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## C3, INC. REPORTS THIRD QUARTER RESULTS

### NEARLY SIX-FOLD INCREASE IN MOISSANITE GEMSTONE PRODUCTION AND SHIPMENTS

FOR IMMEDIATE RELEASE

Contact: Rick French, Richard French & Associates / 919-832-6300

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MORRISVILLE, N.C. (October 22, 1998) - C3, Inc. (Nasdaq-NM:C3THR), a developer of moissanite gemstones—a proprietary, colorless, lab-created gemstone—today reported operating results for the third quarter of 1998 which ended September 30, 1998.

C3, which emerged from the development stage effective July 1, reported revenues of approximately \$1.3 million consisting of gemstone sales of approximately \$1.2 million and test instrument revenues in excess of \$100,000. The net loss for the quarter was approximately \$1.6 million or \$.22 per share. In the year-earlier quarter, there were no sales and a net loss of approximately \$1.0 million or \$.46 per share.

C3 shipped in excess of 6,500 carats of moissanite gemstones during the third quarter of 1998, which far exceeded internal estimates of 5,000 carats. The average selling price during the quarter was \$178 per carat. When compared to the 1,100 carats shipped in the second quarter, volume has increased nearly six-fold. With the remaining crystal growth equipment online by mid-December, C3 expects to produce and be able to ship approximately 10,000 carats in the fourth quarter.

Revenues for the nine months ended September 30, 1998, were nearly \$1.8 million consisting of gemstone sales of approximately \$1.2 million and test instrument revenue in excess of \$500,000. During the first six months of 1998, while the Company remained in the development stage, gemstone and jewelry sales aggregating in excess of \$300,000 were netted against research and development expenses on the operating statement. For the first nine months of 1998, the net loss was approximately \$5.4 million or \$.78 per share. For the same period in 1997, the loss was approximately \$1.8 million or \$.78 per share.

Jeff N. Hunter, chairman and chief executive officer of C3, said, "During the first three quarters of 1998, C3 focused its domestic sales and marketing efforts primarily in the Southeast. Throughout the balance of 1998 and into 1999, we expect to expand the domestic distribution of moissanite gemstones by adding exclusive retailers throughout the US. Since moissanite is a product with international appeal, we will look to sign additional international distributors as well."

Hunter added, "We are extremely pleased to see the early indications of acceptance of moissanite gemstones by both consumers and retailers. With moissanite gemstones, our exclusive retailers have a new profit and traffic building tool with which they can differentiate themselves from their competition."

In other corporate news, on October 20, 1998, Cree Research, Inc. - C3's exclusive supplier of silicon carbide crystals - achieved the first milestone for 3-inch diameter crystals under the previously announced development program between the two companies by producing, in development, a 3-inch crystal meeting mutually agreed upon yields of useable material. Future activities under the development program will be focused on moving this to a repeatable process and then translating this achievement into a manufacturing process. A 3-inch crystal can produce approximately twice as many moissanite gemstones as a 2-inch crystal with the same percentage of useable material.

Additionally, C3 announced the election of Barbara Kotlikoff to the Board of Directors. Ms. Kotlikoff has more than 20 years experience in the jewelry, fashion and advertising industries. Since 1995 Ms. Kotlikoff has been a senior executive with Monet Group, Inc. (Monet), a privately held manufacturer and distributor of jewelry. Currently she is President and Managing Director International for Monet. With the election of Ms. Kotlikoff, the Board now consists of nine members.

C3 Inc., based in the Research Triangle Park area of North Carolina, became a public company in 1997. For more information, please access [www.moissanite.com](http://www.moissanite.com).

*This press release contains forward-looking statements that relate to C3's future plans and objectives. These statements are subject to numerous risks and uncertainties, including without limitation the lack of an operating history upon which C3 and its prospects can be evaluated, the need for further development of C3's products, C3's reliance on Cree Research, Inc. as a developer and supplier of silicon carbide crystals, the small size of the current market for C3's products and uncertainty of market*

acceptance and demand for such products in the future. These and other risks and uncertainties, which are detailed in C3's filings with the SEC including forms 10-K and 10-Q, could cause actual results and developments to be materially different from those expressed or implied by any of the forward-looking statements included in this press release.

### C3, Inc. Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	\$1,326,373	\$-	\$1,778,938	\$-
Cost of Goods Sold	1,089,648	-	1,380,200	-
Gross Margins	236,725	-	398,738	-
Operating Expenses:				
Marketing & sales	928,598	186,786	2,202,597	233,397
General & administrative	543,018	352,858	1,885,224	675,661
Research & development	785,869	577,347	3,196,711	1,029,918
Operating Income	(2,020,760)	(1,116,991)	(6,885,794)	(1,938,976)
Interest Income, net	467,532	71,031	1,461,718	184,407
Net Income (Loss)	\$(1,553,228)	\$(1,045,960)	\$(5,424,076)	\$(1,754,569)
Basic and diluted net loss per share	\$(0.22)	\$(0.46)	\$(0.78)	\$(0.78)
Weighted-average common shares, basic and diluted	6,956,071	2,261,102	6,945,356	2,261,102

### C3, Inc. Balance Sheets

	September 30,	December 31,
	1998	1997
	(unaudited)	
<b>Assets</b>		
<b>Current Assets</b>		
Cash and equivalents	\$34,401,501	\$43,980,385
Accounts receivable, net	524,086	4,298
Interest receivable	159,848	177,654
Inventories	1,812,887	278,602
Prepaid expenses and other assets	300,803	73,274
Total current assets	37,199,125	44,514,213
Equipment, net	3,655,028	214,990
Patent and license rights, net	207,388	143,886
Total assets	41,061,541	44,873,089
<b>Liabilities &amp; Shareholders' Equity</b>		
Current Liabilities		

## Accounts payable:

Cree Research, Inc.	1,412,483	567,110
Other	345,206	237,186
Accrued expenses	309,399	-
Deferred revenue	71,906	22,512
Total current liabilities	2,138,994	826,808

## Commitments and Contingencies

## Shareholders' Equity

Common stock	47,821,538	47,743,431
Additional paid-in capital -- stock options	1,855,039	1,632,804
Accumulated deficit	(10,754,030)	(5,329,954)
Total shareholders' equity	38,922,547	44,046,281
Total liabilities and shareholders' equity	\$41,061,541	\$44,873,089

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