



NET POWER INC.

204,903,904 SHARES OF CLASS A COMMON STOCK

10,900,000 WARRANTS TO PURCHASE SHARES OF CLASS A COMMON STOCK

This prospectus supplement is being filed to update and supplement the information contained in the prospectus dated September 25, 2023 (the "Prospectus"), with the information contained in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (the "SEC") on May 13, 2024 (the "Quarterly Report"). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

The Prospectus and this prospectus supplement relate to the resale from time to time of 204,903,904 shares of our Class A common stock, par value \$0.0001 per share (the "Class A Common Stock"), by the selling security holders named in the Prospectus or their permitted transferees, which consist of (i) 54,044,995 shares of Class A Common Stock issued at a purchase price of \$10.00 per share in a private placement that closed substantially concurrently with the consummation of the Merger (as defined in the Prospectus), (ii) 2,500 shares of Class A Common Stock issued to Rice Acquisition Sponsor II LLC ("Sponsor") in a private placement prior to the consummation of the initial public offering (the "IPO") of Rice Acquisition Corp. II ("RONI"), at an effective price of approximately \$0.0036 per share, (iii) 10,900,000 shares of Class A Common Stock issuable upon exercise of the Private Placement Warrants (as defined below), originally acquired at a purchase price of \$1.00 per warrant, (iv) 7,432,688 shares of Class A Common Stock issuable upon redemption of the 7,432,688 units of NET Power Operations LLC (f/k/a Rice Acquisition Holdings II LLC) ("Opco") held by the initial shareholders of RONI or transferees thereof, all of which were issued prior to the consummation of the IPO at an effective price of approximately \$0.0036 per unit, (v) 132,205,114 shares of Class A Common Stock issued or issuable upon redemption of the 132,205,114 units of Opco ("Opco Units") issued as consideration upon consummation of the Merger to certain Legacy NET Power Selling Securityholders (as defined in the Prospectus) at a value of \$10.00 per unit, and (vi) 318,607 shares of Class A Common Stock issuable upon the redemption of the 318,607 Opco Units issued to Baker Hughes Energy Services LLC (an affiliate of Baker Hughes Company) for services provided by Nuovo Pignone International, S.r.l. (an affiliate of Baker Hughes Company) pursuant to the Amended and Restated JDA (as defined in the Prospectus). In addition, the Prospectus and this prospectus supplement relates to the resale from time to time of the 10,900,000 warrants (the "Private Placement Warrants") issued to Sponsor at a purchase price of \$1.00 per warrant in a private placement that closed simultaneously with the consummation of the IPO. Each Private Placement Warrant is exercisable to purchase for \$11.50 one share of Class A Common Stock, subject to adjustment.

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, and may not be delivered or utilized except in combination with, the Prospectus, including any other amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus, and if there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement. The information in this prospectus supplement modifies and supersedes, in part, the information in the Prospectus. Any information in the Prospectus that is modified or superseded shall not be deemed to constitute a part of the Prospectus except as modified or superseded by this prospectus supplement.

You should not assume that the information provided in this prospectus supplement or the Prospectus is accurate as of any date other than their respective dates. Neither the delivery of this prospectus supplement and Prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement or that the information contained in this prospectus supplement or the Prospectus is correct as of any time after the date of that information.

The Class A Common Stock and warrants initially sold as part of the units issued in the IPO (the "Public Warrants") are listed on the New York Stock Exchange (the "NYSE") under the symbols "NPWR" and "NPWR WS," respectively. On May 10, 2024, the last sale price of the Class A Common Stock and the Public Warrants as reported on the NYSE were \$10.61 per share and \$2.54 per warrant, respectively.

Investing in our securities involves certain risks, including those that are described in the section titled "Risk Factors" beginning on page 8 of the Prospectus, as updated and supplemented by the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023 (which was attached to Prospectus Supplement No. 2, dated March 13, 2024).

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under the Prospectus or determined if the Prospectus or this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is May 13, 2024.

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 March 31, 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. Suite 200 Durham, North Carolina	27701
(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 No

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

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

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

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

The registrant had outstanding 72,162,898 shares of Class A Common Stock and 141,608,678 shares of Class B Common Stock as of May 8, 2024.

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Certain Defined Terms

Unless otherwise expressly stated or, unless the context otherwise requires, references in this Annual Report on Form 10-K (this “Report”) to:

- “Amended and Restated JDA” means the Amended and Restated Joint Development Agreement, dated December 13, 2022, by and among Old NET Power, RONI, RONI OpCo, NPI and NPT, as amended, supplemented or otherwise modified from time to time in accordance with its terms;
- “Baker Hughes” or “BH” means Baker Hughes Company, a Delaware corporation;
- “BHES” means Baker Hughes Energy Services LLC, a Delaware limited liability company and affiliate of Baker Hughes;
- “BHES JDA” means collectively, the Original JDA and the Amended and Restated JDA
- “Board” or “Board of Directors” means the board of directors of the Company;
- “Business Combination Agreement” means the Business Combination Agreement, dated as of December 13, 2022, by and among RONI, RONI OpCo, Buyer, Merger Sub and Old NET Power, as amended by the First Amendment to the Business Combination Agreement, dated as of April 23, 2023, by and between Buyer and Old NET Power;
- “Business Combination” means the Domestications, the Merger and other transactions contemplated by the Business Combination Agreement, collectively, including the PIPE Financing;
- “Buyer” means Topo Buyer Co, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of OpCo (following the Domestications) or of RONI OpCo (prior to the Domestications);
- “Class A Common Stock” means the Class A common stock, par value \$0.0001 per share, of NET Power;
- “Class B Common Stock” means the Class B common stock, par value \$0.0001 per share, of NET Power;
- “Clean,” in relation to the energy generated through the Net Power Cycle, refers to the NET Power Cycle’s capability to significantly reduce direct CO2 emissions and emissions of other air pollutants in comparison to energy generated with conventional gas-fired technology;
- “Closing” means the consummation of the Business Combination contemplated by the Business Combination Agreement;
- “Closing Date” means June 8, 2023, the date on which the Closing occurred;
- “Common Stock” means the Class A Common Stock and Class B Common Stock;
- “Company,” “our,” “we” or “us” means, prior to the Business Combination, RONI or Old NET Power, as the context suggests, and, following the Business Combination, NET Power Inc., in each case, with its consolidated subsidiaries;
- “Constellation” means Constellation Energy Generation, LLC, a Pennsylvania limited liability company formerly known as Exelon Generation Company, LLC;
- “Demonstration Plant” means the facility located in La Porte, Texas used to demonstrate the viability of the NET Power;
- “Domestication” means the change of RONI’s jurisdiction of registration by deregistering as a Cayman Islands exempted company and continuing and domesticating as a corporation registered under the laws of the State of Delaware, upon which RONI changed its name to NET Power Inc.;
- “Domestications” means the Domestication and the OpCo Domestication;
- “Earnout Shares” means the 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;
- “Exchange Act” means the Securities Exchange Act of 1934, as amended;

- “IPO” means RONI’s initial public offering, which was consummated on June 18, 2021;
- “Legacy NET Power Holders” means the holders of equity securities of Old NET Power prior to the consummation of the Merger;
- “Merger” means the merger of Merger Sub with and into Old NET Power pursuant to the Business Combination Agreement, in which Old NET Power survived and became a direct, wholly owned subsidiary of Buyer;
- “Merger Sub” means Topo Merger Sub, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Buyer;
- “NET Power” means NET Power Inc., a Delaware corporation (f/k/a Rice Acquisition Corp. II), with its consolidated subsidiaries (unless the context otherwise indicates), upon and after the Domestication;
- “NPI” means Nuovo Pignone International, S.r.l., an Italian limited liability company and affiliate of Baker Hughes;
- “NPT” means Nuovo Pignone Tecnologie S.r.l., an Italian limited liability company and affiliate of Baker Hughes;
- “NYSE” means the New York Stock Exchange;
- “Old NET Power” means, prior to the consummation of the Merger, NET Power, LLC, a Delaware limited liability company;

- “OpCo” means NET Power Operations LLC, a Delaware limited liability company (f/k/a Rice Acquisition Holdings II LLC), upon and after the OpCo Domestication;
- “OpCo Domestication” means the change of RONI OpCo’s jurisdiction of registration by deregistering as a Cayman Islands exempted company and continuing and domesticating as a limited liability company registered under the laws of the State of Delaware, upon which RONI OpCo changed its name to NET Power Operations LLC;
- “OpCo LLC Agreement” means the Second Amended and Restated Limited Liability Company Agreement of OpCo, dated as of June 8, 2023, which was entered into in connection with the Closing;
- “OpCo Unitholder” means a holder of OpCo Units;
- “OpCo Units” means the units of OpCo;
- “Original JDA” means the Joint Development Agreement, dated February 3, 2022, by and among Old NET Power, NPI and NPT, as amended by the First Amendment to Joint Development Agreement, dated effective June 30, 2022, by and among the same parties;
- “OXY” means OLCV NET Power, LLC, a Delaware limited liability company;
- “PIPE Financing” means the issuance and sale of 54,044,995 shares of Class A Common Stock for aggregate consideration of \$540,449,950 in private placements pursuant to subscription agreements that RONI entered into with certain qualified institutional buyers and accredited investors, which was consummated immediately prior to the Merger;
- “PIPE Investors” means the investors who participated in the PIPE Financing;
- “Predecessor Period” means the period presented in the condensed consolidated financial statements contained in this Report or the accompanying footnotes that relates to Predecessor, as defined and described in Note 1 to the condensed consolidated financial statements contained in this Report;
- “Preferred Stock” means shares of NET Power preferred stock, par value \$0.0001;
- “Private Placement Warrants” means the 10,900,000 warrants to purchase shares of Class A Common Stock that were issued and sold to Sponsor in a private placement in connection with the IPO;
- “Public Warrants” means the warrants to purchase shares of Class A Common Stock that were issued and sold as part the units of RONI in the IPO;
- “RONI” means Rice Acquisition Corp. II, a Cayman Islands exempted company, prior to the Domestication;

- “RONI OpCo” means Rice Acquisition Holdings II LLC, a Cayman Islands limited liability company and direct subsidiary of RONI, prior to the Domestications;
- “SEC” means the U.S. Securities and Exchange Commission;
- “Securities Act” means the Securities Act of 1933, as amended;
- “Sponsor” means Rice Acquisition Sponsor II LLC, a Delaware limited liability company;
- “Successor Period” means the period presented in the condensed consolidated financial statements contained in this Report or the accompany footnotes that relates to Successor, as defined and described in Note 1 to the condensed consolidated financial statements contained in this Report;
- “Tax Receivable Agreement” or “TRA” means the Tax Receivable Agreement, dated June 8, 2023, entered into by NET Power and OpCo with OpCo Unitholders who received OpCo Units pursuant to the Business Combination Agreement as consideration for equity interests in Old NET Power and the Agent (as defined therein);
- “Up-C” means umbrella partnership, C corporation, which describes a corporate structure in which an ultimate C corporation parent consolidates a partnership or partnership structure treated as a pass-through entity for US state and federal tax purposes;
- “Warrant Agreement” means the Warrant Agreement, dated as of June 15, 2021, by and among RONI, RONI OpCo and Continental Stock Transfer & Trust Company as it may be amended and/or restated from time to time in accordance with its terms; and
- “Warrants” means, collectively, the Public Warrants and Private Placement Warrants.

In addition, the following is a glossary of key industry terms used herein:

- “CO₂” means carbon dioxide;
- “CO₂e” means the number of metric tons of CO₂ emissions with the same global warming potential as one metric ton of another greenhouse gas
- “MW” means megawatt;
- “MWe” means megawatt electrical, which refers to the electricity output capability of a plant;
- “NO_x” means nitrogen oxides; and
- “SO_x” means sulfur oxides.

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 may 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) the Company’s ability to establish and maintain supply relationships; (viii) risks related to the Company’s arrangements with third parties for the development, commercialization and deployment of technology associated with the Company’s technology; (ix) risks related to the Company’s other strategic investors and partners; (x) the Company’s ability to successfully commercialize its operations; (xi) the availability and cost of raw materials; (xii) the ability of the Company’s supply base to scale to meet the Company’s anticipated growth; (xiii) the Company’s ability to expand internationally; (xiv) the Company’s ability to update the design, construction and operations of its technology; (xv) the impact of potential delays in discovering manufacturing and construction issues; (xvi) the possibility of damage to the Company’s Texas facilities as a result of natural disasters; (xvii) the ability of commercial plants using the Company’s technology to efficiently provide net power output; (xviii) the Company’s ability to obtain and retain licenses; (xix) the Company’s ability to establish an initial commercial scale plant; (xx) the Company’s ability to license to large customers; (xxi) the Company’s ability to accurately estimate future commercial demand; (xxii) the Company’s ability to adapt to the rapidly evolving and competitive natural and renewable power industry; (xxiii) the Company’s ability to comply with all applicable laws and regulations; (xxiv) the impact of public perception of fossil fuel-derived energy on the Company’s business; (xxv) any political or other disruptions in gas producing nations; (xxvi) the Company’s ability to protect its intellectual property and the intellectual property it licenses; (xxvii) risks relating to data privacy and cybersecurity, including the potential for cyberattacks or security incidents that could disrupt our or our service providers’ operations; (xxviii) potential litigation that may be instituted against the Company; and (xxix) other risks and uncertainties indicated in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 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

	March 31, 2024 (Successor)	December 31, 2023 (Successor)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 428,595	\$ 536,927
Short-term investments	100,000	100,000
Investments in securities, available-for-sale	69,190	—
Accounts receivable, net	—	58
Interest receivable	373	1,942
Prepaid expenses	1,501	1,777
Other current assets	358	93
Total current assets	<u>600,017</u>	<u>640,797</u>
Long-term assets		
Investments in securities, available-for-sale	27,793	—
Intangible assets, net	1,290,453	1,307,265
Goodwill	423,920	423,920
Property, plant and equipment, net	101,099	96,856
Operating lease right-of-use assets	2,120	2,212
Total long-term assets	<u>1,845,385</u>	<u>1,830,253</u>
Total assets	<u>\$ 2,445,402</u>	<u>\$ 2,471,050</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 2,669	\$ 617
Accrued liabilities	7,211	10,915
Due to related parties	302	142
Operating lease liabilities, current portion	364	347
Total current liabilities	<u>10,546</u>	<u>12,021</u>

Long-term liabilities		
Earnout Shares liability	2,147	1,671
Warrant liability	70,021	55,920
Asset retirement obligation	2,103	2,060
Noncurrent operating lease liabilities	1,728	1,808
Tax Receivable Agreement liability	10,099	8,937
Deferred taxes	53,085	57,719
Total long-term liabilities	<u>139,183</u>	<u>128,115</u>
Total liabilities	<u>149,729</u>	<u>140,136</u>

Commitments and contingencies (Note 14)

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

	March 31, 2024	December 31,
	(Successor)	2023
	(Successor)	(Successor)
Mezzanine shareholders' equity		
Redeemable non-controlling interests in subsidiary	1,635,900	1,545,905
Shareholders' equity		
Preferred Stock, \$.0001 par value; 1,000,000 shares authorized; no shares issued or outstanding as of March 31, 2024 (Successor) and December 31, 2023 (Successor)	—	—
Class A Common Stock, \$.0001 par value; 520,000,000 shares authorized; 71,970,052 shares issued and outstanding as of March 31, 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; 141,801,811 shares issued and outstanding as of March 31, 2024 (Successor) and 141,787,429 shares issued and outstanding as of December 31, 2023 (Successor)	14	14
Additional paid-in-capital	737,802	851,841
Accumulated other comprehensive income	224	—
Accumulated deficit	(78,274)	(66,853)
Total shareholders' equity	<u>659,773</u>	<u>785,009</u>
Total liabilities, mezzanine shareholders' equity and shareholders' equity	<u>\$ 2,445,402</u>	<u>\$ 2,471,050</u>

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

	Three months ended	
	March 31, 2024	March 31, 2023
	(Successor)	(Predecessor)
Revenue	\$ —	\$ 50
Cost of revenue	—	—
Cost of revenue – related party	—	—
Gross profit	—	50
Operating expenses		
General and administrative	6,383	5,563
General and administrative – related party	26	110
Sales and marketing	751	340
Research and development	10,975	1,102
Research and development – related party	267	6,464
Project development	324	178
Depreciation, amortization and accretion	20,057	3,332
Total operating expenses	<u>38,783</u>	<u>17,089</u>
Operating loss	<u>(38,783)</u>	<u>(17,039)</u>
Other income (expense)		
Interest income (expense)	7,690	(30)
Change in Earnout Shares liability and Warrant liability	(14,577)	—
Other income	—	2
Net other income (expense)	<u>(6,887)</u>	<u>(28)</u>
Net loss before income tax	<u>(45,670)</u>	<u>(17,067)</u>

Income tax benefit	(4,038)	—
Net loss after income tax	(41,632)	(17,067)
Net loss attributable to non-controlling interests	(30,211)	—
Net loss attributable to NET Power Inc.	(11,421)	(17,067)
Other comprehensive gain (loss)		
Unrealized gain on investments	662	—
Total other comprehensive gain (loss)	662	—
Comprehensive loss	(40,970)	(17,067)
Comprehensive loss attributable to non-controlling interests	(29,773)	—
Comprehensive loss attributable to NET Power Inc.	\$ (11,197)	\$ (17,067)
Net loss per share of Class A Common Stock (Successor) or per membership interest (Predecessor)	\$ (0.16)	\$ (4.55)
Weighted average shares of Class A Common Stock or membership interests, basic and diluted	71,894,553	3,748,476

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		Additional Paid-in-Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity	Non-controlling Interests - Mezzanine Equity
	Shares	Amount	Shares	Amount					
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 A 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	—	—	—	—	(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

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

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NET Power Inc.
Condensed Consolidated Statements of Members' Equity (Unaudited)

In thousands, except unit amounts

	Membership Interests		Additional Paid-in-Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Members' Equity
	Units	Amount				
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)	3,763,224	\$ 274,987	\$ 31,341	\$ 17	\$ (241,592)	\$ 64,753

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

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

	Three months ended	
	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)
Cash flows from operating activities		
Net loss after tax	\$ (41,632)	\$ (17,067)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,176	3,268
Amortization	16,812	5
Accretion	43	59
Non-cash lease expense	113	33
Deferred taxes	(4,039)	—
Change in fair value of Earnout Shares liability	476	—
Change in fair value of Warrant liability	14,101	—
Vesting of profits interests	—	1,745
Share-based compensation	6,269	4,632
Changes in operating assets and liabilities:		
Accounts receivables	58	289
Interest receivable	1,396	—
Prepaid expenses	276	(252)
Other current assets	(46)	(629)
Accounts payable	2,078	95
Accrued liabilities	(1,820)	1,033
Lease liabilities	(84)	(31)
Option liability	—	31
Due to related parties – current	160	3,857
Due to related parties – long-term	—	(2,212)
Net cash used in operating activities	(2,663)	(5,144)
Cash flows from investing activities		
Purchases of available-for-sale securities	(96,148)	—
Purchase of property, plant and equipment	(9,521)	(615)
Net cash used in investing activities	(105,669)	(615)
Cash flows from financing activities		
Proceeds from share issuances	—	5,836
Net cash provided by financing activities	—	5,836
Net (decrease) increase in cash and cash equivalents	(108,332)	77
Cash and cash equivalents, beginning of period	536,927	5,164
Cash and cash equivalents, end of period	\$ 428,595	\$ 5,241
Non-cash investing activities:		
Liabilities recorded for property, plant, and equipment, net	\$ 1,721	\$ 26

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. (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 Inc. 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 Inc. consolidated according to the rules set forth in ASC 810. The Company consolidates all wholly-owned subsidiaries and subsidiaries in which it owns a 50.0% 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.

NOTE 2 — Significant Accounting Policies

In the opinion of the Company's management, the Company's significant accounting policies used for the three months ended March 31, 2024, 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 Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 ("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.

Reclassification

Certain immaterial prior period amounts have been reclassified to conform to current period presentation.

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		—

Goodwill at March 31, 2024 (Successor)	\$ 423,920
--	------------

Current period measurement adjustments calculated as part of the purchase price allocation that accompanied the Business Combination are still pending finalization of the annual income tax return for the year ended December 31, 2023.

Definite Lived Intangible Assets

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

	March 31, 2024 (Successor)	December 31, 2023 (Successor)
Developed technology, gross	\$ 1,345,000	\$ 1,345,000
Accumulated amortization	(54,547)	(37,735)
Developed technology, net	<u>\$ 1,290,453</u>	<u>\$ 1,307,265</u>

Amortization expense for the three months ended March 31, 2024 (Successor) and March 31, 2023 (Predecessor) was \$16,812 and \$5, respectively.

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

Remainder of 2024	\$ 50,438
2025	67,250
2026	67,250
2027	67,250
2028	67,250
2029	67,250
2030 and thereafter	903,765
Total	<u>\$ 1,290,453</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:

	March 31, 2024 (Successor)	December 31, 2023 (Successor)
Furniture and equipment, gross	\$ 328	\$ 320
Demonstration Plant, gross	89,239	89,239
Construction in progress	21,853	14,443
Total property, plant and equipment, gross	111,420	104,002
Accumulated depreciation	(10,321)	(7,146)
Total property, plant and equipment, net	<u>\$ 101,099</u>	<u>\$ 96,856</u>

Depreciation expense for the three months ended March 31, 2024 (Successor) and March 31, 2023 (Predecessor) was \$3,176 and \$3,268, respectively.

NOTE 5 — Accrued Liabilities

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

	March 31, 2024 (Successor)	December 31, 2023 (Successor)
Accrued incentive compensation	\$ 819	\$ 2,016
Accrued cash-based expense of BHES JDA	3,438	3,669
Accrued legal service provider fees	241	160
Accrued capital expenditures	1,721	3,605
Other accrued liabilities	992	1,465
Total accrued liabilities	<u>\$ 7,211</u>	<u>\$ 10,915</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:

	Three months ended	
	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)
Feasibility studies	\$ —	\$ 50
Test data sales	—	—
Testing services	—	—
Total revenue	<u>\$ —</u>	<u>\$ 50</u>

Performance Obligations

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

Accounts Receivable

Accounts receivable, net consist of the following balances included in the condensed consolidated balance sheets:

	March 31, 2024 (Successor)	December 31, 2023 (Successor)
Accounts receivable, gross	\$ —	\$ 58
Allowance for credit losses	—	—
Accounts receivable, net	<u>\$ —</u>	<u>\$ 58</u>

During the three months ended March 31, 2024 (Successor) and March 31, 2023 (Predecessor), 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.

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NOTE 7 — Related Party Transactions

The following table summarizes the related party amounts included in the condensed consolidated balance sheets:

	March 31, 2024 (Successor)	December 31, 2023 (Successor)
Amounts due to related parties under master services agreements	\$ 302	\$ 142

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

	Three months ended	
	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)
Master services agreement administrative costs	\$ 26	\$ 34
Engineering support provided by former board member	—	76
General and administrative – related party	<u>\$ 26</u>	<u>\$ 110</u>
Master services agreement costs for Demonstration Plant	\$ 267	\$ 278
BHES JDA	—	6,186
Research and development – related party	<u>\$ 267</u>	<u>\$ 6,464</u>

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. The total cost incurred for these services was \$26 and \$34 during the three months ended March 31, 2024 (Successor) and March 31, 2023 (Predecessor), respectively. 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. The total cost incurred for these services was \$267 and \$278 during the three months ended March 31, 2024 (Successor) and March 31, 2023 (Predecessor), respectively. These totals are reflected in Research and development – related party on the condensed consolidated statements of operations and comprehensive loss. The Company had \$302 and \$142 in current liabilities payable to related parties as of March 31, 2024 (Successor) and March 31, 2023 (Predecessor), 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. The total cost incurred for these services was \$76 during the three months ended March 31, 2023 (Predecessor). 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

The Baker Hughes Energy Services LLC Amended and Restated Joint Development Agreement (the “BHES JDA”) is discussed in more detail in Note 14. Transactions under the BHES JDA are included in Research and development – related party on the condensed consolidated statements of operations and comprehensive loss prior to the Business Combination. Subsequent to the Business Combination, transactions under the BHES JDA are included in Research and development on the condensed consolidated statements of operations and comprehensive loss because Baker Hughes Company ceased being a related party on June 8, 2023.

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Lease

Reference Note 13 — Leases for a discussion of the OXY lease.

NOTE 8 — Investments

The Company has two types of investments, a certificate of deposit, which is classified as short-term investments, 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 March 31, 2024 (Successor) and December 31, 2023 (Successor). The interest receivable on the certificate of deposit was \$317 and \$1,886 at March 31, 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

	March 31, 2024		
	Amortized Cost	Unrealized Gain (Loss)	Fair Value
Current assets			
Corporate bonds	\$ 9,900	\$ 78	\$ 9,978
Commercial paper	23,641	199	23,840
U.S. treasuries	35,214	158	35,372
Total	<u>\$ 68,755</u>	<u>\$ 435</u>	<u>\$ 69,190</u>
Long-term assets			
Corporate bonds	\$ 2,900	\$ 30	\$ 2,930
U.S. treasuries	24,666	197	24,863
Total	<u>\$ 27,566</u>	<u>\$ 227</u>	<u>\$ 27,793</u>

The cost of securities sold is based on the specific-identification method. There were no credit losses recognized during the three months ended March 31, 2024 (Successor). The Company established no allowances for credit losses as of March 31, 2024 (Successor). The Company did not have 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 each asset's and each liability's fair value:

	Level	March 31, 2024	December 31, 2023
		(Successor)	(Successor)
Assets			
Available-for-sale investments ¹	1	\$ 96,983	\$ —
Short-term investments	2	100,000	100,000
Total assets		<u>\$ 196,983</u>	<u>\$ 100,000</u>
Liabilities			
Public Warrants	1	\$ 25,004	\$ 18,969
Private Placement Warrants	3	45,017	36,951
Earnout Shares	3	2,147	1,671
Total liabilities		<u>\$ 72,168</u>	<u>\$ 57,591</u>

(1) \$27,793 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:

	March 31, 2024	March 31, 2023
	(Successor)	(Predecessor)
Balance of recurring level 3 liabilities at beginning of period	\$ 38,622	\$ 5,174
Change in Earnout Shares liability and Warrant liability	8,542	—
Payments	—	(5,174)
Balance of recurring level 3 liabilities at end of period	<u>\$ 47,164</u>	<u>\$ —</u>

Earnout Shares

The fair values for the Earnout Shares are 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 2.19 years, a risk-free rate of 4.5% and estimated equity volatility of 37.3%. 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.

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 Public Warrants are considered to be level 1 fair value instruments.

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 \$11.39 as of March 31, 2024 (Successor), a risk-free rate of 4.2%, volatility of 38.1%, a term of five 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 the Company's peer group, the Company's own historical volatility and the implied volatility of the Public Warrants. The Private Placement Warrants are considered to be level 3 fair value instruments.

Short-term Investments

Short-term investments are valued at cost, which approximates fair value. Short-term investments are considered level 2 fair value instruments because cost basis is not observable in a public market.

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 three months ended March 31, 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 — Net Loss per Share/Unit

Successor Period

For the purposes of the diluted earnings per share calculation, Warrants, Earnout Shares, BHES Bonus Shares (as defined in Note 12), unvested Class A OpCo Units and the potential conversion of vested OpCo Units are excluded from the net loss per share calculation for the three months ended March 31, 2024 (Successor) because their inclusion would be anti-dilutive due to the losses reported in the Successor Period. Additionally, Earnout Shares and BHES Bonus Shares are excluded from the net loss calculation because the contingencies that would allow for those Earnout Shares to vest into OpCo Units have not yet been met. Based on the amounts outstanding at March 31, 2024 (Successor), the Company excluded the following financial instruments from the computation of diluted net loss per unit because their inclusion would be anti-dilutive:

Anti-Dilutive Instrument	March 31, 2024 (Successor)
Public Warrants	8,622,235
Private Placement Warrants	10,900,000
Earnout Shares	328,925
BHES Bonus Shares	2,068,416
Unvested Class A OpCo Units	848,415
Vested Class A OpCo Units	141,274,719
Unvested RSU's	504,421
Total	164,547,131

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 three months ended March 31, 2024 (Successor).

The following table sets forth the computation of the Company's basic and diluted net loss per share for the three months ended March 31, 2024 (Successor):

	Class A Common Stock
Numerator	
Net loss	\$ (41,632)
Net loss attributable to shareholders	\$ (11,422)
Denominator	
Weighted-average number shares outstanding, basic and diluted	71,895
Net loss per share attributable to shareholders, basic and diluted	\$ (0.16)

Predecessor Period

As of March 31, 2023 (Predecessor), the Company's anti-dilutive securities were profits interests, member loan share options and share options. Based on the amounts outstanding as of March 31, 2023 (Predecessor), the Company excluded the following positions from the computation of diluted net loss per unit because their inclusion would be anti-dilutive due to the losses reported in the Predecessor Period:

Anti-Dilutive Instrument	March 31, 2023 (Predecessor)
Unvested profits interests	226,494
Member loan share options	—
Occidental Petroleum share options	—
Total	226,494

The following table sets forth the computation of the Company's basic and diluted net loss per unit for the three months ended March 31, 2023 (Predecessor):

	March 31, 2023 (Predecessor)
Numerator	
Net loss	\$ (17,067)
Net loss attributable to membership interest holders	\$ (17,067)
Denominator	
Weighted-average number membership interests outstanding, basic and diluted	3,748
Net loss per unit attributable to membership interest holders, basic and diluted	\$ (4.55)

NOTE 11 — Shareholders' Equity and Non-Controlling Interest

Successor Period

The Company's equity consists of a total of 831,000,000 authorized shares across all classes of capital stock, which the Company has the authority to issue. The 831,000,000 authorized shares consist of 1,000,000 authorized shares of Preferred Stock with a par value of \$0.0001 per share, 520,000,000 authorized shares of Class A Common Stock with a par value of \$0.0001 per share, and 310,000,000 shares of Class B Common Stock with a par value of \$0.0001 per share.

As of March 31, 2024 (Successor), the Company had no outstanding shares of Preferred Stock, 71,970,052 outstanding shares of Class A Common Stock, and 141,801,811 outstanding shares of Class B Common Stock.

As of March 31, 2024 (Successor), redeemable non-controlling interests are comprised of 140,624,471 vested Class A OpCo Units, of which 6,967,050 units were formerly vested Class B OpCo Units. Class A OpCo Units are exchangeable for shares of Class A Common Stock or redeemable for cash. Additionally, the Company holds a call right that enables it to redeem Class A OpCo Units for shares of Class A Common Stock or cash once the unit holder has elected to redeem the equity instrument.

After considering the effects of consolidation, the Company owns 33.8% of OpCo and non-controlling interest holders own the residual 66.2%. The table below demonstrates the calculation of net loss before income tax attributable to redeemable non-controlling interest holders for the three months ended March 31, 2024 (Successor):

	March 31, 2024 (Successor)
Net Loss before income tax	\$ (45,670)
Redeemable non-controlling interest percentage — Class A OpCo Units	66.2%
Net Loss before income tax attributable to Class A OpCo Units	\$ (29,773)

Predecessor Period

The Company's equity in the Predecessor Period comprised a single class of membership interests. The Company's members' equity as of March 31, 2023 (Predecessor) included 4,987,845 authorized membership interests, of which 3,763,224 were issued and outstanding.

NOTE 12 — Share-Based Payments

OpCo Unit Awards (Predecessor and Successor)

As of March 31, 2024 (Successor), there was \$1,639 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 presents a summary of employee equity awards comprised of Class A OpCo Units and the corresponding quantity of shares of Class B Common Stock outstanding, granted, forfeited, vested on an accelerated basis and redeemed included in the condensed consolidated statements of operations and comprehensive loss:

	Quantity		Calculated Value	
	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)
Unvested, beginning of period	848,415	226,494	\$ 5.21	\$ 63.25
Granted	—	—	\$ —	\$ —
Forfeited	—	—	\$ —	\$ —
Vested	—	—	\$ —	\$ —
Accelerated	—	—	\$ —	\$ —
Unvested, end of period	<u>848,415</u>	<u>226,494</u>	<u>\$ 5.21</u>	<u>\$ 63.25</u>

Restricted Stock Units (Successor)

During the three months ended March 31, 2024 (Successor), the Company authorized the issuance of 504,421 restricted share units ("RSU") under the terms of the 2023 Omnibus Incentive Plan. As of March 31, 2024 (Successor), there was \$5,201 of unrecognized share-based compensation expense related to unvested RSU's, which the Company expects to recognize over a weighted average period of three years.

The following table presents a summary of RSU's outstanding, granted, forfeited, vested and accelerated during the three months ended March 31, 2024 (Successor):

	Quantity	Fair Value
Unvested, beginning of period	443,221	\$ 13.13
Granted	71,200	\$ 9.26
Forfeited	—	\$ —
Vested	—	\$ —
Accelerated	<u>(10,000)</u>	<u>\$ 13.23</u>

Unvested, end of period

504,421

\$

12.85

Awards granted to employees and the majority of executives cliff-vest on the three-year anniversary date of the grant. Awards granted to independent directors and certain executives use a graded vesting schedule over the three-year period that begins on each award's grant date.

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BHES JDA (Predecessor and Successor)

The following table presents the quantity and value of equity issued to Baker Hughes Energy Services LLC ("BHES") as payment for costs incurred pursuant to the Original JDA and the Amended and Restated BHES JDA (Note 14). 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 three-month periods described below:

	Quantity		Total Fair Value		Equivalent Value per Unit or per Share ⁽¹⁾
	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)	
Membership Interests	—	9,210	\$ —	\$ 1,943	\$ 168.75
Class A OpCo Units	650,248	—	4,298	—	\$ 5.29
Class B Common Stock	650,248	—	—	—	\$ —
Total			\$ 4,298	\$ 1,943	

(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 \$3,832 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; 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 Incurred To Date	Remaining Compensation Cost	Total Compensation Cost
BHES JDA - variable share-based payments	January 2027	\$ 21,777	\$ 5,568	\$ 27,345

Additionally, BHES received 47,000 membership interests that converted into 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 14 for additional quantitative 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 leases as of March 31, 2024 (Successor):

Year	Future Minimum Lease Payments
2024	\$ 379
2025	517
2026	531
2027	544
2028	511
2029 and thereafter	—
Total	\$ 2,482

Lease cost for the three months ended March 31, 2024 (Successor) and March 31, 2023 (Predecessor) was \$128 and \$49, respectively. Lease costs are recorded as General and administrative expense on the condensed consolidated statements of operations and comprehensive loss.

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Office Leases

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 simultaneous termination of the Measurement Building Lease and execution of the Roney St. Lease represents 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.

As of March 31, 2024 (Successor), the Company had \$2,092 in lease liabilities and \$1,974 in right-of-use assets attributable to the Roney St. Lease on its condensed consolidated balance sheets.

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 becomes effective no earlier than June 1, 2024 and has an original lease term of 68 months from the commencement date. The Company will measure the lease liabilities and right-of-use asset associated with the Atlas Tower Lease upon commencement of the lease, which is expected to occur mid-2024, and will recognize those balances over the lease term.

On March 8, 2024, the Company entered into a land lease with a subsidiary of OXY, 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 Roney St. Lease includes an early termination option that enables the Company to end the lease on or after its 50th month. The Atlas Tower Lease includes an early termination option that enables the Company to end the lease at the end of its 44th month. As of March 31, 2024 (Successor), the Company determined that it is unlikely to exercise either termination option; therefore, the above minimum lease payments, as well as the right-of-use asset and lease liabilities associated with the Roney St. Lease, do not consider the effects of this termination option on the lease term.

NOTE 14 — 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.

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

	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)
Asset retirement obligation, beginning of period	\$ 2,060	\$ 2,416
Obligation incurred	—	—
Accretion expense	43	59
Asset retirement obligation, end of period	<u>\$ 2,103</u>	<u>\$ 2,475</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 specified by each commitment’s counterparty. In accordance with ASC Topic 440, *Commitments*, the Company does not recognize these commitments on the condensed consolidated balance sheets.

The following table presents the Company’s material, unrecognized purchase obligations as of the periods described:

Commitment	Consideration Type	Gross Commitment	March 31, 2024 (Successor)	Prior	Remaining Commitment
				Predecessor/ Successor Periods	
Asset purchase commitments	Cash	\$ 26,009	\$ 1,372	\$ 5,191	\$ 19,446
BHES JDA	Cash	70,000	3,438	11,868	54,694
BHES JDA	Share-Based	70,000	3,438	11,868	54,694
	Total	<u>\$ 166,009</u>	<u>\$ 8,248</u>	<u>\$ 28,927</u>	<u>\$ 128,834</u>

BHES JDA

On February 3, 2022, the Company entered into a Joint Development Agreement with affiliates of BHES, which is a shareholder (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 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).

Prior to the Business Combination, the Company used membership interests to compensate BHES for its services under the BHES JDA (Note 12). After the Business Combination, the Company uses Class A OpCo Units and corresponding quantities of Class B Common Stock to compensate BHES for its services under the BHES JDA (Note 12).

The following table presents the costs associated with the BHES JDA included in the condensed consolidated statements of operations and comprehensive loss:

	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)
Cash expense	\$ 3,438	\$ 1,554
Membership interests issued	—	1,943
Class A OpCo Units issued	4,298	—
BHES JDA Bonus Share expense	610	2,688
Total research and development attributable to BHES JDA	<u>\$ 8,346</u>	<u>\$ 6,185</u>

NOTE 15 — Income Taxes

As of March 31, 2024 (Successor), the Company estimated its annual effective tax rate to be 8.11%, and recorded a deferred income tax benefit of \$4,038 for the quarter. The annual effective tax rate varies from the statutory federal income tax rate due to amounts allocated to non-controlling interest, state income taxes and other permanent items.

Tax Receivable Agreement - As of March 31, 2024 (Successor), the Company recorded a liability of \$10,099 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 during the period from July 1, 2023 through March 31, 2024.

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 I, 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.

Pursuant to the Business Combination Agreement, the aggregate consideration payable upon closing of the Business Combination to Legacy NET Power Holders consisted of 136,073,365 vested Class A OpCo Units and a corresponding number of vested shares of Class B Common Stock, 1,119,198 unvested Class A OpCo Units and 1,119,198 unvested shares of Class B Common Stock. Following the Closing, NET Power Inc. retained its umbrella partnership, C corporation or “Up-C” structure, whereby all of the equity interests in NET Power, LLC are held by OpCo, and NET Power Inc.’s only assets are its equity interests in OpCo.

OpCo is considered a variable interest entity with NET Power Inc. serving as its primary beneficiary. NET Power Inc. was determined to be the primary beneficiary of NET Power, LLC because it is the sole managing member of OpCo with the power to control the most significant activities of NET Power, LLC, while also having an economic interest that provides it with the ability to participate significantly in NET Power, LLC’s benefits and losses. As a result, NET Power, LLC was treated as the “acquired” company for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination represents an acquisition of a business and NET Power, LLC’s identifiable assets acquired, liabilities assumed, and any non-controlling interests were measured at their estimated fair value on the acquisition date.

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 Inc. 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 Inc. 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, 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 targets initial power generation between the second half of 2027 and the first half of 2028. We expect that the 300 MWe class plant will be a NET Power-led consortium project located at an OXY-hosted site in the Permian Basin of West Texas. 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, initiating all permitting required, 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 March 31, 2024 (Successor) and March 31, 2023 (Predecessor) (In thousands)

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

	Period ended		\$ Change	% Change
	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)		
Revenue	\$ —	\$ 50	\$ (50)	(100.0)%
Cost of revenue	—	—	—	n/a
Gross profit (loss)	—	50	(50)	
Operating expenses				
General and administrative	6,409	5,673	736	13.0%
Sales and marketing	751	340	411	120.9%
Research and development	11,242	7,566	3,676	48.6%
Project development	324	178	146	82.0%
Depreciation, amortization and accretion	20,057	3,332	16,725	502.0%
Total operating expenses	38,783	17,089	21,694	
Operating loss	(38,783)	(17,039)	(21,744)	
Other income (expense)				
Interest income (expense)	7,690	(30)	7,720	n/m
Change in Earnout Shares liability and Warrant liability	(14,577)	—	(14,577)	n/m
Other income (expense)	—	2	(2)	(100.0)%
Net other income (expense)	(6,887)	(28)	(6,859)	
Net loss before income tax	(45,670)	(17,067)	(28,603)	
Income tax benefit	(4,038)	—	(4,038)	n/m
Net loss after income tax	(41,632)	(17,067)	(24,565)	
Net loss attributable to non-controlling interests	(30,211)	—	(30,211)	n/m
Net loss attributable to NET Power Inc.	\$ (11,421)	\$ (17,067)	\$ 5,646	

n/m = not meaningful

Revenue

We have not generated material revenue to date. We have historically 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 decreased by \$50, or 100.0%, for the three months ended March 31, 2024, as compared to \$50 for the three months ended March 31, 2023. Revenue during these two periods was not significant.

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 \$736, or 13.0%, for the three months ended March 31, 2024, as compared to \$5,673 for the three months ended March 31, 2023. This increase was primarily attributable to costs associated with growth in employee 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 \$411, or 120.9%, for the three months ended March 31, 2024, as compared to \$340 for the three months ended March 31, 2023. This increase was primarily attributable to costs associated with growth in employee headcount.

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 \$3,676, or 48.6%, for the three months ended March 31, 2024, as compared to \$7,566 for the three months ended March 31, 2023. This increase was primarily due to the commencement 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. Our project development expenses increased by \$146 for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. This increase was due to the initiation of activities related to the development of a utility-scale facility.

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 \$16,725, or 502.0%, for the three months ended March 31, 2024, as compared to \$3,332 for the three months ended March 31, 2023. 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 fair value of our Demonstration Plant. These increases resulted in an increase in related amortization and depreciation expense in the Successor Period.

Interest income (expense)

Our interest income (expense) increased by \$7,720 for the three months ended March 31, 2024 compared to \$(30) for the three months ended March 31, 2023. Interest income grew in 2024 due to an overall higher cash balance as a result of the Business Combination and the deployment of cash into fixed income securities and interest-bearing short-term investments. Interest expense in 2023 was attributable to expensing of the loan discount associated with the option liability relating to the member loans, as well as adjustment of the option liability to fair market value.

Change in Earnout Shares liability and Warrant liability

The change in Earnout Shares liability and Warrant liability was \$14,577 for the three months ended March 31, 2024, predominately due to the change in the fair value of the Private Placement Warrants. The Earnout Shares and the Warrants were issued in connection with the Business Combination; therefore, there are no corresponding amounts in the three months ended March 31, 2023.

Income tax benefit

Our income tax benefit increased by \$4,038 for the three months ended March 31, 2024. There was no income tax benefit for the three months ended March 31, 2023 as, prior to the Business Combination, the Company was organized as a limited liability company and therefore was a pass-through entity for federal income tax purposes.

Liquidity and Capital Resources (In thousands)

Our principal sources of liquidity are cash and investments on hand, which are short-term in duration and highly liquid. Historically, our sources of liquidity have also included raising additional capital through the sale of ownership interests. 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 as of the dates indicated:

	March 31, 2024 (Successor)	December 31, 2023 (Successor)
Cash and cash equivalents	\$ 428,595	\$ 536,927
Available-for-sale securities	96,983	—
Short-term investments	100,000	100,000
Total liquidity	<u>\$ 625,578</u>	<u>\$ 636,927</u>

As of March 31, 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 \$96,983. Additionally, our current liabilities were \$10,546 and \$12,021 at March 31, 2024 (Successor) and December 31, 2023 (Successor), respectively.

We believe we have the ability to manage our operating costs, including R&D expenditures, such that our existing cash, cash equivalents and short-term investments will be sufficient to fund our obligations for the next 12 months following the filing of this Quarterly 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 may require additional funding in order to successfully construct our first utility-scale plant and to originate additional NET Power plant opportunities.

Cash Flow Summary (In thousands)

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

	Three months ended	
	March 31, 2024 (Successor)	March 31, 2023 (Predecessor)
Net cash used in operating activities	\$ (2,663)	\$ (5,144)
Net cash used in investing activities	\$ (105,669)	\$ (615)
Net cash provided by financing activities	\$ —	\$ 5,836

Operating Activities

Cash used in operating activities decreased by \$2,481 for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. 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. As we continue to increase hiring and the build out of 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 three months ended March 31, 2024, net cash used in investing activities increased by \$105,054 compared to the three months ended March 31, 2023. Our cash used in investing activities for the three months ended March 31, 2024 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 for the three months ended March 31, 2024 decreased by \$5,836 compared to the three months ended March 31, 2023. The decrease was driven by proceeds from option exercises during the three months ended March 31, 2023, compared to no exercises during the three months ended March 31, 2024.

Commitments and Contractual Obligations (In thousands)

Leases

We hold a lease for the approximately 218,900 square feet of land under the Demonstration Plant from Air Liquide at a rate of one dollar per year. The lease expires on the earlier of (i) July 1, 2025 and (ii) the termination of our oxygen supply agreement with Air Liquide, pursuant to which Air Liquide supplies oxygen for our use at the Demonstration Plant. The term of the oxygen supply agreement is perpetual but may be terminated by us or by Air Liquide upon 30 days written notice. 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 \$2,103 and \$2,060 as of March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024, future minimum lease payments attributable to the Company's lease arrangements are approximately \$2,482.

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, was executed on February 28, 2024, but the term of the lease has not yet commenced. The Company also entered into a land lease agreement with OXY, 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 March 31, 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 March 31, 2024, we recognized approximately \$15,306 of inception-to-date cash expenses and approximately \$15,306 of inception-to-date share-based expenses related to the BHES JDA. The share-based expense excludes \$5,000 of realized loss on share issuance.

Off-Balance Sheet Arrangements

As of March 31, 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 March 31, 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 \$26,009. We recognize portions of these commitments on our balance sheet as they become payable per contract milestones. We recognized \$1,372 of these commitments on our balance sheet within the current period and \$5,191 of these commitments in prior periods.

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 March 31, 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 March 31, 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 March 31, 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 on Form 10-K for the fiscal year ended December 31, 2023.

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

Unregistered Sales of Equity Securities

On January 25, 2024, the Company issued 693,941 shares of Class B Common stock and OpCo issued 693,941 class A units to BHES as payment for costs incurred pursuant to the Amended & Restated JDA during the fourth quarter of 2023. 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

Appointment of Chief Accounting Officer

On May 8, 2024, Kelly Rosser, age 48, was appointed as Chief Accounting Officer of the Company. Ms. Rosser joined the Company in January 2024. Prior to joining the Company, Ms. Rosser served as Heliogen, Inc.'s Chief Accounting Officer from August 2022 to January 2024 and also served as Heliogen, Inc.'s interim Chief Financial Officer from February 2023 until July 2023. Ms. Rosser served as Corporate Controller at Zenith Energy Management, LLC ("Zenith") from April 2019 to August 2022. Previously, Ms. Rosser was an independent consultant from September 2016 to April 2018 and served as Vice President, Chief Accounting Officer and Controller at Par Pacific Holdings, Inc. (NYSE: PARR) from May 2014 to September 2016. Ms. Rosser is a senior level finance executive and a Certified Public Accountant in the state of Texas with extensive exposure to the energy industry, including power generation, midstream, exploration and production, and refining companies. Ms. Rosser has an M.S. in Accounting and a B.B.A from Texas A&M University.

Ms. Rosser has no family relationships, as defined in Item 401 of Regulation S-K, with any director or executive officer of the Company, and there was no arrangement or understanding between Ms. Rosser and any other person pursuant to which she was appointed as an officer. In addition, there have been no transactions directly or indirectly involving Ms. Rosser that would be required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Insider Trading Arrangements

During the three months ended March 31, 2024, none of our 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	NET Power Inc. Amended and Restated Executive Severance Plan (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K filed with the SEC on March 11, 2024).
10.2	Executive Form RSU Grant Notice and Agreement
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: May 13, 2024

NET Power Inc.

By: /s/ Akash Patel
Name: Akash Patel
Title: Chief Financial Officer
(Principal Financial Officer)