taxes	—	—	—	—	674	—	—	674	—	—
Unrealized loss on investments	—	—	—	—	—	(291)	—	(291)	—	(568)
Amortization of share-based payments	—	—	650,248	—	1,114	—	—	1,114	—	7,417
Adjustment of redeemable non-controlling interest to book value, net of deferred taxes	—	—	—	—	72,746	—	—	72,746	—	(118,225)
Net loss	—	—	—	—	—	—	(4,268)	(4,268)	—	(12,949)
Balance at June 30, 2024 (Successor)	72,584,336	\$ 7	141,840,604	\$ 14	\$ 813,083	\$ (67)	\$ (82,542)	\$ 730,495	\$ 1,510,864	
Redemption of Class B Common Stock	2,611,917	—	(2,611,917)	—	28,447	—	—	28,447	—	(28,447)
Issuance of Class A Common Stock	48,455	—	—	—	425	—	—	425	—	(529)
Tax Receivable Agreement, net of deferred taxes	—	—	—	—	5,803	—	—	5,803	—	—
Tax-related partnership distribution payable	—	—	—	—	—	—	—	—	—	(4,130)
Unrealized gain on investments	—	—	—	—	—	179	—	179	—	349
Amortization of share-based payments	—	—	942,177	—	1,308	—	—	1,308	—	7,761
Net income (loss)	—	—	—	—	—	—	818	818	—	(7,632)
Balance at September 30, 2024										
(Successor)	75,244,708	\$ 7	140,170,864	\$ 14	\$ 849,066	\$ 112	\$ (81,724)	\$ 767,475	\$ 1,478,236	

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

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NET Power Inc.

Condensed Consolidated Statements of Shareholders' Equity and Non-Controlling Interest (Continued) (Unaudited)

In thousands, except share and unit amounts

	Class A Common		Class B Common		Class A Ordinary		Class B Ordinary		Non-controlling Interests						Class A Ordinary Shares		Total Mezzanine Equity	
	Stock		Stock		Shares		Shares		Accumulated			Total			Mezzanine			
									Additional	Other	Shareholders' Mezzanine							
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Comprehensive Income	Accumulated Deficit	Shareholders' Equity	Mezzanine Equity	Shares	Amount	Equity		
Balance at June 8, 2023					2,500	\$ —	8,625,000	\$ 1	\$ —	\$ —	\$ (98,966)	\$ (98,965)	\$ —	34,500,000	\$ 356,318	\$ 356,318		
(Successor)	—	\$ —	—	\$ —	2,500	\$ —	8,625,000	\$ 1	\$ —	\$ —	\$ (98,966)	\$ (98,965)	\$ —	34,500,000	\$ 356,318	\$ 356,318		
Sponsor forfeiture of RONI Class B ordinary shares and reservation of Earnout shares	—	—	—	—	—	—	(1,986,775)	—	—	—	—	—	—	—	—	—	—	
Redemption of Class A ordinary shares by RONI public shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(21,195,224)	(218,983)	(218,983)	
Conversion of RONI Class A and Class B ordinary shares into NET Power, Inc. Class A and Class B Common Stock, respectively	13,307,276	1	6,638,225	1	(2,500)	—	(6,638,225)	(1)	60,045	—	—	60,046	87,094	(13,304,776)	(137,335)	(50,241)		
Issuance of RONI Class A Common Stock to PIPE Investors	54,044,995	6	—	—	—	—	—	—	540,445	—	—	540,451	—	—	—	—	—	
Equity awards vested due to Business Combination	—	—	8,356,635	1	—	—	—	—	542	—	(542)	1	109,639	—	—	—	109,639	
Issuance of RONI Class B Common Stock to Former NET Power, LLC Unitholders	—	—	127,716,730	12	—	—	—	—	(12)	—	75,711	75,711	1,676,618	—	—	—	1,676,618	
Foreign currency translation gain	—	—	—	—	—	—	—	—	—	1	—	1	—	—	—	—	—	
Amortization of share-based payments	—	—	—	—	—	—	—	—	—	—	—	—	752	—	—	—	752	
Carrying value adjustment of redeemable non-controlling interest	—	—	—	—	—	—	—	—	(86,801)	—	—	(86,801)	86,801	—	—	—	86,801	
Net loss	—	—	—	—	—	—	—	—	—	—	(35,001)	(35,001)	(75,585)	—	—	—	(75,585)	
Balance at June 30, 2023	67,352,271	\$ 7	142,711,590	\$ 14	—	\$ —	—	\$ —	\$ 514,219	\$ 1	\$ (58,798)	\$ 455,443	\$ 1,885,319	—	\$ —	—	\$ 1,885,319	
(Successor)	67,352,271	\$ 7	142,711,590	\$ 14	—	\$ —	—	\$ —	\$ 514,219	\$ 1	\$ (58,798)	\$ 455,443	\$ 1,885,319	—	\$ —	—	\$ 1,885,319	

NET Power Inc.

Condensed Consolidated Statements of Shareholders' Equity and Non-Controlling Interest (Continued) (Unaudited)

In thousands, except share and unit amounts

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income		Accumulated Deficit	Total Shareholders' Equity	Non- controlling Interests - Mezzanine Equity	
	Shares	Amount	Shares	Amount		Income	Deficit			Equity	
Balance at July 1, 2023 (Successor)	67,352,271	\$ 7	142,711,590	\$ 14	\$ 514,219	\$ 1	\$ (58,798)	\$ 455,443	\$ 1,885,319		
Exercise of Warrants	2,739	—	—	—	47	—	—	—	47	—	
Issuance of Class A Common Stock	52,523	—	—	—	—	—	—	—	—	—	
Issuance of RONI Class B Common Stock to former NET Power, LLC unitholders	—	—	2,105,973	—	(928)	—	—	—	(928)	928	
Redemption of Class A Common Stock	3,606,657	—	(3,606,657)	—	50,526	—	—	—	50,526	(50,526)	
Distributions to members	—	—	—	—	—	—	—	—	—	(181)	
Tax Receivable Agreement, net of deferred taxes	—	—	—	—	(2,207)	—	—	—	(2,207)	—	
Vesting of Earnout Shares	—	—	—	—	—	—	—	—	—	9,055	
Amortization of share-based payments	—	—	318,607	—	261	—	—	—	261	5,560	
Adjustment of redeemable non-controlling interest to redemption value	—	—	—	—	(368,557)	—	—	—	(368,557)	368,557	
Net loss	—	—	—	—	—	—	(30,564)	(30,564)	(30,564)	(61,402)	
Balance at September 30, 2023 (Successor)	71,014,190	\$ 7	141,529,513	\$ 14	\$ 193,361	\$ 1	\$ (89,362)	\$ 104,021	\$ 2,157,310		

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

NET Power Inc.

Condensed Consolidated Statements of Members' Equity (Unaudited)

In thousands, except unit amounts

	Membership Interests		Additional Paid-in Capital	Accumulated		Total Members' Equity
	Units	Amount		Other Comprehensive Income	Accumulated Deficit	
Balance at December 31, 2022 (Predecessor)	3,722,355	\$ 262,622	\$ 26,288	17	\$ (224,525)	\$ 64,402
Issuance of shares to:						
Occidental Petroleum	5,824	1,859	—	—	—	1,859
Constellation	28,764	9,181	—	—	—	9,181
BHES (Bonus shares)	—	—	2,688	—	—	2,688
BHES (In-kind shares)	6,281	1,325	618	—	—	1,943
Vesting of profits interests	—	—	1,747	—	—	1,747
Comprehensive loss	—	—	—	—	(17,067)	(17,067)
Balance at March 31, 2023 (Predecessor)	<u>3,763,224</u>	<u>\$ 274,987</u>	<u>\$ 31,341</u>	<u>17</u>	<u>\$ (241,592)</u>	<u>\$ 64,753</u>
Issuance of shares to:						
Occidental Petroleum	31,328	10,000	—	—	—	10,000
BHES (Bonus shares)	—	—	2,001	—	—	2,001
BHES (In-kind shares)	9,210	1,943	16	—	—	1,959
Vesting of profits interests	—	—	1,119	—	—	1,119
Comprehensive loss	—	—	—	—	(17,109)	(17,109)
Balance at June 7, 2023 (Predecessor)	<u>3,803,762</u>	<u>\$ 286,930</u>	<u>\$ 34,477</u>	<u>17</u>	<u>\$ (258,701)</u>	<u>\$ 62,723</u>

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

NET Power Inc.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	Period from		
	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	January 1 – June 7, 2023 (Predecessor)
Cash flows from operating activities:			
Net loss after income tax	\$ (65,662)	\$ (202,551)	\$ (34,176)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation, amortization, and accretion	60,289	24,945	5,802
Non-cash interest (income) expense	(2,164)	—	30
Non-cash lease expense	118	31	13
Conversion of equity awards	—	86,585	—
Allowance for doubtful accounts	—	—	352
Deferred taxes	(11,137)	(681)	—
Change in fair value of Earnout Shares liability	(1,211)	1,497	—
Change in fair value of Warrant liability	(28,150)	58,344	—
Vesting of profits interests	—	—	2,864
Vesting of Earnout Shares	—	1,118	—
Share-based payments	23,795	6,572	8,593
Changes in operating assets and liabilities:			
Accounts receivable, net	58	—	—
Interest receivable	113	(2,903)	—
Prepaid expenses	(630)	(2,026)	(453)
Other current assets	(91)	91	1,765
Other long-term assets	(583)	—	—
Accounts payable	3,024	(887)	1,768
Accrued liabilities	3,289	(5,796)	(384)
Due to related parties	262	288	3,203
Net cash used in operating activities	(18,680)	(35,373)	(10,623)
Cash flows from investing activities:			
Cash acquired as part of Business Combination	—	7,947	—
Purchase of short-term investments	—	(100,000)	—
Purchases of available-for-sale securities	(131,564)	—	—
Maturities of available-for-sale securities	42,250	—	—
Capitalized software	(592)	—	—
Purchase of property, plant and equipment	(39,561)	(3,875)	(2,431)
Net cash used in investing activities	(129,467)	(95,928)	(2,431)

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

NET Power Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(In thousands)

	Period from		
	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	January 1 – June 7, 2023 (Predecessor)
Cash flows from financing activities:			
Repurchase of redeemed Class A Ordinary Shares	\$ —	\$ (218,983)	\$ —
Issuance of Class A Common Stock, including exercise of Warrants	8	47	—
Payment of income taxes on vested share-based payment awards	(99)	—	—
Distributions to members	—	(181)	—
Proceeds from PIPE financing, net of issuance costs	—	540,451	—
Issuance of equity under JDA as a result of Business Combination	—	9,917	—
Payment of transaction expenses	—	(11,722)	—
Proceeds from share issuances	—	—	15,836
Net cash (used in) provided by financing activities	(91)	319,529	15,836
Net (decrease) increase in cash, cash equivalents, and restricted cash	(148,238)	188,228	2,782
Effect of foreign currency exchange rate changes on cash	—	1	—
Cash, cash equivalents, and restricted cash, beginning of period	536,927	357,019	5,164
Cash, cash equivalents, and restricted cash, end of period	<u>388,689</u>	<u>545,248</u>	<u>7,946</u>
Supplemental non-cash investing and financing activities:			
Change in accruals for capital expenditures	\$ 3,826	\$ —	\$ —
Remeasurement of lease liabilities and right-of-use assets due to lease modification	—	(672)	—
Operating lease right-of-use asset acquired	897	—	—
Finance lease right-of-use asset acquired	349	—	—
Tax-related partnership distribution	4,130	—	—
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheet:			
Cash and cash equivalents	386,257	545,248	7,946
Restricted cash	2,432	—	—
Total cash, cash equivalents, and restricted cash	<u>\$ 388,689</u>	<u>\$ 545,248</u>	<u>\$ 7,946</u>

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

NET Power Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In thousands, except share, per share and unit amounts, unless otherwise noted)

NOTE 1 — Nature of Business and Basis of Presentation

Nature of Business

NET Power Inc. ("Net Power" or the "Company") is a clean energy technology company that has developed a proprietary process for producing electricity using a predominantly carbon dioxide working fluid that involves the capture and reuse, sale and sequestration of carbon dioxide (the "Net Power Cycle"). The Net Power Cycle is the subject of U.S. and foreign patents, as well as additional applications and provisional applications on file with the United States Patent and Trademark Office and international patent authorities.

Business Combination

On December 13, 2022, NET Power, LLC entered into a Business Combination Agreement with Rice Acquisition Corp. II ("RONI"), Rice Acquisition Holdings II LLC ("RONI OpCo"), Topo Buyer Co, LLC ("Buyer") and Topo Merger Sub, LLC ("Merger Sub"). On June 8, 2023 (the "Closing Date"), Merger Sub merged with and into NET Power, LLC, with NET Power, LLC continuing as the surviving entity, resulting in it becoming a majority-owned, direct subsidiary of Buyer. RONI OpCo, a subsidiary of RONI, renamed itself NET Power Operations LLC ("OpCo") and RONI renamed itself NET Power Inc. upon completion of the merger (the "Business Combination"). The Business Combination resulted in an umbrella partnership, C corporation or "Up-C" structure.

OpCo is a variable interest entity ("VIE") in accordance with the guidance in Accounting Standards Codification ("ASC") Topic 810, *Consolidation* ("ASC 810"); therefore, RONI represented the accounting acquirer within the Business Combination structure. The Company elected push-down accounting for the Business Combination and recorded the push-down entries at OpCo. ASC 810 requires that a reporting entity that possesses a controlling financial interest in a VIE consolidate that VIE. A controlling financial interest will have both of the following characteristics: (a) the power to direct the activities that most significantly impact the VIE's economic performance; and (b) the obligation to absorb the VIE's losses and the right to receive benefits that are significant to the VIE. The Company determined that OpCo continued to meet the definition of a VIE after the Business Combination and that the Company became the primary beneficiary of OpCo beginning on the Closing Date of the Business Combination; therefore, the Company has consolidated OpCo from the date of the Business Combination.

As a result of the Business Combination, the Company's financial statement presentation distinguishes NET Power, LLC as the "Predecessor" through June 7, 2023 (the "Predecessor Period") and Net Power as the "Successor" for periods beginning on or after the Closing Date (the "Successor Period"). Revenue and earnings after the date of the Business Combination are shown in the Successor Period on the condensed consolidated statements of operations and comprehensive loss. As a result of the application of the acquisition method of accounting in the Successor Period, the consolidated financial statements for the Successor Period are presented on a full step-up basis; therefore, the Successor Period consolidated financial statements are not comparable to the consolidated financial statements of the Predecessor Period, which are not presented on the same full step-up basis.

The condensed consolidated financial statements include the accounts of subsidiaries that Net Power consolidates in accordance with the guidance in ASC 810. The Company consolidates all wholly-owned subsidiaries and subsidiaries in which it owns a 50% or greater ownership interest and all VIE's to which it is deemed to represent the primary beneficiary, as described above. These condensed consolidated financial statements include the accounts of all wholly-owned subsidiaries and consolidated VIE's. Intercompany balances have been eliminated through the consolidation process.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information; however, certain information or footnote disclosures normally included in complete financial statements prepared in accordance with US GAAP may have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In management's opinion, these unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements for the year ended December 31, 2023 and include all adjustments, which consist of only normal and recurring adjustments, necessary for fair statement.

The results reported in these unaudited condensed consolidated financial statements are not necessarily indicative of the results to be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 11, 2024 (the "2023 Annual Report").

Reclassification of Prior Period Amounts

Certain prior period financial information has been reclassified to conform to current period presentation.

NOTE 2 — Significant Accounting Policies

In the opinion of the Company's management, the Company's significant accounting policies used to prepare these condensed consolidated financial statements, unless otherwise noted below, are consistent with those used for the fiscal year ended December 31, 2023. Accordingly, reference Note 2 to the consolidated financial statements in the 2023 Annual Report for the Company's significant accounting policies.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make certain estimates, judgments and assumptions. The estimates, judgments and assumptions made by the Company when accounting for items and matters such as, but not limited to, depreciation, amortization, asset valuations and share-based compensation were based on information available at the time they were made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, as well as amounts reported on the condensed consolidated statements of operations and comprehensive loss during the periods presented. Actual results could differ from those estimates.

Restricted Cash

Restricted cash includes cash held to secure a letter of credit. As of September 30, 2024, the Company had restricted cash of \$2,432 included in the condensed consolidated balance sheets. As of December 31, 2023, the Company had no restricted cash.

Investment Securities

We hold investment securities that are classified as available-for-sale securities and are available to be sold in the future as needed.

Accounting Standards Not Yet Adopted

During December 2023, the Financial Accounting Standards Board issued ASU 2023-09, *Income Taxes (Topic 740) —Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 requires public business entities to provide annually a tabular reconciliation of the reported income tax expense (or benefit) from continuing operations to the product of the income (or loss) from continuing operations before income taxes and the applicable statutory federal income tax rate using specified categories and to disclose separately reconciling items within certain categories with absolute values equal to or greater than five percent of the product of the income (or loss) from continuing operations before tax and the applicable statutory tax rate. Additionally, ASU 2023-09 requires a public business entity to disclose the year-to-date amount of income taxes paid, net of refunds received, to federal, state and foreign jurisdictions. If a payment to a single federal, state or foreign jurisdiction equals or exceeds five percent of total income taxes paid, ASU 2023-09 requires separate disclosure of that payment. Finally, ASU 2023-09 requires a public business entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign jurisdictions and to disclose income tax expense (or benefit) from continuing operations disaggregated between federal, state and foreign jurisdictions. ASU 2023-09 removes the requirement to disclose the nature and estimate of the range of reasonably possible increases or decreases in the unrecognized tax benefits balance in the next 12 months, or to make a statement that an estimate of the range cannot be made. ASU 2023-09 is effective for the Company for calendar years beginning after December 15, 2025. Early adoption is permitted. The Company is evaluating the effect ASU 2023-09 will have on its consolidated financial statements.

NOTE 3 — Goodwill and Intangible Assets

Goodwill

Goodwill represents the future economic benefits derived from the Company's unique market position, the growth attributable to the Net Power Cycle and the Company's assembled workforce, none of which are individually and separately recognized as intangible assets. Goodwill is allocated to the Company's sole reportable segment and reporting unit.

The following table presents the Company's goodwill included in the condensed consolidated balance sheets:

Goodwill at December 31, 2023 (Successor)	\$ 423,920
Measurement adjustments	(64,073)
Goodwill at September 30, 2024 (Successor)	<u>\$ 359,847</u>

During the second quarter of 2024, the Company completed its estimate of deferred taxes as of the Closing Date and finalized its purchase price allocation, which resulted in a measurement adjustment to goodwill.

During the third quarter of 2024, the Company performed a quantitative goodwill impairment assessment due to a sustained decrease in the Company's market capitalization. The Company applied the income approach to estimate the fair value of this reporting unit using a discounted cash flow model. Key assumptions used in this model included revenue and operating expense projections, a terminal cash flow growth rate of 7.5%, a discount rate of 26%, and a tax rate of 25%. The Company determined the fair value of the reporting unit exceeds its carrying value and no impairment was indicated.

Definite-Lived Intangible Assets

The following tables summarize the Company's definite-lived intangible assets included in the condensed consolidated balance sheets:

	September 30, 2024 (Successor)			December 31, 2023 (Successor)		
	Gross Amount	Accumulated Amortization		Gross Amount	Accumulated Amortization	
		Net Amount			Net Amount	
Developed technology	\$ 1,345,000	\$ (88,172)	\$ 1,256,828	\$ 1,345,000	\$ (37,735)	\$ 1,307,265
Software	740	(40)	700	—	—	—
Software work-in-progress	61	—	61	—	—	—
Total definite-lived intangible assets	<u>\$ 1,345,801</u>	<u>\$ (88,212)</u>	<u>\$ 1,257,589</u>	<u>\$ 1,345,000</u>	<u>\$ (37,735)</u>	<u>\$ 1,307,265</u>

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The following table presents the Company's amortization expense for the following periods:

	Period from		Period from			
	July 1 - September 30, 2024 (Successor)	July 1 - September 30, 2023 (Successor)	January 1 - September 30, 2024 (Successor)	June 8 - September 30, 2023 (Successor)	January 1 – June 7, 2023 (Predecessor)	
Amortization expense	\$ 16,837	\$ 16,813	\$ 50,477	\$ 20,922	\$ —	

The Company does not own or control any intangible assets with indefinite useful lives. The following table presents estimated amortization expense for the next five years and thereafter:

Remainder of 2024	\$ 16,854
2025	67,414
2026	67,414
2027	67,414
2028	67,414
2029	67,312
2030 and thereafter	903,767
Total	<u>\$ 1,257,589</u>

NOTE 4 — Property, Plant and Equipment

The following table summarizes the key classifications of property, plant and equipment included in the condensed consolidated balance sheets:

	September 30, 2024 (Successor)	December 31, 2023 (Successor)
Demonstration Plant, gross	\$ 97,710	\$ 89,239
Furniture and equipment, gross	996	320
Assets acquired under finance lease	349	—
Work-in-progress	48,607	14,443
Total property, plant and equipment, gross	147,662	104,002
Accumulated depreciation and amortization ¹	(16,813)	(7,146)
Total property, plant and equipment, net	<u>\$ 130,849</u>	<u>\$ 96,856</u>

(1) \$5 of accumulated depreciation and amortization is related to amortization of the finance lease right-of-use assets.

The following table presents the Company's depreciation expense for the following periods:

	Period from		Period from			
	July 1 - September 30, 2024 (Successor)	July 1 - September 30, 2023 (Successor)	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	January 1 – June 7, 2023 (Predecessor)	
Depreciation expense	\$ 3,328	\$ 3,173	\$ 9,681	\$ 3,972	\$ 5,700	

NOTE 5 — Accrued Liabilities

Accrued liabilities consist of the following components included in the condensed consolidated balance sheets:

	September 30, 2024 (Successor)	December 31, 2023 (Successor)
Incentive compensation	\$ 2,694	\$ 2,016
Cash-based expense of BHES JDA	5,446	3,669
Capital expenditures	7,431	3,605
Professional fees	1,380	682
Other accrued liabilities	1,110	943
Total accrued liabilities	<u><u>\$ 18,061</u></u>	<u><u>\$ 10,915</u></u>

NOTE 6 — Revenue and Accounts Receivable

Revenue

The following table disaggregates the revenue included in the condensed consolidated statements of operations and comprehensive loss into its major components:

	Period from		Period from		January 1 – June 7, 2023 (Predecessor)
	July 1 - September 30, 2024 (Successor)	July 1 - September 30, 2023 (Successor)	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	
Feasibility studies	\$ 12	\$ —	\$ 250	\$ —	\$ 175
Total revenue	<u><u>\$ 12</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 250</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 175</u></u>

Performance Obligations

Revenue recognized under contracts with customers exclusively includes the performance obligations satisfied in the applicable reporting period.

Allowance for Doubtful Accounts

During the period from July 1, 2024 through September 30, 2024 (Successor), the period from January 1, 2024 through September 30, 2024 (Successor), the period from July 1 through September 30, 2023 (Successor), and the period from June 8, 2023 through September 30, 2023 (Successor), the Company did not record any provision for credit losses within General and administrative expense on the condensed consolidated statements of operations and comprehensive loss associated with its accounts receivable. During the period from January 1, 2023 through June 7, 2023 (Predecessor), the Company recorded an allowance for doubtful accounts equal to \$352 within General and administrative expense on the condensed consolidated statements of operations and comprehensive loss associated with its accounts receivable.

NOTE 7 — Related Party Transactions

The following table summarizes the related party transactions included in the condensed consolidated statements of operations and comprehensive loss:

	Period from		Period from			
	July 1 -	July 1 -	January 1 -	June 8 -	January 1 – June	
	September 30, 2024 (Successor)	September 30, 2023 (Successor)	September 30, 2024 (Successor)	September 30, 2023 (Successor)	7, 2023 (Predecessor)	
Master services agreement administrative costs	\$ 30	\$ 38	\$ 82	\$ 51	\$ 80	
Engineering support provided by former board member	—	—	—	—	—	97
General and administrative – related party	\$ 30	\$ 38	\$ 82	\$ 51	\$ 177	
Master services agreement costs for Demonstration Plant	\$ 160	\$ 346	\$ 1,025	\$ 433	\$ 530	
BHES JDA	—	—	—	—	—	11,713
Research and development – related party	\$ 160	\$ 346	\$ 1,025	\$ 433	\$ 12,243	
Option settlement – related party	\$ —	\$ —	\$ —	\$ 79,054	\$ —	

Master Services Agreements

A significant shareholder has provided the Company with marketing services, patent administration services and technology maintenance services related to the development of the Net Power Cycle. These totals are included in General and administrative – related party on the condensed consolidated statements of operations and comprehensive loss.

Another shareholder supports the Company with regard to general business oversight and with the operation of the Demonstration Plant. These totals are reflected in Research and development – related party on the condensed consolidated statements of operations and comprehensive loss.

The Company had \$404 and \$142 in current liabilities payable to related parties as of September 30, 2024 (Successor) and December 31, 2023 (Successor), respectively, on the condensed consolidated balance sheets related to these services. These related party payables are unsecured and are due on demand.

Engineering Support Provided by Former Board Member

A shareholder, who is also a former board member, supported the Company with regard to general business oversight and with the operation of the Demonstration Plant. These expenses are reflected in Research and development – related party on the condensed consolidated statements of operations and comprehensive loss prior to the Business Combination. The counterparty ceased being a related party on June 8, 2023 upon completion of the Business Combination.

BHES JDA

On February 3, 2022, the Company entered into a Joint Development Agreement with affiliates of Baker Hughes Energy Services LLC ("BHES"), which is a shareholder of the Company (the "Original JDA"). The Original JDA's counterparties subsequently amended the agreement's terms on June 30, 2022 and December 13, 2022 (the "Amended and Restated JDA", and collectively with the Original JDA, the "BHES JDA"). The Amended and Restated JDA represents a contract that engages BHES to invest in, develop, and deploy the Net Power Cycle in collaboration with the Company. The Amended and Restated JDA entitles BHES to payments of cash and issuances of equity in exchange for services related to the development and commercialization of the technology. Subsequent to the Business Combination, the Company records the measurement of services provided by BHES within Research and development on the condensed consolidated statements of operations and comprehensive loss. Prior to June 8, 2023 (Successor), the Company recorded costs incurred under the BHES within Research and development – related party on the condensed consolidated statements of operations and comprehensive loss due to the size of their ownership of the Company and because an employee of BHES served on the Company's Board of Directors. Subsequent to the Business Combination, neither BHES nor its affiliates occupy seats on the Company's Board of Directors and its percentage of ownership fell below 5%; therefore, BHES no longer qualifies as a related party after June 7, 2023 (Predecessor).

Lease

Reference Note 13 — Leases for a discussion of the lease with a subsidiary of Occidental Petroleum Corporation ("Occidental Petroleum").

Option Settlement

One of the Company's shareholders owned an option to purchase up to 711,111 membership interests from NET Power, LLC if NET Power, LLC met certain performance conditions, which it did not achieve prior to the close of the Business Combination. Immediately prior to the close of the Business Combination, the option holder received 247,655 NET Power, LLC membership interests with a value of approximately \$ 79,054 in exchange for retiring the purchase option. The membership interests converted into 7,905,279 Class A OpCo Units and a corresponding quantity of shares of Class B Common Stock in conjunction with the Business Combination. The loss generated from the settlement of the share purchase option is recorded as Option settlement – related party expense on the condensed consolidated statements of operations and comprehensive loss.

NOTE 8 — Investments

The Company has two types of investments, a certificate of deposit, which is classified as a short-term investment, and investments in securities, which are classified as available-for-sale.

The entire balance of \$100,000 of the certificate of deposit is shown within short-term investments on the condensed consolidated balance sheets as of September 30, 2024 (Successor) and December 31, 2023 (Successor). The interest receivable on the certificate of deposit was \$1,578 and \$1,886 at September 30, 2024 (Successor) and December 31, 2023 (Successor), respectively, and is included in Interest receivable on the condensed consolidated balance sheets.

The following table presents the Company's available-for-sale investments included in the condensed consolidated balance sheets:

Current assets	September 30, 2024		
	Amortized Cost	Unrealized Gain (Loss)	Fair Value
Corporate bonds	\$ 12,208	\$ 33	\$ 12,241
Commercial paper	11,493	—	11,493
U.S. treasuries	49,034	100	49,134
Total	\$ 72,735	\$ 133	\$ 72,868

Long-term assets	September 30, 2024		
	Amortized Cost	Unrealized Gain (Loss)	Fair Value
Corporate bonds	\$ 494	\$ 2	\$ 496
U.S. treasuries	17,721	194	17,915
Total	\$ 18,215	\$ 196	\$ 18,411

The cost of securities sold is based on the specific-identification method. During the period from July 1, 2024 through September 30, 2024 (Successor) and the period from January 1, 2024 through September 30, 2024 (Successor), there were no securities sold. There were no credit losses recognized during the period from July 1, 2024 through September 30, 2024 (Successor) and the period from January 1, 2024 through September 30, 2024 (Successor). The Company established no allowances for credit losses as of September 30, 2024 (Successor). The Company did not have any available-for-sale investments as of December 31, 2023 (Successor).

NOTE 9 — Fair Value Measurements

The following table presents the assets and liabilities that the Company measures at fair value on a recurring basis included in the condensed consolidated balance sheets and indicates the level of the valuation inputs the Company utilized to determine the fair value:

	Level	September 30,	December 31, 2023
		2024 (Successor)	(Successor)
Assets			
Available-for-sale investments ¹	1	\$ 91,279	\$ —
Short-term investments	2	100,000	100,000
Total assets		\$ 191,279	\$ 100,000
Liabilities			
Public Warrants	1	\$ 10,001	\$ 18,969
Private Placement Warrants	3	17,767	36,951
Earnout Shares	3	460	1,671
Total liabilities		\$ 28,228	\$ 57,591

(1) \$18,411 of these investments are classified as long-term on our consolidated balance sheet.

The following table contains a reconciliation of the beginning and ending balances of recurring Level 3 fair value measurements included in the condensed consolidated statements of operations and comprehensive loss:

	Period From		Period from			
	July 1 -	July 1 -	January 1 -	June 8 -	January 1 – June	
	September 30, 2024 (Successor)	September 30, 2023 (Successor)	September 30, 2024 (Successor)	September 30, 2023 (Successor)	7, 2023 (Predecessor)	
Balance of recurring Level 3 liabilities at beginning of period	\$ 36,175	\$ 63,187	\$ 38,622	\$ 63,851	\$ 5,174	
Change in Earnout Shares liability and Warrant liability	(17,948)	52,352	(20,395)	51,688	—	
Change in Option liability	—	(7,879)	—	(7,879)	—	
Payments	—	—	—	—	(5,174)	
Balance of recurring Level 3 liabilities at end of period	\$ 18,227	\$ 107,660	\$ 18,227	\$ 107,660	\$ —	

Earnout Shares

The Company has Class A OpCo Units and corresponding shares of Class B Common Stock that, pursuant to an agreement with Sponsor and certain of its affiliates, are or were subject to forfeiture, with vesting occurring in three tranches based on the trading share price of the Class A Common Stock on the NYSE (the "Earnout Shares"). The fair value of the Earnout Shares is estimated using a Monte Carlo simulation. The Monte Carlo simulation considers daily simulated stock prices as a proxy for the Company's daily volume-weighted average share price. The key inputs into the valuation of the Earnout Shares are an expected remaining term of 1.68 years, a risk-free rate of 3.7% and estimated equity volatility of 44.8%. The estimated equity volatility assumption is based on a blended average of asset and equity volatility measurements of publicly traded companies within the Company's peer group along with the volatility of the Class A Common Stock.

Warrants

The Public Warrants are valued using their quoted and publicly available market prices. Since their fair value is predicated on quoted prices in an active market for identical instruments, the fair value of the Public Warrants is considered a Level 1 measurement.

The Company uses a Black-Scholes Merton Model to value the Private Placement Warrants. Key inputs into the Black-Scholes Merton Model include the last Class A Common Stock closing price of \$7.01 as of September 30, 2024 (Successor), a risk-free rate of 3.5%, volatility of 46.5%, a term of 3.69 years and a strike price of \$11.50 per share. The volatility assumption is based on a blended average of operating and equity volatility of publicly traded companies within

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the Company's peer group, the Company's own historical volatility, and the implied volatility of the Public Warrants. The fair value of the Private Placement Warrants is considered to be Level 3 fair value instruments.

Short-term Investments

Short-term investments are valued at cost, which approximates fair value. The fair value of the short-term investments is considered a Level 2 fair value measurement because cost basis is not observable in a public market.

Investment Securities

The fair value of the available-for-sale investments is classified as Level 1 because the investments are valued using the most recent quoted prices for identical assets in active markets.

Option Liability

The Company's option liability was issued in conjunction with member loans on October 15, 2021. The loans were fully repaid on February 3, 2022; however, the members had one year to exercise their options subsequent to the repayment of the loans. The interest expense related to these loan options was \$30 during the period from January 1, 2023 through June 7, 2023 (Predecessor). These measurements were reported in Interest income (expense) on the condensed consolidated statements of operations and comprehensive loss. In early 2023, two option holders exercised their options to purchase an aggregate of 34,588 membership units in NET Power, LLC for total proceeds of \$ 5,836. There were no loan options outstanding at the time of the Business Combination.

NOTE 10 — Earnings (loss) per Share/Unit

Basic earnings (loss) per share attributable to shareholders is calculated by dividing net income (loss) attributable to shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share attributable to shareholders includes the effect of potentially dilutive common shares outstanding.

Successor Period

The following table sets forth the computation of the Company's basic and diluted earnings (loss) per share for the following periods:

	Period from			
	July 1 -	July 1 -	January 1 -	June 8 -
	September 30,	September 30,	September 30,	September 30,
	2024	2023	2024	2023
(Successor)				
Numerator				
Net loss after income tax	\$ (6,814)	\$ (91,966)	\$ (65,662)	\$ (202,551)
Net income (loss) attributable to shareholders	\$ 818	\$ (30,564)	\$ (14,871)	\$ (65,564)
Denominator				
Weighted-average number shares outstanding, basic and diluted	73,536,697	68,966,972	72,540,878	68,644,032
Earnings (loss) per share attributable to shareholders, basic and diluted	\$ 0.01	\$ (0.44)	\$ (0.21)	\$ (0.96)

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Based on the amounts outstanding at September 30, 2024 (Successor) and September 30, 2023 (Successor), the Company excluded the following financial instruments from the computation of diluted earnings (loss) per share because their inclusion would be anti-dilutive:

Anti-Dilutive Instrument	September 30, 2024 (Successor)	September 30, 2023 (Successor)
Public Warrants	8,621,535	8,622,235
Private Placement Warrants	10,900,000	10,900,000
Earnout Shares	328,925	328,925
BHES Bonus Shares	2,068,416	2,068,416
Unvested Class A OpCo Units	241,670	972,522
Vested Class A OpCo Units	140,630,423	140,747,943
Unvested RSUs	871,356	440,423
Unvested PSUs	127,710	—
Make-Whole Awards	1,179,067	—
Stock Options	2,459,893	—
Total	167,428,995	164,080,464

In the Successor Period, only shares of Class A Common Stock participate in the Company's undistributed earnings. As such, the Company's undistributed earnings are allocated entirely to the Class A Common Stock based on the weighted-average number of shares of Class A Common Stock outstanding for the period from July 1, 2024 through September 30, 2024 (Successor) and the period from January 1, 2024 through September 30, 2024 (Successor).

Predecessor Period

For the period from January 1, 2023 through June 7, 2023 (Predecessor), the Company excluded 119,076 unvested profit interests from the computation of diluted net loss per unit because their inclusion would be anti-dilutive.

The following table sets forth the computation of the Company's basic and diluted net loss per unit for the following period:

	Period from
	January 1 - June 7, 2023 (Predecessor)
Numerator	
Net loss after income tax	\$ (34,176)
Net loss attributable to membership interest holders	\$ (34,176)
Denominator	
Weighted-average number membership interests outstanding, basic and diluted	3,766,871
Net loss per unit attributable to membership interest holders, basic and diluted	<u><u>\$ (9.07)</u></u>

NOTE 11 — Shareholders' Equity

As of September 30, 2024 and December 31, 2023, the Company owned 35.0% and 33.6% of the membership interests in OpCo, respectively, and non-controlling interest ("NCI") holders owned 65.0% and 66.4% of the membership interests in OpCo, respectively. The Company measures redeemable NCIs each quarter at the higher of its book value or its redemption value. For the period from July 1, 2024 through September 30, 2024 (Successor), the Company measured redeemable NCI at book value. For the period from June 8, 2023 through September 30, 2023 (Successor), the Company measured redeemable NCI at redemption value. The adjustment to redeemable NCI is recorded through Additional paid-in capital on the condensed consolidated statement of shareholders' equity and non-controlling interest.

The table below sets forth the calculation of net loss before income tax attributable to redeemable NCI holders for the following periods:

	Period from		
	July 1 - September 30, 2024 (Successor)	July 1 - September 30, 2023 (Successor)	January 1 - September 30, 2024 (Successor)
Net loss before income tax	\$ (11,560)	\$ (91,976)	\$ (76,799)
Redeemable non-controlling interest percentage — Class A OpCo Units	65.7 %	68.0 %	66.0 %
Net loss before income tax attributable to Class A OpCo Units	\$ (7,632)	\$ (61,402)	\$ (50,791)

Under the Second Amended and Restated Limited Liability Company Agreement of OpCo, OpCo is required, when certain conditions are met, to make tax-related distributions to the Class A OpCo Unit holders. As of September 30, 2024, the Company accrued a tax-related partnership distribution liability of \$4,130, which is included in current liabilities on the condensed consolidated balance sheets. The partnership distributions are recorded as a reduction of Redeemable non-controlling interest in subsidiary on the condensed consolidated balance sheets.

NOTE 12 — Share-Based Payments

OpCo Unit Awards (Predecessor and Successor)

As of September 30, 2024 (Successor), there was \$718 of unrecognized share-based compensation expense related to unvested Class A OpCo Units granted under previous programs, which the Company expects to recognize over a weighted average period of three years.

The following table summarizes the activity of employee equity awards comprised of Class A OpCo Units and the corresponding quantity of shares of Class B Common Stock for the periods presented:

	Quantity		Calculated Value			
	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	January 1 – June 7, 2023 (Predecessor)	September 30, 2024 (Successor)	September 30, 2023 (Successor)	
Unvested, beginning of period	848,415	1,895,179	226,494	\$ 5.21	\$ 4.95	\$ 63.25
Granted	—	—	—	\$ —	\$ —	\$ —
Forfeited	—	(324,625)	—	\$ —	\$ 5.66	\$ —
Vested	(606,745)	(598,032)	(107,418)	\$ 5.03	\$ 4.32	\$ 63.18
Unvested, end of period	<u>241,670</u>	<u>972,522</u>	<u>119,076</u>	<u>\$ 5.66</u>	<u>\$ 4.45</u>	<u>\$ 63.32</u>

Restricted Stock Units (Successor)

During the period from January 1, 2024 through September 30, 2024 (Successor), there were 531,705 restricted stock units ("RSU") awarded under the terms of the NET Power Inc. 2023 Omnibus Incentive Plan. As of September 30, 2024 (Successor), there was \$7,798 of unrecognized share-based compensation expense related to unvested RSUs, which the Company expects to recognize over a weighted average period of three years. Generally, RSUs granted to employees and the majority of executives either cliff-vest on the three-year anniversary of the date of grant or vest ratably on each anniversary of the date of grant over a three-year period. Annual awards granted to independent directors cliff-vest on the first anniversary of each award's grant date.

Additionally, there were 1,257,467 RSUs awarded to certain legacy employees as permitted by the business combination agreement (the "Make-Whole Awards"). These RSUs vest upon occurrence of the following events, which are considered performance conditions: (i) commercial operations achieved by the Company's first utility-scale power plant, and (ii) a fully-executed license agreement and final investment decision achieved for another utility-scale power plant. The Make Whole Awards expire ten years from the grant date. The Company will record compensation expense related to the Make-Whole Awards from the date the performance conditions are considered probable through the expected vesting dates. As of September 30, 2024 (Successor), the performance conditions are not considered probable, therefore, no compensation cost has been recognized related to the Make-Whole Awards.

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The following table presents a summary of RSU activity during the period from January 1, 2024 through September 30, 2024 (Successor):

	Quantity	Fair Value
Unvested, beginning of period	443,221	\$ 13.13
Granted	1,789,172	\$ 10.65
Forfeited	(34,723)	\$ 11.73
Vested	(68,846)	\$ 13.48
Unvested, end of period	<u><u>2,128,824</u></u>	<u><u>\$ 11.13</u></u>

Performance Stock Units (Successor)

On April 2, 2024, there were 127,710 performance stock units ("PSUs") awarded to certain executives for which the vesting occurs upon the achievement of specific market-based conditions related to the Company's financial performance over a three-year period, modified based on the Company's Relative Total Shareholder Return ("TSR") and subject to final vesting based on the participant's continued employment through the end of the requisite service period. The amount of awards that will ultimately vest for the PSU can range from 0% to 200% based on the TSR calculated over a three-year period. The fair value of the PSUs was determined using the Monte Carlo Simulation model and is being expensed over the three-year vesting period. The assumptions used to calculate the fair value of these awards were:

Weighted average expected life	3 years
Risk-free interest rates	4.4 %
Expected volatility	68.0 %

The following table presents a summary of PSU activity as of September 30, 2024 and the changes during the period from January 1, 2024 through September 30, 2024 (Successor):

	Quantity	Fair Value
Unvested, beginning of period	—	\$ —
Granted	127,710	16.24
Forfeited	—	—
Vested	—	—
Unvested, end of period	<u><u>127,710</u></u>	<u><u>\$ 16.24</u></u>

As of September 30, 2024 (Successor), there was \$1,731 of unrecognized share-based compensation expense related to unvested PSUs.

Stock Options (Successor)

On April 2, 2024, the Company granted stock options to its Chief Executive Officer to purchase 2,459,893 shares of common stock of the Company with an exercise price of \$11.30 per share and an expiration date of April 2, 2034. The stock options vest and become exercisable upon satisfaction of the following performance and market conditions: (i) commercial operations achieved by the Company's first utility-scale power plant, (ii) a fully-executed license agreement and final investment decision achieved for another utility-scale power plant, and (iii) a closing share price above \$30 per share for 60 consecutive trading days (or the equivalent when adjusted for any stock splits, reverse stock splits, and cumulative dividends paid per share until the vesting date). The Company will recognize compensation expense from the date the performance conditions become probable through the expected vesting date. As of September 30, 2024 (Successor), the performance conditions are not considered probable; therefore, no expense has been recognized related to these stock options.

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The grant date fair value of stock options granted was \$20,958 and was estimated using the Monte Carlo Simulation model. The fair value of the Company's stock option grants was estimated utilizing the following assumptions:

Weighted average expected life	3.35 years
Risk-free interest rates	4.27 %
Expected volatility	80 %

BHES JDA (Predecessor and Successor)

The following table presents the quantity and value of equity issued to BHES as payment for costs incurred pursuant to the BHES JDA (Note 7). The portion of BHES JDA costs that the Company pays with Class A OpCo Units and shares of Class B Common Stock is recorded within Additional paid-in capital on the condensed consolidated balance sheets and the condensed consolidated statement of shareholders' equity and non-controlling interest. The following table displays the fair value of shares distributed as payment for services rendered by BHES under the terms of the BHES JDA during the periods described below:

	Quantity		Total Fair Value				Equivalent Value per Unit or per Share ⁽¹⁾
	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	January 1 - September 30, 2023 (Predecessor)	2024 (Successor)	2023 (Successor)	2023 (Successor)	
	—	—	9,210	\$ —	\$ —	\$ —	
Membership Interests	—	—	9,210	\$ —	\$ —	\$ —	\$ 1,943 \$ 168.75
Class A OpCo Units	2,622,579	542,324	296,160	17,336	3,585	3,585	1,958 \$ 5.29
Class B Common Stock	2,622,579	542,324	296,160	—	—	—	— \$ —
Total				\$ 17,336	\$ 3,585	\$ 3,585	\$ 3,901

(1) The Equivalent Value per Unit is the discounted price per membership interest or per share stipulated in the BHES JDA.

Shares used as payment under the terms of the Amended and Restated JDA are issued at a discount expected to cause a total loss of approximately \$17,500 to the Company over the term of the agreement. The Company has incurred inception-to-date losses of \$5,079 related to such issuances.

BHES may earn additional shares under the terms of the Amended and Restated JDA ("BHES Bonus Shares") if it meets certain contractually stipulated project milestones related to the development of our technology. The Company determined that BHES's achievement of each of these milestones is probable in accordance with the guidance in ASC Topic 718, *Share-Based Payments*; therefore, the Company recognizes the compensation cost associated with milestone share-based payments ratably over the expected service period. The following table disaggregates the variable compensation payable to BHES should it meet its milestone objectives:

	Performance Period End Date	Compensation Cost		Remaining Compensation Cost	Total Compensation Cost
		Incurred To Date			
BHES JDA - variable share-based payments	January 2027	\$ 22,997		\$ 4,348	\$ 27,345

Additionally, BHES received 1,500,265 Class A OpCo Units and a corresponding number of shares of Class B Common Stock in conjunction with the consummation of the Business Combination.

Reference Note 15 for additional disclosures related to the BHES JDA.

NOTE 13 — Leases

The following table presents the future minimum lease payments that the Company expects to make under its operating and finance leases as of September 30, 2024 (Successor):

Year	Operating leases	Finance leases
Remainder of 2024	\$ 130	\$ 50
2025	708	199
2026	760	133
2027	780	—
2028	768	—
2029 and thereafter	301	—
Total	\$ 3,447	\$ 382

The following table presents the Company's lease costs by period presented and the classification on the condensed consolidated statements of operations and comprehensive loss:

Classification	Period from				Period from January 1 – June 7, 2023 (Predecessor)	
	July 1 - September 30, 2024 (Successor)		January 1 - September 30, 2024 (Successor)			
	July 1 - September 30, 2023 (Successor)	June 8 – September 30, 2023 (Successor)	July 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)		
Operating lease costs	General and administrative	\$ 182	\$ 53	\$ 438	\$ 66	
Financing lease costs:						
Amortization of right-of-use assets	Depreciation, amortization and accretion	\$ 5	\$ —	\$ 5	\$ —	
Interest on lease liabilities	Interest income (expense)	4	—	4	—	
Total finance lease costs		\$ 9	\$ —	\$ 9	\$ —	

Office Leases

As of September 30, 2024 (Successor), the Company had \$ 2,775 in lease liabilities and \$ 2,619 in right-of-use assets attributable to office operating leases on its condensed consolidated balance sheets.

On June 6, 2022, the Company entered into an office space lease agreement for commercial office space in Durham, North Carolina (the "Measurement Building Lease"), which became effective on November 1, 2022 and had an original lease term of 60 months from the signing date. The lease was classified as an operating lease and the lease liability was calculated using an incremental borrowing rate of 8.0%.

On August 11, 2023, the Company agreed to terminate the Measurement Building Lease effective October 6, 2023 and entered into a new office lease agreement (the "Roney St. Lease"). The Roney St. Lease commenced on October 6, 2023 and has an original lease term of 62 months from the commencement date. The lessors of the Measurement Building Lease and the Roney St. Lease have common ownership and are considered related parties to each other; therefore, the simultaneous termination of the Measurement Building Lease and execution of the Roney St. Lease represent a single transaction accounted for as a modification of the Measurement Building Lease. As such, the Company remeasured the lease liabilities and right-of-use asset associated with the Measurement Building Lease and recognized those balances over the amended, remaining lease term. In addition, the Roney St. Lease includes an early termination option that enables the Company to end the lease on or after its 50th month.

On February 28, 2024, the Company entered into an office space lease agreement for commercial office space in Houston, Texas (the "Atlas Tower Lease"), which became effective in July of 2024 and has an original lease term of 68 months from the commencement date and includes an early termination option that enables the Company to end the lease at the end of

its 44th month. The Company measured the lease liabilities and right-of-use asset associated with the Atlas Tower Lease upon commencement of the lease and recognized those balances over the lease term.

As of September 30, 2024 (Successor), the Company determined that it is unlikely to exercise the termination option associated with the Atlas Tower Lease; therefore, the above minimum lease payments do not consider the effects of the termination option on the lease term.

Land Leases

On March 8, 2024, the Company entered into a land lease with a subsidiary of Occidental Petroleum, a related party, which becomes effective no later than December 31, 2024. The lease has an initial term of 60 months from the commencement date. Additionally, the term may be extended for up to three consecutive periods of ten years. The Company will measure the lease liabilities and right-of-use asset upon commencement of the lease and will recognize those balances over the lease term.

The Company leases the land under the Demonstration Plant in LaPorte, Texas. During the second quarter of 2024, the Company entered into a lease amendment extending the lease term. The amended lease expires on the earlier of (i) January 1, 2031 or (ii) the termination of the Company's oxygen supply agreement with the lessor. Lease payments for the land equal one dollar per year. As of September 30, 2024 (Successor), the value of the right-of-use asset attributable to the Demonstration Plant land lease was \$105.

Reference Note 15 — Commitments and Contingencies for discussion on the Company's asset retirement and unconditional purchase obligations related to the Demonstration Plant.

Office Trailer Leases

On June 26, 2024, the Company entered into a lease agreement for two office trailers at the Demonstration Plant in LaPorte, Texas, with an effective date of September 1, 2024. The lease has a term of 24 months and contains a purchase option where the Company may purchase the trailers at the end of the lease term; therefore, the Company classified the lease as a finance lease and recorded the right-of-lease asset within Property, plant and equipment, net in the condensed consolidated balance sheets. The Company recorded the lease liability on the condensed consolidated balance sheets using the 14% discount rate implicit in the lease.

NOTE 14 — Income Taxes

As of September 30, 2024 (Successor), the Company estimated its annual effective tax rate to be 11.8%, and recorded a deferred income tax benefit of \$4,746 and \$11,137, for the period from July 1, 2024 through September 30, 2024 (Successor) and the period from January 1, 2024 through September 30, 2024 (Successor), respectively. The annual effective tax rate varies from the statutory federal income tax rate due to amounts allocated to NCI, state income taxes and other permanent items. The income tax benefit recorded through September 30, 2024 (Successor) includes a cumulative adjustment of \$1,647 related to finalizing deferred taxes as of the Closing Date of the Business Combination. Reference Note 3 — Goodwill and Intangible Assets for additional discussion.

Tax Receivable Agreement - As of September 30, 2024 (Successor), the Company recorded a liability of \$ 14,661 related to its projected obligations under the TRA, which is recorded as Tax Receivable Agreement liability in the condensed consolidated balance sheets. This obligation arose because of qualifying exchanges of Class A OpCo Units that occurred through September 30, 2024.

NOTE 15 — Commitments and Contingencies

Asset Retirement Obligation

The Company's valuation of the asset retirement obligation related to the Demonstration Plant encompasses an estimate for the cost to restore the site as required by lease terms.

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The following table reconciles the beginning and ending balances of the asset retirement obligation as of the dates presented:

	Period from		Period from		
	July 1 - September 30, 2024 (Successor)	July 1 - September 30, 2023 (Successor)	January 1 - September 30, 2024 (Successor)	June 8 - September 30, 2023 (Successor)	
					January 1 - June 7, 2023 (Predecessor)
Asset retirement obligation, beginning of period	\$ 2,146	\$ 1,977	\$ 2,060	\$ 1,967	\$ 2,416
Accretion expense	45	41	131	51	102
Asset retirement obligation, end of period	<u>\$ 2,191</u>	<u>\$ 2,018</u>	<u>\$ 2,191</u>	<u>\$ 2,018</u>	<u>\$ 2,518</u>

Unconditional Purchase Obligations

The Company has committed to purchase industrial components for installation at its Demonstration Plant and its first commercial power plant. The Company pays for these components in installments aligned to contractual milestones. In accordance with ASC Topic 440, *Commitments*, the Company does not recognize these commitments on the condensed consolidated balance sheets.

As of September 30, 2024, the Company had \$ 88,335 of remaining purchase obligations through February 2027 related to the BHES JDA, which is expected to be settled 50% in cash and 50% in common stock. In addition, the Company had \$ 106,831 of additional remaining asset purchase obligations through 2025.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share and unit amounts, unless otherwise noted)

The following management's discussion and analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition and includes forward-looking statements that involve risks, uncertainties and assumptions, including those described in "Cautionary Note Regarding Forward-Looking Statements" included in the forepart of this Quarterly Report on Form 10-Q (our "Quarterly Report") and included in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2023 (our "Annual Report"), as filed with the SEC on March 11, 2024.

The following MD&A should be read in conjunction with our condensed consolidated financial statements and related notes included in Part 1, Item 1 in this Quarterly Report and our audited consolidated financial statements and related notes included in our Annual Report.

Overview

We are a clean energy technology company that has developed a unique power generation system (the "Net Power Cycle") that can produce clean, reliable, and low-cost electricity from natural gas while capturing virtually all atmospheric emissions. The Net Power Cycle is designed to inherently capture CO₂ and eliminate air pollutants such as SO_x, NO_x, and particulates.

The Business Combination

On December 13, 2022, NET Power, LLC entered into the Business Combination Agreement with RONI, RONI OpCo, Buyer and Merger Sub. Pursuant to the Business Combination Agreement, Merger Sub merged with and into NET Power, LLC with NET Power, LLC surviving the merger as a wholly owned subsidiary of Buyer. Upon the consummation of the Business Combination on June 8, 2023, RONI was renamed NET Power Inc. ("Net Power" or the "Company").

As discussed in Note 1 to the condensed consolidated financial statements, the Company's financial statement presentation distinguishes NET Power, LLC as the "Predecessor" through June 7, 2023 (the "Predecessor Period") and Net Power as the "Successor" for periods after the Closing Date (the "Successor Period"). Revenue and earnings after the date of the Business Combination are shown in the Successor Period on the condensed consolidated statements of operations and comprehensive loss. As a result of the application of the acquisition method of accounting in the Successor Period, the consolidated financial statements for the Successor Period are presented on a full step-up basis; therefore, Successor Period consolidated financial statements are not comparable to the consolidated financial statements of the Predecessor Period, which are not presented on the same full step-up basis.

Key Factors Affecting Our Prospects and Future Results

As a result of the Business Combination, Net Power became a publicly traded company with Class A Common Stock and Public Warrants trading on the NYSE, which has necessitated the hiring of additional personnel and the implementation of procedures and processes to address public company regulatory requirements and customary practices. We have incurred, and expect to continue to incur, material additional annual expenses as a public company for, among other things, directors' and officers' liability insurance, director fees, and additional internal and external accounting, legal, and administrative resources, including increased personnel costs, audit, and other professional service fees.

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including, but not limited to, cost over-runs in the testing and operation of the Demonstration Plant, technical problems with the Net Power Cycle, potential supply chain issues, our ability to finance the construction of our first utility-scale plant, and development of competing clean-energy technology sooner or at a lesser cost than the Net Power Cycle. Supply chain issues related to the manufacturing and transportation of key equipment may lead to a delay in our commercialization efforts, which could impact our results of operations.

Commencing Commercial Operations

Over the next several years, the Company plans to conduct additional research and testing campaigns at its Demonstration Plant and construct its first utility-scale plant. Net Power began purchasing and expects to make additional purchases of initial long-lead materials for the first utility-scale plant in 2024 and 2025 and targets initial power generation between the second half of 2027 and the first half of 2028. We expect that the plant will be a Net Power-led consortium project located at a site hosted by Occidental Petroleum in the Permian Basin of West Texas. We also continue to evaluate other sites in

North America for Net Power plants. We expect that the project will fully integrate power production with transportation and underground storage of carbon dioxide. We are focused on delivering a project that will catalyze future adoption for utility-scale customers.

Major remaining development activities relating to completing construction of our first utility-scale plant are similar to the activities we previously undertook to design, build, and commission the Demonstration Plant. These activities include but are not limited to: finalizing a siting study, completion of permitting, conducting a front-end engineering design ("FEED") study, originating all required supply and off-take contracts, structuring the project to attract any required third party equity and debt financing and achieving final investment decision, initiating the engineering, procurement and construction ("EPC") process, and constructing and commissioning the facility.

Key Components of Results of Operations

We are a development stage company and our historical results may not be indicative of our future results. Accordingly, the drivers of our future financial results, as well as the components of such results, may not be comparable to our historical or future results of operations.

Results of Operations

Comparison of the Three Months Ended September 30, 2024 (Successor) to the Three Months Ended September 30, 2023 (Successor)

The following table sets forth our condensed results of operations data for the periods presented:

	Period from	
	July 1 - September 30, 2024 (Successor)	July 1 - September 30, 2023 (Successor)
Revenue	\$ 12	\$ —
Cost of revenue	1	—
Gross profit	11	—
Operating expenses		
General and administrative	8,448	8,389
Sales and marketing	1,032	931
Research and development	17,333	9,032
Project development	233	289
Depreciation, amortization and accretion	20,210	20,027
Total operating expenses	47,256	38,668
Operating loss	(47,245)	(38,668)
Other income (expense)		
Interest income	7,992	8,675
Change in Earnout Shares liability and Warrant liability	27,690	(61,984)
Other income	3	1
Net other income (expense)	35,685	(53,308)
Net loss before income tax	(11,560)	(91,976)
Income tax benefit	4,746	10
Net loss after income tax	(6,814)	(91,966)
Net loss attributable to non-controlling interests	(7,632)	(61,402)
Net income (loss) attributable to NET Power Inc.	<u>\$ 818</u>	<u>\$ (30,564)</u>

Revenue

We have not generated material revenue to date. We have generated revenue through various contracts with potential future license customers for access to testing results, other data and feasibility studies. We have also generated revenue for conducting syngas testing at our Demonstration Plant. Revenue increased by \$12, or 100%, for the three months ended September 30, 2024 (Successor), as compared to three months ended September 30, 2023 (Successor).

General and administrative

General and administrative expenses consist primarily of personnel-related expenses associated with our general and administrative organization and professional fees for legal, accounting, and other consulting services. Our general and administrative expenses increased by \$59, or 1%, for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor). This increase was due to increases in corporate headcount and information technology costs, partially offset by lower SEC filing fees and insurance costs.

Sales and marketing

Our sales and marketing expenses consist primarily of personnel-related costs, consultants and information technology costs directly associated with our sales and marketing activities, which include general publicity efforts for the Company. Sales and marketing expenses increased by \$101, or 11%, for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor). This increase was primarily attributable to costs associated with growth in employee headcount, partially offset by lower information technology costs and conference fees.

Research and development

Our research and development ("R&D") expenses consist primarily of labor expenses and fees paid to third parties working on and testing specific aspects of our technology, including testing at our Demonstration Plant and development activities under the BHES JDA. R&D expenses increased by \$8,301, or 92%, for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor). This increase was primarily due to activities under the BHES JDA and increased activity at the Demonstration Plant in preparation for testing which is scheduled to commence in the fourth quarter of 2024.

Project development

Project development expenses consist of labor expenses and fees paid to third parties developing commercial scale projects. Our project development expenses were fairly consistent, for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor).

Depreciation, amortization and accretion

Our depreciation, amortization and accretion expenses consist primarily of depreciation on our Demonstration Plant and amortization of intangible assets. Depreciation, amortization and accretion expense increased by \$183, or 1%, for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor).

Interest income

Our interest income (expense) decreased by \$683, or 8%, for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor). Interest income decreased due to decreased investments, partially offset by investment accretion.

Change in Earnout Shares liability and Warrant liability

The change in Earnout Shares liability and Warrant liability was \$89,674, or 145%, for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor). The change was due to the changes in the market price of our Class A Common Stock, which correlates to the change in value of our Warrants.

Income tax benefit

Our income tax benefit increased by \$4,736 for the three months ended September 30, 2024 (Successor), as compared to the three months ended September 30, 2023 (Successor). This increase was due to a lower effective tax rate for the three months ended September 30, 2023 (Successor) due to permanent differences for expenses associated with the closing of the Business Combination.

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Comparison of the Nine Months Ended September 30, 2024 (Successor) to the Periods from January 1, 2023 Through June 7, 2023 (Predecessor) and June 8, 2023 Through September 30, 2023 (Successor)

The following table sets forth our condensed results of operations data for the periods presented:

	Period from		
	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	January 1 – June 7, 2023 (Predecessor)
Revenue	\$ 250	\$ —	\$ 175
Cost of revenue	31	—	3
Gross profit	219	—	172
Operating expenses			
General and administrative	22,643	32,887	12,861
Sales and marketing	2,660	1,087	869
Research and development	44,083	14,870	14,311
Project development	1,426	219	479
Option settlement - related party	—	79,054	—
Depreciation, amortization and accretion	60,289	24,945	5,802
Total operating expenses	131,101	153,062	34,322
Operating loss	(130,882)	(153,062)	(34,150)
Other income (expense)			
Interest income	24,712	10,800	(30)
Change in Earnout Shares liability and Warrant liability	29,361	(60,975)	—
Other income	10	5	4
Net other income (expense)	54,083	(50,170)	(26)
Net loss before income tax	(76,799)	(203,232)	(34,176)
Income tax benefit	11,137	681	—
Net loss after income tax	(65,662)	(202,551)	(34,176)
Net loss attributable to non-controlling interests	(50,791)	(136,987)	—
Net loss attributable to NET Power Inc.	\$ (14,871)	\$ (65,564)	\$ (34,176)

Revenue

We have not generated material revenue to date. We have generated revenue through various contracts with potential future license customers for access to testing results, other data and feasibility studies. We have also generated revenue for conducting syngas testing at our Demonstration Plant. Revenue increased by \$75, or 43%, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor) .

General and administrative

General and administrative expenses decreased by \$23,105, or 51%, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). This decrease was primarily due to \$16,644 in costs related to the Business Combination and \$1,958 in costs incurred in the Successor Period as a result of becoming a public company during the nine months ended September 30, 2023. This decrease was also due to decreased amounts paid for professional services, partially offset by an increase in corporate headcount.

Sales and marketing

Our sales and marketing expenses consist primarily of personnel-related costs, consultants and information technology costs directly associated with our sales and marketing activities, which include general publicity efforts for the Company. Sales and marketing expenses increased by \$704, or 36%, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). This increase was primarily attributable to increased headcount and engagement of external consultants to support increased marketing activities.

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Research and development

Our R&D expenses consist primarily of labor expenses and fees paid to third parties working on and testing specific aspects of our technology, including testing at our Demonstration Plant and development activities under the BHES JDA. R&D increased by \$14,902, or 51%, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). This increase was primarily due to timing of development activities under the BHES JDA.

Project development

Project development expenses consist of labor expenses and fees paid to third parties developing commercial scale projects. Project development expenses increased by \$728, or 104%, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). This increase was due to the initiation of activities related to development of a utility-scale facility and costs related to future projects.

Option settlement - related party

Option settlement expense of \$79,054 for the period from June 8, 2023 through September 30, 2023 (Successor) was due to a one-time cost for settlement of an option agreement in connection with the close of the Business Combination.

Depreciation, amortization and accretion

Our depreciation, amortization and accretion expenses consist primarily of depreciation on our Demonstration Plant and amortization of intangible assets. Depreciation, amortization and accretion expense increased by \$29,542, or 96%, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). As a result of the Business Combination, we adjusted the value of acquired assets to fair value, which resulted in a significant increase in intangible assets for internally developed technology and the Demonstration Plant. These increases resulted in an increase in related amortization and depreciation expense in the Successor Period.

Interest income

Interest income (expense) increased by \$13,942, or 129%, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). Interest income increased due to the deployment of cash into fixed income securities and interest-bearing short-term investments subsequent to the Business Combination.

Change in Earnout Shares liability and Warrant liability

The change in Earnout Shares liability and Warrant liability was \$90,336, for the nine months ended September 30, 2024 (Successor), as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). This increase is primarily due to the change in the fair value of the Private Placement Warrants and Public Warrants which was driven by changes in our stock price.

Income tax benefit

Our income tax benefit increased by \$10,456 for the nine months ended September 30, 2024, as compared to amounts for the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). The increase is due to favorable permanent items and a cumulative tax benefit of \$1,647 related to finalizing deferred taxes as of the Closing Date of the Business Combination in the nine months ended September 30, 2024 (Successor) and a lower effective tax rate for the nine months ended September 30, 2024 (Successor) due to unfavorable permanent differences for expenses associated with the closing of the Business Combination.

Liquidity and Capital Resources

Our principal sources of liquidity are cash, short-term investments and investments in highly liquid available-for-sale securities. Historically, our sources of liquidity have also included raising capital through the sale of equity. We may issue additional equity securities in the future. We measure liquidity in terms of our ability to fund the cash requirements of our R&D activities and our near-term business operations, including our contractual obligations and other commitments. Our current liquidity needs primarily involve R&D activities for the ongoing development of our technology, general and administrative costs, and expenditures to purchase long-lead items related to our first commercial scale facility.

The following table summarizes our liquidity position:

September 30, 2024 (Successor)	
Cash and cash equivalents	\$ 386,257
Available-for-sale securities	91,279
Short-term investments	100,000
Total liquidity	\$ 577,536

As of September 30, 2024, we had short-term investments totaling \$100,000, which was comprised of a single six-month certificate of deposit custodied by a domestic banking institution and available-for-sale securities comprised of investment grade, fixed income securities totaling \$91,279. Additionally, our current liabilities were \$26,915 at September 30, 2024 (Successor).

We believe we have the ability to manage our operating costs, including R&D expenditures, such that our existing liquidity will be sufficient to fund our obligations for the next 12 months following the filing of this Report. We believe that our current sources of liquidity on hand should be sufficient to fund our general corporate operating expenses as we work to commercialize our technology, but certain costs are not reasonably estimable at this time and we may require additional funding. More specifically, we will require additional funding in order to successfully construct our first utility-scale plant and to originate additional Net Power plant opportunities.

Cash Flow Summary

The following table shows our cash flows from operating activities, investing activities and financing activities for the presented periods:

	Period from		January 1 – June 7, 2023 (Predecessor)
	January 1 - September 30, 2024 (Successor)	June 8 – September 30, 2023 (Successor)	
Net cash used in operating activities	\$ (18,680)	\$ (35,373)	\$ (10,623)
Net cash used in investing activities	\$ (129,467)	\$ (95,928)	\$ (2,431)
Net cash (used in) provided by financing activities	\$ (91)	\$ 319,529	\$ 15,836

Operating Activities

Cash used in operating activities decreased 59.4% for the nine months ended September 30, 2024 as compared to the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). Our net cash used in operating activities to date have been primarily comprised of payroll, material and supplies, facilities expense, and professional services related to R&D, including the BHES JDA, and general and administrative activities. This change was primarily due to costs associated with the completion of the Business Combination and our corresponding transition to operating as a public company during the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). As we continue to increase hiring and build out the Company, we expect our cash used in operating activities to increase significantly before we start to generate any material cash inflows from our operations.

Investing Activities

During the nine months ended September 30, 2024 (Successor), net cash used in investing activities increased 31.6% as compared to the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). Our cash used in investing activities for the nine months ended September 30, 2024 (Successor) primarily reflects the investment of a portion of the proceeds received from the PIPE Financing in investment grade fixed income securities and capital expenditures related to our Demonstration Plant and long-lead items for our first utility scale plant.

Financing Activities

Our cash provided by financing activities decreased 100.0% for the nine months ended September 30, 2024 (Successor) compared to the combined periods from January 1, 2023 through June 7, 2023 (Predecessor) and June 8, 2023 through September 30, 2023 (Successor). This change was driven by proceeds from the PIPE Financing, fewer transaction expenses, and a reduction in the number of shareholder redemptions during the period from June 8, 2023 through September 30, 2023 (Successor).

Commitments and Contractual Obligations

Asset Retirement Obligation

We hold a lease for approximately 218,900 square feet of land under the Demonstration Plant. In addition, we have an oxygen supply agreement with the lessor to supply oxygen to the Demonstration Plant. The lease expires on the earlier of (i) January 1, 2031 and (ii) the termination of our oxygen supply agreement with the lessor. The term of the oxygen supply agreement expires on January 1, 2030 with automatic 12-month renewal terms. The oxygen supply agreement may be terminated by us or by the lessor upon 24 months' written notice prior to the expiration date of its current term. The underlying lease requires the removal of all equipment and the obligation to restore the land to post-clearing grade level, which has resulted in the recognition of an asset retirement obligation liability of \$2,191 and \$2,060 as of September 30, 2024 and December 31, 2023, respectively.

Leases

As of September 30, 2024, future minimum lease payments attributable to the Company's operating and finance lease arrangements are approximately \$3,447 and \$382, respectively.

The Company leases corporate office space in Durham, North Carolina, and Houston, Texas. The lease for the Company's corporate office space in Houston, Texas, commenced July 11, 2024. The Company also entered into a land lease agreement with a subsidiary of Occidental Petroleum, a related party, on March 8, 2024, for land in West Texas with commencement of the lease to occur no later than December 31, 2024. The term of the Company's land lease has not yet commenced.

Joint Development Agreement

As of September 30, 2024 and December 31, 2023, we have committed to funding a portion of the remaining development costs incurred under the BHES JDA through a combination of cash and equity. The BHES JDA's total value is \$140,000. As of September 30, 2024, we recognized approximately \$25,733 of inception-to-date cash expenses and approximately \$25,932 of inception-to-date share-based expenses related to the BHES JDA. The share-based expense excludes \$6,442 of realized loss on share issuance.

Off-Balance Sheet Arrangements

As of September 30, 2024 and December 31, 2023, we have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Capital Commitments

As of September 30, 2024, we have committed to purchase certain components of industrial machinery for use at our Demonstration Plant and at our first utility-scale plant. The total gross commitments, which were initially unrecognized on our balance sheet, totaled \$133,780. As of September 30, 2024, there was \$106,831 remaining related to these commitments.

Critical Accounting Policies and Estimates

There have been no material changes to our discussion of critical accounting estimates from those set forth in our Annual Report.

Emerging Growth Company Accounting Election

Section 102(b)(1) of the Jumpstart our Business Startups Act of 2012 (the "JOBS Act") exempts emerging growth companies ("EGC's") from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect not to take advantage of the extended transition period and comply with the requirements that apply to non-EGC's, and any such election to not take advantage of the extended transition period is irrevocable. We expect to be an EGC at least through the end of 2024 and will have the benefit of the extended transition period. We intend to take advantage of the benefits of this extended transition period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the fiscal quarter ended September 30, 2024. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting occurred during the fiscal quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, the Company is party to certain legal actions and claims arising in the ordinary course of business. While the outcome of these events cannot be predicted with certainty, management does not currently expect these matters to have a materially adverse effect on the financial position or results of operations of the Company.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information called for by this Item. However, for a discussion of the material risks, uncertainties and other factors that could have a material effect on us, please refer to Part I, Item 1A. "Risk Factors" in our Annual Report.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities

On July 22, 2024, the Company issued 942,177 shares of Class B Common Stock and OpCo issued 942,177 Class A units to BHES as payment for costs incurred pursuant to the Amended and Restated JDA during the second quarter of 2024. The issuances by the Company and OpCo were exempt from registration under the Securities Act by virtue of Section 4(a)(2) of the Securities Act. These transactions did not involve any public offering, any underwriters, any underwriting discounts or commissions, or any general solicitation or advertising.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements

On August 26, 2024, Akash Patel, our Chief Financial Officer, adopted a "Rule 10b5-1 trading arrangement" (as such term is defined in Item 408(a) of Regulation S-K) (the "Patel 10b5-1 Plan") that provides for the sale of up to the total of (a) 150,000 shares of Class A shares Common Stock plus (b) the net number of shares of Class A common stock to be issued upon the vesting of 11,151 RSUs in April 2025. Sales under the Patel 10b5-1 Plan may be made during the period beginning November 22, 2024 through November 22, 2025.

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

Item 6. Exhibits

Exhibit Number	Description
2.1+	Business Combination Agreement, dated as of December 13, 2022, by and among Rice Acquisition Corp. II, Rice Acquisition Holdings II LLC, Topo Buyer Co, LLC, Topo Merger Sub, LLC and NET Power, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on December 14, 2022).
2.2	First Amendment to the Business Combination Agreement, dated as of April 23, 2023, by and among Topo Buyer Co, LLC and NET Power, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on April 24, 2023).
3.1	Certificate of Incorporation of NET Power Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 14, 2023).
3.2	Bylaws of NET Power Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 14, 2023).
10.1+	Variation Agreement No. 2 Regarding Letter of Limited Notice to Proceed for the Purchase of KPEP Long Lead Items between NET Power, LLC and Baker Hughes Energy Services LLC, dated September 30, 2024.
31.1	Certification of Chief Executive Officer (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 Chief Financial Officer (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 Chief Executive Officer (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 Chief Financial Officer (Principal Financial Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
0.104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
+	Certain schedules or similar attachments to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to provide a copy of any omitted schedule or similar attachment 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 hereunto duly authorized.

Dated: November 12, 2024

DATED September 30, 2024

Variation agreement No. 2

NET Power, LLC
and
Baker Hughes Energy Services LLC

Regarding Letter of Limited Notice to Proceed for the Purchase of KPEP Long Lead Time Items

This Variation Agreement No.2 is dated

September 30, 2024

Parties

1. **NET Power, LLC**, 320 Roney Street, Suite 200 Durham, NC 27701(**NP**)
2. **Baker Hughes Energy Services LLC** 575 N. Dairy Ashford Houston, Texas 77079 (**BH**)
(each of the above companies is also hereinafter referred to the**Party** and collectively the **Parties**);

BACKGROUND

- (a) The NP and BH are parties to a letter of limited notice to proceed for the purchase of KPEP long lead time items dated 28 December 2023 as amended by a variation agreement dated 28 June 2024 (**Variation Agreement**) together the **Agreement**, a copy of which is attached as Schedule 4 to this Variation Agreement No.2.
- (b) BH and the NP have been in discussions regarding extending the Agreement to allow for additional KPEP long lead time items. The Parties wish to make the following amendments to the Agreement as set out below with effect from the date of this Variation Agreement No.2 (**Variation No.2 Date**).

Agreed terms

1. Terms defined in the Agreement

In this Variation Agreement No.2, expressions defined in the Agreement and used in this Variation Agreement No.2 have the meaning as set out in the Agreement.

2. Variation

2.1 With effect from the Variation No.2 Date the Parties agree the following amendments to the Agreement:

a)	Opening paragraph 3 is amended	In line 2 of the opening paragraph 3 the following words are deleted: "****" and replaced with the following words: "****"
b)	Paragraph 6 is amended	In line 1 of paragraph 6 the following words are deleted "****" and replace with the following words: "****"

c)	Paragraph 12 is amended	In lines 9, 16, 19 and 21 of paragraph 12 the following words are deleted "[***]" and replace with the following words: [***]"
d)	Appendix A is deleted and replaced:	Appendix A is deleted in its entirety and replaced with the Appendix A in Schedule 1 of this Variation Agreement No.2.
e)	Appendix B is deleted and replaced:	Appendix B is deleted in its entirety and replaced with the Appendix B in Schedule 2 of this Variation Agreement No.2.
f)	Appendix C is deleted and replaced:	Appendix C is deleted in its entirety and replaced with the Appendix C in Schedule 3 of this Variation Agreement No.2.
g)	Appendix D is deleted and replaced:	Appendix D is deleted in its entirety and replaced with Appendix D in Schedule 4 of this Variation Agreement No.2.

2.2 Except as set out Clause 2.1, the Agreement shall continue in full force and effect.

3. Governing law and jurisdiction

3.1 This Variation Agreement No.2 shall be governed by the Texas law. In the event of any dispute arising out of or in connection with this Variation Agreement No.2, the parties agree to submit the matter to settlement proceedings under the International Chamber of Commerce (ICC) Mediation Rules, without prejudice to either party's right to seek interim emergency or conservatory measures of protection at any time. If the dispute has not been settled pursuant to the said Rules within 60 days following the filing of a Request for Mediation or within such other period as the parties may agree in writing, such dispute shall be finally settled under the ICC Rules of Arbitration by one or more arbitrators appointed in accordance with the said Rules of Arbitration. The period of 60 days shall be reduced in accordance with the ICC Rules in the event either party seeks the appointment of an emergency arbitrator. The seat, or legal place, of arbitration, shall be Houston.

This agreement has been entered into on the date stated at the beginning of it.

NET Power, LLC

Initial: BFA Initial: AP
 Name: Brian Allen Name: Akash Patel

By: /s/ Danny Rice
 Name: Danny Rice
 Title: Chief Executive Officer

Date: September 30, 2024

Baker Hughes Energy Services LLC

By: /s/ Chris Coffman

Name: Chris Coffman

Title: Vice President

Date: September 30, 2024

Schedule 1
Appendix A – Special Terms and Conditions

1. LNTP Price and Payment Schedule:

The **LNTP Price** is **\$89,889,200** USD (eighty-nine million eight hundred and eighty-nine thousand two hundred US dollars)

Phase 1

The price for the Phase 1 LNTP scope of work described in Appendix B is[***] USD and shall be paid in accordance with the following payment schedule:

#	% of price	Payment Value (USD)	Milestone Event / Payment Description	Estimated Invoice Date
1	[***]	[***]	LNTP Effective Date	Effective Date
2	[***]	[***]	Upon BH's placement of LNTP scope of work suborders	September 30, 2024
3	[***]	[***]	Upon BH's receipt of HP casings	January 31, 2025
	100%	[***]		

Phase 2

The price for the Phase 2 LNTP scope of work described in Appendix B is[***] USD and shall be paid in accordance with the following payment schedule:

#	% of price	Payment Value (USD)	Milestone Event / Payment Description	Estimated Invoice Date
1	[***]	[***]	Effective Date of Variation Agreement	Variation Date
2	[***]	[***]	Upon BH's placement of LNTP scope of work suborders for Phase 2	December 15, 2024
3	[***]	[***]	Upon BH's receipt of the casing liners and cups	April 30, 2025
	100%	[***]		

Phase 3

The price for the Phase 3 LNTP scope of work described in Appendix B is[***]USD and shall be paid in accordance with the following payment schedule:

#	% of price	Payment Value (USD)	Milestone Event / Payment Description	Estimated Invoice Date
1	[***]	[***]	Variation No.2 Date	Variation No.2 Date
3	[***]	[***]	Upon BH's placement of sub-orders for Electric Motors included in Phase 3	April 1, 2025
4	[***]	[***]	Upon receipt of raw materials under Phase 3 included in the LNTP	December 15, 2025
5	[***]	[***]	Upon receipt of Electric Motors, pro-rata	April 30, 2026
	100%	[***]		

It is understood and agreed that if BH completes a milestone event in advance of the estimated date indicated in the payment schedule set out above, NPWR shall not be required to make payment for such milestone prior to such estimated date identified on the payment schedule without its prior written consent.

2. Termination Fee Schedule:

In the event of termination, NPWR shall pay BH an amount calculated based on the following table:

Elapsed Months from Effective Date of the LNTP	Cancellation on LNTP Price
0	1,2%
1	1,4%
2	1,7%
3	3,6%
4	4,7%
5	7,1%
6	13,5%
7	17,5%
8	20,7%
9	29,2%
10	33,6%
11	38,8%
12	45,8%
13	54,2%
14	60,5%
15	67,3%
16	74,2%
17	78,7%
18	83,6%
19	86,9%
20	89,9%
21	92,8%
22	95,0%
23	96,8%
24	97,5%
25	98,2%
26	98,9%
27	99,3%
28	99,6%
29	100,0%

Schedule 2
Appendix B – Limited Notice to Proceed (LNTP) Scope of Work

Phase 1

Package	Item/Task	Quantity
1GT-0100 – Oxy-fuel Turboexpander	[***]	[***]
	[***]	[***]

Phase 2

The list of items below is an indicative list of items that BH, at the Variation Date, considers it will need to start procuring, in order to meet the current timeline. An indicative manufacturing plan for the Phase 2 items has been shared with NP. As part of the ongoing development activities and as information becomes available, the BH and NP project management teams will continue to review, assess, and update the manufacturing plan as necessary up to the issuance of the Definitive Purchasing Terms. In the event BH considers that it needs to amend the list of items and include, remove or replace items with other items, to account for changes in lead times and to enable BH to meet the current indicative schedule, then it shall be entitled to do so upon notice to NP, provided that (i) there shall be no increase of the LNTP Price unless the procedures for changes specified in Paragraph 9 of the Agreement are followed, and (ii) in the event that the removal or replacement of items results in lower costs, this shall be taken into consideration in the Definitive Purchasing Terms including in respect of amounts paid under this LNTP and scope provided.

Raw materials received from sub-vendors are semi-finished products that will be used to produce one Oxy-Fuel Turboexpander only. Their quantity in the LNTP is based on an estimated manufacturing process yield factor to preserve the estimated schedule. BH and NPWR will evaluate the use of the raw materials not utilized in the Oxy-Fuel Turboexpander.

Phase 3

The list of items below is indicative list of items that BH, at the Variation No.2 Date, considers it will need to start procuring, in order to meet the delivery dates for the Phase 3 items as per the preliminary delivery plan that has been shared with NP. [1] As part of the ongoing development activities and as information becomes available, the BH and NP project management teams will continue to review, assess, and update the manufacturing plan as necessary up to the issuance of the Definitive Purchasing Terms. In the event BH considers that it needs to amend the list of items and include, remove or replace items with other items, to account for changes in lead times and to enable BH to meet the current indicative schedule, then it shall be entitled to do so upon notice to NP, provided that (i) there shall be no increase of the LNTP Price unless the procedures for changes specified in Paragraph 9 of the Agreement are followed, and (ii) in the event that the removal or replacement of items results in lower costs, this shall be taken into consideration in the Definitive Purchasing Terms including in respect of amounts paid under this LNTP and scope provided.

Package	Item/Task	Quantity	Brief Description
1GT-0100 – Oxy-fuel Turboexpander	[***]	[***]	[***]

01-PMP-3000A/B, 01-PMP-3010A/B – Recycle Pumps	[***]	[***]	[***]
	[***]	[***]	[***]
	[***]	[***]	[***]
01-CPR-2000 – Recycle Compressor	[***]	[***]	[***]
	[***]	[***]	[***]
	[***]	[***]	[***]

**Schedule 3
Appendix C**

[***]

**Schedule 4
Agreement
[Attached]**

DATED 28 June 2024

VARIATION AGREEMENT

NET Power, LLC
and
Baker Hughes Energy Services LLC

REGARDING LETTER OF LIMITED NOTICE TO PROCEED FOR THE PURCHASE OF KPEP LONG LEAD TIME ITEMS

This Variation Agreement is dated 28 June 2024

Parties

(1) NET Power, LLC, 320 Roney Street, Suite 200 Durham, NC 27701 (NP)

(2) Baker Hughes Energy Services LLC 575 N. Dairy Ashford Houston, Texas 77079 (BH)
(each of the above companies is also hereinafter referred to the Party and collectively the Parties);

BACKGROUND

(A) The NP and BH are parties to a letter of limited notice to proceed for the purchase of KPEP long lead time items dated 28 December 2023 (Agreement), a copy of which is attached as Schedule 4 to this Variation Agreement.

(B) BH and the NP have been in discussions regarding extending the Agreement to allow for additional KPEP long lead time items. The Parties wish to make the following amendments to the Agreement as set out below with effect from the date of this Variation Agreement (Variation Date).

Agreed terms

1. Terms defined in the Agreement

In this Variation Agreement, expressions defined in the Agreement and used in this Variation Agreement have the meaning as set out in the Agreement.

2. Variation

2.1 With effect from the Variation Date the Parties agree the following amendments to the Agreement:

a) Opening paragraph 3 is amended In line 2 of the opening paragraph 3 the following words are deleted: “[***]” and replaced with the following words: “[***]”

b) Paragraph 3(a) is amended: In line 4 of Paragraph 3(a) after the words: “[***]”, insert the following words:

“It is acknowledged and agreed that the [Part A] of the Specification was finalised on or before [***].”

c) Paragraph 6 is amended Paragraph 6 is amended by inserting the following wording at the end of the paragraph after the full stop:

“In addition, and for clarity, BH shall retain risk of loss and title to the long lead materials until the execution of the Definitive Purchasing Terms, upon which the terms of the Definitive Purchasing Terms shall govern risk of loss and title to the long lead materials.”

d) Paragraph 12 is amended At the end of Paragraph 12 after the full stop insert the following words:

“In addition to the right to suspend performance of its obligations, it is acknowledged and agreed by the Parties that: (a) the LNTP Price and LNTP Scope does not include the full extent of the scope and cost necessary for the order of all long lead items, and BH shall use reasonable endeavours to see that the LNTP Scope does include those long lead items that BH considers it will need to start procuring in order to meet the current timeline; and (b) if the Definitive Purchasing Terms are not signed or alternatively the LNTP is not extended by the Parties prior to [***], that the estimated programme for the KPEP will be delayed and may result in additional cost to NPWR. BH agrees that prior to exercising its right to suspend the performance of its obligations under this LNTP that it shall escalate the reason for the delay in signature of the Definitive Purchasing Terms to its senior leaders who shall make reasonable efforts to arrange a meeting with NPWR senior leadership and seek to resolve the reason prior to [***] or as soon as possible afterwards. If BH leaders attempts to resolve the issues are not successful then BH's right to suspend performance of its obligations under this Paragraph 12 may be exercised on the later of [***] or the date of the meeting of leaders (if such meeting is held on, before or within 5 days of [***]).”

e) Paragraph 22(b) is amended

Clause 22(b) is deleted in its entirety and replaced with the following:

“(b) Further, the Parties acknowledge there are certain technical open items relating to design margin allowances that have not been fully resolved but for which the parties target resolution by [***]. The Parties shall use reasonable endeavours and act in good faith to find resolution and agree these technical open items on or before [***]. It is acknowledged and agreed by the Parties that the technical items to be resolved under this Paragraph 22(b) were resolved on a conceptual level on or before the target resolution date of [***] and the Parties mutually agreed to move forward on that basis.”

f) Appendix A is deleted and replaced:

Appendix A is deleted in its entirety and replaced with the Appendix A in Schedule 1 of this Variation Agreement.

g) Appendix B is deleted and replaced:

Appendix B is deleted in its entirety and replaced with the Appendix B in Schedule 2 of this Variation Agreement.

h) Appendix C is deleted and replaced:

Appendix C is deleted in its entirety and replaced with the Appendix C in Schedule 3 of this Variation Agreement.

2.2 Except as set out Clause 2.1, the Agreement shall continue in full force and effect.

3. Governing law and jurisdiction

3.1 This Variation Agreement shall be governed by the Texas law. In the event of any dispute arising out of or in connection with this Variation Agreement, the parties agree to submit the matter to settlement proceedings under the International Chamber of Commerce (ICC) Mediation Rules, without prejudice to either party's right to seek interim emergency or conservatory measures of protection at any time. If the dispute has not been settled pursuant to the said Rules within 60 days following the filing of a Request for Mediation or within such other period as the parties may agree in writing, such dispute shall be finally settled under the ICC Rules of Arbitration by one or more arbitrators appointed in accordance with the said Rules of Arbitration. The period of 60 days shall be reduced in accordance with the ICC Rules in the event either party seeks the appointment of an emergency arbitrator. The seat, or legal place, of arbitration, shall be Houston.

This agreement has been entered into on the date stated at the beginning of it.

NET Power, LLC

Initial: BFA Initial: AP
Name: Brian Allen Name: Akash Patel

By: /s/ Danny Rice
Name: Danny Rice
Title: Chief Executive Officer
Date: June 28, 2024

Baker Hughes Energy Services LLC

By: /s/ Chris Coffman
Name: Chris Coffman
Title: Vice President
Date: June 28, 2024

Schedule 1
Appendix A – Special Terms and Conditions

1. LNTP Price and Payment Schedule:

The LNTP Price is \$[**] USD ([**] US dollars only)

Phase 1

The price for the Phase 1 LNTP scope of work described in Appendix B is [**] USD and shall be paid in accordance with the following payment schedule:

#	% of price	Payment Value (USD)	Milestone Event / Payment Description	Estimated Invoice Date
1	[**]	[**]	LNTP Effective Date	Effective Date
2	[**]	[**]	Upon BH's placement of LNTP scope of work suborders	September 30, 2024
3	[**]	[**]	Upon BH's receipt of the first materials	January 31, 2025
	100%	[**]		

Phase 2

The price for the Phase 2 LNTP scope of work described in Appendix B is [**] USD and shall be paid in accordance with the following payment schedule:

#	% of price	Payment Value (USD)	Milestone Event / Payment Description	Estimated Invoice Date
1	[**]	[**]	Variation Agreement	Variation Date

Effective Date		
2	[***]	Upon BH's placement of Lntp December 15, 2024 scope of work suborders
3	[***]	Upon BH's receipt of the April 30, 2025 first materials
100%	[***]	

It is understood and agreed that if BH completes a milestone event in advance of the estimated date indicated in the payment schedule set out above, NPWR shall not be required to make payment for such milestone prior to such estimated date identified on the payment schedule without its prior written consent.

2. Termination Fee Schedule:

In the event of termination, NPWR shall pay BH an amount calculated based on the following table:

Elapsed Months from Effective Date of the Lntp Cancellation on Lntp Price

0	1,9%
1	2,2%
2	2,6%
3	5,6%
4	7,4%
5	11,1%
6	21,1%
7	27,3%
8	32,3%
9	37,2%
10	44,1%
11	52,2%
12	60,4%
13	70,5%
14	77,6%
15	84,3%
16	90,6%
17	93,7%
18	96,9%
19	98,1%
20	99,4%
21	100,0%

Schedule 2

Appendix B – Limited Notice to Proceed (LNTP) Scope of Work

Phase 1

Package	Item/Task	Quantity
1GT-0100 – Oxy-fuel Turboexpander	[***]	[***]
	[***]	[***]

Phase 2

The list of items below is an indicative list of items that BH, at the Variation Date, considers it will need to start procuring, in order to meet the current timeline. An indicative manufacturing plan for the Phase 2 items has been shared with NP. As part of the ongoing development activities and as information becomes available, the BH and NP project management teams will continue to review, assess, and update the preliminary schedule as necessary up to the issuance of the Definitive Purchasing Terms. In the event BH considers that it needs to amend the list of items and include, remove or replace items with other items, to account for changes in lead times and to enable BH to meet the current indicative schedule, then it shall be entitled to do so upon notice to NP, provided that (i) there shall be no increase of the LNTP Price unless the procedures for changes specified in Paragraph 9 of the Agreement are followed, and (ii) in the event that the removal or replacement of items results in lower costs, this shall be taken into consideration in the Definitive Purchasing Terms including in respect of amounts paid under this LNTP and scope provided.

Package	Item/Task	Quantity	Brief Description
1GT-0100 – Oxy-fuel Turboexpander			
	[***]	[***]	[***]
	[***]	[***]	[***]
	[***]	[***]	[***]

[***] [***] [***]
[***] [***] [***]
[***] [***] [***]
[***] [***] [***]
[***] [***] [***]
[***] [***] [***]
[***] [***] [***]
[***] [***] [***]
[***] [***] [***]
[***] [***] [***]

Raw materials received from sub-vendors are semi-finished products that will be used to produce one Oxy-Fuel Turboexpander only. Their quantity in the LNTP is based on an estimated manufacturing process yield factor to preserve the estimated schedule. BH and NPWR will evaluate the use of the raw materials not utilized in the Oxy-Fuel Turboexpander.

Schedule 3

Appendix C

[***]

Schedule 4

Agreement

Letter of Limited Notice to Proceed

December 28, 2023

To:

Baker Hughes Energy Services LLC
575 N. Dairy Ashford
Houston, Texas 77079 ("BH")

Subject: Letter of Limited Notice to Proceed for the Purchase of KPEP Long Lead Time Items ("LNTP")

To Whom it may Concern,

We are writing in connection with the development by us (Net Power, LLC) ("NPWR") of the design, engineering, procurement, construction, installation, completion, commissioning, testing, operation, and maintenance of a NET Power plant and associated infrastructure, currently anticipated to be sited near Odessa, Texas (the "Project").

As you know, NPWR contemplates the development of the Project which shall incorporate certain key process equipment packages ("KPEP") to be agreed on by NPWR and BH (each a "Party" to this LNTP) pursuant to as-yet to be agreed terms and conditions (the "Definitive Purchasing Terms"). The Parties recognize that, in order to progress the Project, prior to entry into of the Definitive Purchasing Terms, certain long-

lead materials will need to be ordered as set out in Appendix B (**LNTP Scope**). This LNTP governs the order of the long lead materials prior to the determination of Definitive Purchasing Terms.

The Parties will work to establish and agree to the Definitive Purchasing Terms and enter into a Purchase Order by [**] (the **“PO Date”**). In the event that the Purchase Order is not executed by the PO Date, the Parties will evaluate whether further expansion of LNTP Scope may be required to maintain Project schedule.

In advance of the Definitive Purchasing Terms, we wish you to commence certain activities as set out below, based on the following conditions:

The LNTP Services and LNTP Scope

1. The effective date of this LNTP is the date of signature, as set out above (**Effective Date**).
2. Until such time that the Definitive Purchasing Terms are finalized, any reference to the “Order” or “Contract” within this LNTP and attached documentation shall be deemed to refer to this LNTP, and any reference to the “Order date” or “Contract date” shall be deemed to refer to the effective date of this LNTP.
3. BH is instructed and authorized to perform:
 - (a) engineering work and order materials for the equipment set covered in the LNTP Scope in accordance with a preliminary technical specification mutually agreed by the parties and attached as Appendix C (the **“Specification”**). The Parties anticipate that the Specification shall be finalized and agreed between the Parties on or about [**]. The Specification may be updated and amended by the agreement of the Parties from time to time provided that any update may entitle BH to an increase in the LNTP Price and may delay the timeline of the Project. BH shall notify NPWR of any change in the LNTP Price or estimated delay in the timeline as part of the discussions on amendments to the Specification; and
 - (b) associated services necessary to place such orders, (collectively the **LNTP Services**) upon acceptance of this LNTP.
 - (c) BH has the right to invoice, and NPWR will make payment of the LNTP Price (as defined below) in accordance with this LNTP and the milestones set out in Appendix A.
4. All works carried out under this LNTP shall be carried out in accordance with:
 - (a) this LNTP;
 - (b) Appendix A and Appendix B; and
 - (c) the Specification

In case of any conflict between the body of this LNTP and its Appendices, the Parties shall promptly meet and confer to resolve such conflict. In the event that the

resolution of any such conflict in the documents or order-of-documentation conflict results in an additional cost, the Parties will cooperate reasonably to determine what additional cost may be applicable and to minimize such cost. In the event such resolution results in a reduced cost, the Parties will likewise cooperate reasonably to determine any applicable refund to amounts paid or change to amounts not yet paid.

Delivery, Title and Risk

1. The ordering of the materials set out in the LNTP Scope and performance of the LNTP Services shall be the sole obligations of BH under this LNTP.
2. If the Definitive Purchasing Terms are not signed on or before [***], upon prior notice to NPWR, BH may store the long lead materials or ship them to outside storage, in which case, all reasonable, direct, and documented expenses incurred by BH Group, such as for preparation and placement into storage, handling, inspection, preservation, insurance, removal charges, interest, and any VAT or other taxes imposed directly or indirectly under Applicable Law, shall be reimbursed or paid by NPWR as addition to the LNTP Price (as defined below) upon submission of BH's invoice(s).

Warranty

1. Subject to the limitations set forth in this LNTP, upon receipt of the first milestone payment, BH warrants to NPWR that the LNTP Services shall be performed in a competent and diligent manner in accordance with applicable BH specifications for the KPEP to be delivered to the project.
2. Notwithstanding any limitations on warranty in the prior paragraph 7, the parties hereby acknowledge and agree that the warranty provisions contained within the Definitive Purchasing Terms will supersede any warranty provisions contained within this Agreement with respect to the KPEP to be delivered to the Project.

Changes

1. Each party may at any time propose changes in the schedule or scope of LNTP Services and/or the LNTP Scope in the form of a draft change order. Neither party is obligated to proceed with the changed schedule or scope until both parties agree to such change in writing. Unless otherwise agreed by the parties, pricing for additional work arising from such changes shall be at time and material rates.

Payment

1. NPWR shall pay to BH the LNTP price ("LNTP Price") set out in Appendix A without any set-off, and in the currency set out in Appendix A. Payment shall be

made within 30 days from NPWR's electronic or hard copy (whichever is earlier) receipt of a properly prepared invoice. Invoices shall be entitled to be raised on achievement of each milestone set out in Appendix A. BH shall submit an electronic invoice by email to NPWR's account payable department. Any changes impacting the above shall be promptly communicated by NPWR to BH. If NPWR disputes an invoice, NPWR shall notify BH promptly within 10-days from invoice receipt and shall pay the undisputed portion.

2. In addition to other remedies under this LNTP, NPWR shall pay interest to BH at the then applicable U.S. Prime Rate based on the Wall Street Journal Money Rates table for the period of delayed payment on all amounts not paid in accordance with this LNTP until the date that such amounts are paid.
3. In the event NPWR fails to execute the Definitive Purchasing Terms by [***], and/or fulfill any payment obligation set forth in this LNTP when due, then BH shall have the right, upon 15 (fifteen) days written notice to NPWR, to suspend the performance of its obligations under this LNTP and any scheduled delivery date (as well as all milestones schedule dates) shall be postponed by the same or for a longer period.
4. Should the suspension period under the preceding paragraph last more than 90 days, BH shall have the right to terminate this LNTP and shall have the right to invoice, and NPWR shall pay termination amount set out in Appendix A to BH, following receipt of the invoice. Any reasonable, direct, and documented costs incurred by BH as a result of such suspension (including storage, stand-by costs, demobilization and re-mobilization costs) shall be payable by NPWR upon submission of BH's invoices. Performance of BH's obligations shall be extended for a period equaling the period of NPWR's failure to meet its payment obligations, plus such additional time as may be reasonably necessary to overcome the effect of such payment delay.

Taxes

1. BH shall be responsible for and shall pay when due and payable all BH Taxes, and NPWR shall be responsible for and shall pay all NPWR Taxes. "**BH Taxes**" shall mean all corporate income taxes imposed on BH and any taxes imposed on BH's employees in connection with the execution of this LNTP or the performance of or payment for work hereunder by Applicable Laws and "NPWR Taxes" shall mean all existing and future taxes, duties, fees, and other charges of any nature (including, but not limited to, ad valorem, consumption, excise, franchise, gross receipts, import, export, license, property, sales and use, stamp, storage, tariffs, transfer, turnover, value-added taxes ("VAT"), or other similar taxes, and any and all items of deficiency, penalty, addition to tax, interest, or assessment related thereto), imposed or assessed by any governmental authority of any country (or any political subdivision thereof) in connection with the execution of this LNTP or performance of or payment for work hereunder, but excluding BH Taxes.

2. The LNTP Price does not include any NPWR Taxes. Therefore, if any such taxes are applicable, they will be added to the LNTP Price. For U.S. sales and use tax, and in other jurisdictions where applicable, NPWR may report/remit sales or similar taxes directly if NPWR timely provides a direct pay or exemption certificate to BH.
3. If either party fails to comply with the applicable tax laws of the country where LNTP Services are rendered or LNTP Scope delivered, such party hereby agrees to Indemnify the other party ("Affected Party") for any Claims which the Affected Party suffers as a result of such non-compliance.

Assignment, Novation and Subcontracting

1. NPWR may assign or novate this LNTP, in full or in part and including through change of ownership, only with the prior written consent of BH, which consent shall not be unreasonably delayed or withheld provided that (a) the Parties acknowledge the intention of NPWR to novate this Agreement to an Affiliate that is a project specific special purpose vehicle; and (b) BH shall be entitled to withhold such consent only for demonstrable reasons if the assignee/novatee lacks adequate financial capability, is a competitor or potential competitor of BH or its Affiliates, causes BH or any of its Affiliates to be in breach of Applicable Law, and/or does not meet BH's code of Conduct. BH may assign or novate the LNTP to third parties, in full or in part, only with the prior consent of NPWR, which consent shall not be unreasonably provided that BH may assign this LNTP to any of its Affiliates without the consent of NPWR. Any assignment or novation in violation of the above shall be void and without effect for the other party. Nothing herein shall restrict BH from subcontracting portions of its work, provided that BH remains responsible to NPWR for performance of such work and other obligations of BH hereunder. For the purposes of this LNTP an 'Affiliate' of a Party shall include any company controlling, controlled by, or under common control with, the relevant party where "control" means direct or indirect ownership of at least 50% of the voting stock or interest in a company or the ability to appoint the majority of board of directors. 'Group' shall mean a Party and all of its Affiliates.

Confidentiality and Data Privacy

1. **"Confidential Information"** means pricing and intellectual property and technology for the goods under the LNTP Scope and/or LNTP Services, and/or any information that is designated in writing as "confidential" or "proprietary" at the time of disclosure, or orally designated as "confidential" or "proprietary" and confirmed in writing within 10 days after oral disclosure. Confidential Information shall not include information that: (i) is or becomes generally available to the public other than from disclosure by the receiving party's Group; (ii) is or becomes available to the receiving party's Group on a non-confidential basis from a source other than the disclosing party and, after due inquiry, that source is not subject to a confidentiality obligation to the disclosing party; or (iii) is independently developed by the receiving party's Group without reference to the disclosing party's Confidential Information, as evidenced by written documents.

2. The parties shall: (i) use, reproduce, or disclose the other party's Confidential Information only in connection with this LNTP and permitted use(s) and/or LNTP Services; (ii) take reasonable measures to protect the confidentiality, and prevent disclosure and unauthorized use of the Confidential Information and (iii) in particular, not disclose Confidential Information to the other party's competitors.
3. A party may disclose Confidential Information: (i) to any member of its Group who has a need to know such information to perform this LNTP or use and maintain any products, parts within the LNTP Scope and/or LNTP Services, provided that such member is bound in writing to confidentiality obligations and use restrictions at least as restrictive as in this LNTP; and (ii) to comply with a legal obligation, but only after promptly notifying the disclosing party of its disclosure obligation so that the disclosing party may seek an appropriate protective order or agency decision. If, absent the entry of a protective order or other similar remedy, the receiving party is based on the advice of its counsel legally compelled to disclose such Confidential Information, such receiving party may furnish only that portion of the Confidential Information that has been legally compelled to be disclosed and shall exercise its reasonable efforts in good faith to obtain confidential treatment for any Confidential Information so disclosed. NPWR shall not disclose Confidential Information to BH under this LNTP unless required for BH to perform under this LNTP. Each Party disclosing information warrants to the party receiving that information that the disclosing party has the right to disclose any such information and hereby agrees to Indemnify the receiving party and its Affiliates from any Claims resulting from improper or unauthorized disclosure.
4. Neither party shall make any public announcement about any aspect of this LNTP or related documents or information without prior written approval of the other party, which shall not be unreasonably withheld. Each party hereby agrees to Indemnify the other for failure to comply with the confidentiality obligations undertaken herein.

Termination and Suspension

1. (a) Either party may terminate the LNTP for default if: (i) any proceeding is brought against the other party, voluntarily or involuntarily, under applicable bankruptcy or insolvency laws and is not dismissed within 180 days, or if the other party is unable to pay its debts when due, to the extent permitted by Applicable Law; or (ii) the other party commits a material breach of this LNTP, which does not otherwise have a specified contractual remedy, and fails to cure the breach within 30 days of notice from the non-breaching party, or if it is not possible to cure such breach within 30 days, fails to commence to cure the breach within 30 days of such notice or fails to thereafter continue diligent efforts to complete the cure as soon as reasonably possible.
(b) Further, the Parties acknowledge there are certain technical open items relating to design margin allowances that have not been fully resolved but for which the parties target resolution by [***]. The Parties shall use reasonable

endeavors and act in good faith to find resolution and agree these technical open items on or before [***]. In the event that the Parties fail to reach resolution and agree by that date, either Party may (i) suspend this Agreement for 30 days, and in doing so all obligations are hereby extended on a day-for-day basis, until agreement of the technical open items is achieved and if agreement is not reached in the 30 day period, this Agreement shall immediately terminate, or (ii) terminate this Agreement immediately. Notwithstanding anything to the contrary in this Agreement, in the event of termination under this Paragraph 22(b), the maximum obligation of NET Power under the Termination Fee Schedule of Appendix A(2) shall be 7%.

2. In the event of termination by:

- a. BH under paragraph 22(a)(ii),
- b. either Party under paragraph 22(b)(ii) or following end of suspension period under paragraph 22(b)(i) without agreement,

NPWR shall pay to BH the amount of the termination amount set out in Appendix A.

Compliance with Laws, Codes and Standards

1. Notwithstanding any other provision of this LNTP, the parties shall at all times be subject to all Applicable Law in the performance of this LNTP.
2. BH is entitled to an equitable adjustment to the LNTP Price and any delivery schedule to reflect any additional costs and other impact incurred by BH Group as a result of a change in Applicable Law or applicable standards and regulations, including changes in the interpretation thereof by a court, or governmental authority after entering into this LNTP. In the event any such change prevents BH Group from performing this LNTP without breaching Applicable Law or makes BH's execution of its obligations unreasonably burdensome or unbalanced, BH shall meet and confer with NPWR to determine if a reasonable accommodation can be made to continue the undertakings of this LNTP consistent with the purpose and parties' intent of this LNTP.
3. NPWR and BH agree that they will not sell, distribute, disclose, release or otherwise transfer any material or technical data provided under this LNTP to: (i) any country designated as a "State Sponsor of Terrorism" by the U.S. Department of State including, for this LNTP, the countries of Cuba and North Korea (ii) any entity located in, or owned by an entity located in, a "State Sponsor of Terrorism" country or Cuba or North Korea, (iii) the region of Crimea or (iv) any person or entity listed on the "Entity List" or "Denied Persons List" maintained by the U.S. Department of Commerce, the list of "Specifically Designated Nationals and Blocked Persons" maintained by the U.S. Department of Treasury or any other applicable prohibited party list of the US Government. This Paragraph 28 will apply regardless of the legality of such a transaction under local law. Except as otherwise agreed in writing between the parties, each party shall be responsible for obtaining and maintaining any authorization required for its

performance under this LNTP (including the transfer of any item or technical data under this LNTP), such as any export license, import license, exchange permit or other required government export or import authorization. Each party shall provide the reasonable assistance necessary for the other party to secure and comply with such authorizations as may be required. Neither party shall be liable if any government export authorization is delayed, denied, revoked, restricted or not renewed despite reasonable efforts by such party. Additionally, such delay, denial, revocation or non-renewal shall not constitute a breach of this LNTP.

Intellectual Property

1. Each of NPWR and BH shall retain ownership of any and all Confidential Information and intellectual property it or its Group had prior to the negotiations of this LNTP. As between NPWR and BH, any and all new intellectual property conceived, created, developed or provided by BH Group under this LNTP shall be owned in accordance with existing agreements between NPWR and BH on developed Intellectual Property.
2. In the event that a Party causes this LNTP to be novated to a third party or novated to an Affiliate of that Party and such Affiliate ceases to be an Affiliate for any reason (e.g., a non-controlled project company), the provisions of the preceding paragraph shall continue to apply only as between NPWR and BH. To the extent that a third party may acquire any right or interest in any such new intellectual property under this LNTP, by accepting any assignment or novation of this LNTP, such third party irrevocably assigns and agrees to assign and/or cause its Affiliates to assign and the assigning Party (BH or NPWR, as the case may be) undertakes and warrants to the non-assigning Party that such third party shall assign, all such rights and interests in and to new intellectual property to BH as instructed by BH, and to execute assignments and other documentation as necessary to achieve this result. In the event of such third-party assignment of developed intellectual property to BH under this paragraph, then as between NPWR and BH, BH agrees to carry out such further assignment to NPWR to maintain the IP ownership intent referenced in paragraph 27.

Limitation of Liability

1. Except only for BH's obligations in paragraphs 24 (to the extent of fines and penalties imposed by a government authority as a result of BH's violation of applicable law), BH Group's total liability for any and all claims of any kind, regardless of cause or action, arising out of or related to this LNTP, or its performance or breach, including without limitation warranty and termination, shall not under any circumstances exceed the LNTP Price allocable to the services giving rise to the claim. BH Group shall have no liability for advice or assistance gratuitously provided by BH Group but not required pursuant to this LNTP. All of BH Group's liabilities shall terminate at the end of the period that is 12 months from the date that NPWR has notice or should have had notice of the cause of the action arose, except for claims that have been timely commenced by NPWR in accordance with this LNTP.

2. Notwithstanding anything to the contrary, and except only to the extent of agreed termination fees due to BH under this LNTP, BH hereby agrees to indemnify NPWR Group from and against any and all claims for consequential loss suffered by BH Group; and NPWR hereby agrees to indemnify BH Group from and against any and all claims for consequential loss suffered by NPWR Group, regardless of cause or action.

Miscellaneous

1. Except as otherwise expressly provided with regard to members of each party's Group, none of the terms herein are intended to be enforced to any third party. BH and NPWR shall be entitled to modify, vary, amend and/or extinguish such rights without the consent of any third parties or member of either party's Group.
2. This LNTP represents the entire agreement between the parties and no modification, amendment, rescission, waiver or other change shall be binding on either party unless agreed to in writing by their authorized representatives. Each party agrees that it has not relied on, or been induced by, any representations of the other party not contained in this LNTP.
3. This LNTP shall be governed by the Texas law. In the event of any dispute arising out of or in connection with this LNTP, the parties agree to submit the matter to settlement proceedings under the International Chamber of Commerce (ICC) Mediation Rules, without prejudice to either party's right to seek interim emergency or conservatory measures of protection at any time. If the dispute has not been settled pursuant to the said Rules within 60 days following the filing of a Request for Mediation or within such other period as the parties may agree in writing, such dispute shall be finally settled under the ICC Rules of Arbitration by one or more arbitrators appointed in accordance with the said Rules of Arbitration. The period of 60 days shall be reduced in accordance with the ICC Rules in the event either party seeks the appointment of an emergency arbitrator. The seat, or legal place, of arbitration, shall be Houston.
4. This letter supersedes any previous instruction, correspondence, or other discussions between us in relation to the works and represents the entire agreement between us in relation to the subject matter.
5. Each Party represents that it has authority to enter into this LNTP.
6. U.S. Government Contracts. NPWR acknowledges that, as of the signing of this LNTP, it is not currently a recipient of government funds applicable to the payments under this LNTP. The Parties acknowledge that NPWR has applied for certain government funding and, if such funding is granted, the Parties will work together with the aim that any payments under this LNTP using such funding comply with the conditions of such funding.

7.

Please acknowledge receipt and acceptance of this Letter of Intent by signing and returning a copy.

Yours Truly,

/s/ Brian Allen NET Power, LLC

Accepted on behalf of BH Entity:

Signature: /s/ Rebecca Lock

Name: Rebecca Lock

Date: December 28, 2023

Appendix A – Special Terms and Conditions:

1. LNTP Price and Payment Schedule

The price of the LNTP scope of work described in Appendix B for the Project is [***] USD

The LNTP Price shall be paid according to the following payment schedule:

#	% of LNTP Price	Payment Value (USD)	Milestone Event / Payment Description	Estimated Invoice Date
1	[***]	[***]	LNTP Effective Date	Effective Date
2	[***]	[***]	Upon BH's placement of LNTP scope of work suborders	September 30, 2024
3	[***]	[***]	Upon BH's receipt of the first materials	January 31, 2025
	100%	[***]		

It is understood and agreed if BH completes a milestone in advance of the estimated date that is indicated on the payment schedule, NPWR shall not be required to make payment for such milestone prior to such estimated date identified on the payment schedule without its prior written consent.

2. Termination Fee Schedule:

In the event of termination, NPWR shall pay BH an amount calculated based on the following table:

Elapsed Months from Effective Date	Cancellation on LNTP Price
0	5%
1	6%
2	7%
3	15%
4	20%
5	30%
6	40%
7	55%
8	65%
9	75%
10	85%
11	90%
12	95%
13	97%
14	99%
15	100%

Appendix B – Limited Notice to Proceed (LNTP) Scope of Work

Package	Item/Task	Quantity
1GT-0100 – Oxy-fuel Turboexpander	[***]	[***]
	[***]	[***]

Raw materials received from sub-vendors are semi-finished products that will be used to produce one Oxy-Fuel Turboexpander only. Their quantity in the LNTP is based on an estimated manufacturing process yield factor to preserve the estimated schedule. BH and NPWR will evaluate the use of the raw materials not utilized in the Oxy-Fuel Turboexpander.

Appendix C – TEX Specification

[***]

Exhibit 31.1

**CERTIFICATION 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**

I, Daniel J. Rice IV, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of NET Power Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's

fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024 By: /s/ Daniel J. Rice IV
Daniel J. Rice IV
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION 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**

I, Akash Patel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of NET Power Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's

fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024 By: /s/ Akash Patel
Akash Patel
Chief Financial Officer
(Principal Executive Officer)

**CERTIFICATION 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 NET Power Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel J. Rice IV, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (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: November 12, 2024 By: /s/ Daniel J. Rice IV

By: John Daniel Rice IV

**Chief Executive Officer
(Principal Executive Officer)**

**CERTIFICATION 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 NET Power Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Akash Patel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (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: November 12, 2024 By: /s/ Akash Patel

Akash Patel
Chief Financial Officer
(Principal Financial Officer)