



ASX RELEASE

Wednesday 11 September 2019

Chairman's letter to shareholders

Dear fellow shareholders,

Over the last week, your Company has received some enquiries from shareholders about the performance of its share price and current market sentiment, so I would like to ensure you are fully informed.

There have been no substantial changes to our share register, our pilot installation programmes, preparation for sales of the biogas TESS, and we continue to progress systems to earn early revenues from operations on the National Electricity Market (NEM) as reported in the second quarterly in late July. Your directors share your frustrations and it demonstrates that we are not immune to general market conditions and sentiment.

Status of current pilot projects

The Company is piloting its technology across three key product areas, the GAS-TESS, the TESS-IND and the TESS-GRID at three respective sites. To do this, we are partnering with stakeholders including SA Water, Enova Community Energy, Ampcontrol and BE Power to provide energy solutions for customers.

TESS-IND

Enova Community Energy (Enova)

1414 Degrees is advancing commercial discussions with Enova toward a joint venture to sell energy – both heat and electricity, to Enova customers including the Stone and Wood brewery.

Stone & Wood

The 1414 Degrees team are currently on-site undertaking detailed feasibility studies for installation of a TESS-IND pilot at Stone and Wood's Murwillumbah brewery in northern New South Wales. The current use of expensive LPG for process heating provides a better economic case for replacement by a TESS charged from grid sourced renewables.

Pepe's Ducks

Pepe's Ducks is open to progressing a TESS-IND pilot, however the fall in price of renewable energy certificates (RECs) and its location are not as favourable for 1414 Degrees as other sites.

Austcor/Abbe Corrugated

Abbe Corrugated is open to progressing a TESS-IND pilot, however the fall in price of RECs and availability of network gas are not as favourable as other sites offered to 1414 Degrees.

GAS-TESS

SA Water

A progress report on the GAS-TESS at the Glenelg Wastewater Treatment Plant is expected to be released later this week. The Company is continuing to augment the product for sale to water utilities as a commercial alternative to biogas engines.

TESS-GRID

AmpControl, BE Power

The team are analysing data supplied by Nectar Farms to prepare funding submissions to grants bodies for the scale up of silicon based storage.

Revenue from NEM trading

NEM price volatility is expected to continue to increase into the future as your Company integrates its TESS with renewable electricity supplied over the grid and enters into power supply agreements with customers. Your Company is therefore preparing to participate in the NEM and trade energy for supply to its customers and TESS.

Regulators are moving to support storage and firming generation

Yesterday we reported economic opportunities for our technology in the context of negative electricity pricing events and proposed changes to reward firming generation that would benefit the TESS technology. I am pleased to see AEMO has requested rule changes that would see energy storage systems integrated into the NEM. If implemented, this would provide further support for our TESS business model.

I encourage you to stay fully informed with all announcements on our website and, I look forward to keeping you informed with our ongoing communication.

In closing, we continue to progress our commercial development and pilot demonstrations as outlined in the prospectus and your Company maintains a strong cash position. I thank you for your ongoing support and assure you that the Company continues its steadfast focus and commitment to delivering clean energy storage at scale.

Yours sincerely,



Dr Kevin Moriarty
Executive Chairman