

December 10, 2014



## STWA Issues Letter to Shareholders

SANTA BARBARA, CA -- (Marketwired) -- 12/10/14 -- Save The World Air, Inc. (d\bla STWA) (OTCQX: ZERO), a developer of integrated solutions for the energy industry, has provided a business update to shareholders via e-mail. The content of the message is as follows:

To Our Shareholders,

With the Thanksgiving celebration now behind us and Christmas and the holiday season just ahead, I'd like to express gratitude to our shareholders, the Board of Directors and the entire team of STWA employees, contractors and partners. Your loyalty and encouragement has been instrumental in furthering the pursuit of the goals that we identified as priorities shortly following my appointment just one year ago as Chief Executive Officer and Chairman of the Board. All of our families extend our sincere best wishes to yours.

At our Shareholders Meeting on December 16th of last year, we pledged to take action on several fronts to reduce overhead, improve the balance sheet and expedite the commercialization of AOT. I'm pleased to report that over this past year we have made considerable progress in fulfilling these objectives, starting with a greatly improved level of dialog with institutional investors and top-tier energy company management, some of which have already entered into NDAs with us.

As you know, uplisting our stock has been a long anticipated step in moving ZERO toward listing on a "big board". As announced in the Shareholder Update of October 30th, we have upgraded our stock to OTCQX. Operated by [OTC Markets Group Inc.](#), the OTCQX platform is widely considered to be the premier OTC marketplace for established global and growth companies. We anticipate that trading on OTCQX will attract larger institutional investors and generate greater market interest while providing a cleaner path to uplisting to NASDAQ or a national exchange. If you have not already done so, we invite you to take advantage of the investor resources now available through OTC Markets' Real-Time Level 2 Quote Display Service available at [www.otcmarkets.com/stock/ZERO/quote](http://www.otcmarkets.com/stock/ZERO/quote).

From a fiscal perspective, we have made significant progress in 2014 in our continuing efforts to commercialize our technology. To cut costs we have divested the Company of recurring expenses deemed non-essential to our core operations and eliminated other additional legacy obligations such as unnecessary office space at our Santa Barbara headquarters, an under-utilized light industrial facility in Morgan Hill and the dissolution of STWA Asia Pte. Limited, an unnecessary Singapore subsidiary. As noted previously, we also have become an accelerated SEC filer and continue our compliance efforts under Sarbanes-Oxley 302 and 404.

During this past quarter our AOT deployment and testing protocol with TransCanada was concluded per our lease agreement ([10-Q](#) on file with the SEC, dated August 11, 2014). As a result of this beta test of AOT we have proven our ability to produce, deliver and operate AOT equipment on a major U.S. crude oil pipeline. This has resulted in the first revenue

events in the Company's history, establishing our equipment lease agreement revenue model, while greatly reducing operating expenses and expanding our product line and market reach. In the third and fourth quarters of this year the company generated \$240,000 in lease income, while decreasing operating expenses by 42%. Cash expenses in this nine month period were reduced by 33%. Not only is this a substantial improvement over 2013 but is an enormous advancement on a fiscal year-over-year basis, in sharp contrast to the previous five years.

I'd like to thank the executive leadership and engineering teams at TransCanada Corporation for the opportunity to collaborate with them over the past two-plus years, both in Calgary and in their field operations in Udall, Kansas. From the outset of our first discussions with TransCanada to the recent efficacy testing of AOT on their infrastructure, we have been highly impressed with the professionalism of their personnel and their contractors.

Specifically, it would be remiss of me to not mention the enormous engineering talent, resources and company assets that TransCanada has brought into play in the service of the further development, ongoing refinement and the inaugural deployment of the AOT system. By any estimation the evaluative deployment of our equipment on a state-of-the-art, 500,000 barrel per day pipeline infrastructure has provided us with an exceptional proving ground and played an invaluable role in furthering the commercialization of AOT.

The TransCanada deployment has resulted in important test data and operational benchmarks far beyond any previous field trials or flow testing environments and has contributed significantly to establishing the efficacy of AOT to optimize pipeline performance as verified by STWA personnel, ATS RheoSystems and our partners at Temple University.

While we remain highly appreciative of the Department of Energy's staff at the Rocky Mountain Oil Field Testing Center for the tests they performed over the past several years on a prototype AOT unit, our recent efficacy results with TransCanada were completely unhampered by the flow condition limitations and other operational and system restrictions endemic of their closed loop facility in Casper, Wyoming. Again, it has been to the Company's great benefit to have the collaboration, validation and continued interest of a pipeline operator of the stature and scale of TransCanada. The substantially more complex and robust testing environment of their infrastructure has enabled us to further improve the AOT device and the underlying technologies that offer high value industrial solutions to the industry.

It is our goal to re-deploy our inventory of AOT equipment with other pipeline operators in North America and internationally through our global business development efforts and our distributorship with Energy Tech Africa which provides us with representation in Africa and the Middle East. Existing and upcoming opportunities for positioning these income-generating assets will afford the Company with the necessary infrastructure venues for the next stage of AOT testing and optimization.

The Company currently owns five AOT pressure vessels; one which has been deployed to Texas under a short-term lease with options to extend the lease or purchase the equipment. This equipment is on schedule to be commissioned and the lease initiated in 2015. The remaining four AOT pressure vessels will be re-deployed either separately or together depending on the target pipeline infrastructure.

All of these objectives which we outlined at last year's Shareholders Meeting have been accomplished according to a pre-determined timeline that was both ambitious and aggressive. We are extremely proud of this effort and the accomplishments of our team and our supply chain partners and customers, given the extremely tight deadlines that all have had to operate under.

We are fortunate that STWA is executing on our mission when producers and transporters are looking to optimize their operations and are actively [investing hundreds of millions of dollars](#) to alleviate the [severe bottlenecks](#) caused by today's historic levels of upstream production. Lowering operating overhead and improving margins with incremental performance gains is particularly important to the industry when falling oil prices are driving managers to scrutinize every aspect of their opex performance. Our ability to design, install, operate and optimize industrial equipment to enhance the performance of existing pipeline infrastructure, improve throughput and mitigate the environmental impact of moving crude provides us with opportunities to supply our technology to today's more sustainable and efficiency-minded energy industry.

In addition to the completion of the inaugural deployment of AOT we have made progress in AOT commercialization through recently signed testing agreements with energy companies and industry vendors interested in optimizing pipeline efficiencies and improving the economics of transporting feedstock.

To this end we are pleased to announce the delivery and installation of an AOT system to one of the world's largest midstream companies which was documented in our July 21st, 2014 [8-K filing](#). Once operational, this single-barrel AOT Midstream system will be treating light grade condensate on a pipeline that provides takeaway capacity for one of the nation's largest shale formations. Condensates or ultra-light oils are one the [industry's fastest growing segments](#) and represent a new, high growth market for STWA technology. Continued strong demand for this grade of crude may have been given a boost last summer when [two separate U. S. Department of Commerce rulings](#) relaxed oil export restrictions providing for sale of condensates to foreign markets. Furthermore, we believe this deployment will show the efficacy of AOT on feedstock other than heavily diluted bitumen. This customer is currently investing heavily in pipeline infrastructure and has formed partnerships with several producers and other transporters to further accelerate their aggressive expansion into new markets. Our upcoming test deployment on their chosen pipeline could not be happening at a more opportune time nor with a better potential long-term customer.

Among our goals for 2015 is further leveraging the "green" benefits of our technologies by emphasizing the role they can play in reducing the environmental impact of our customers' operations. The global market for carbon credits and use of carbon tax incentives by governments is growing in importance within the industry, providing a positive financial impact for companies deploying "clean tech" equipment such as ours.

Today there are five exchanges (NASDAQ OMX Commodities Europe, PowerNext, European Climate Exchange, Commodity Exchange Bratislava and European Energy Exchange) providing value and liquidity to companies trading in carbon credits (also called "carbon offsets"). In the U.S., various carbon reduction incentives are in place in states such as California and Colorado, offering industry inducements similar to those in Europe and other world markets. By improving efficiencies and measurably reducing their carbon

footprint, energy companies are now able to gain significant rewards for each tonne of CO<sub>2</sub> (carbon dioxide) or CO<sub>2</sub>e (carbon dioxide equivalent gases) they remove or prevent from entering the atmosphere. Using our proprietary hydraulic analysis software and a new carbon credit calculator we have developed in-house, we believe our business development team can now provide producers and transporters of crude anywhere in the world with highly accurate projections and full case study analysis of their pipeline assets to quantify financial offsets they can capture by including our solutions in their operations.

Highlighting the clean tech benefits of our patented solutions is a crucial component of our stated goals of being the recognized industry leader in using electricity to aggregate particulates in crude (AOT Viscosity Reduction System) and directly heat oil for more efficient flow assurance (STWA Joule Heat). Just as Dr. Tao's research at Temple University forms the foundation for our high value solutions for reducing viscosity, our own research efforts in fluid mechanics at the micro- and nano-scale has yielded our new joule heat device designed for directly heating crude oil without flow interruption, thereby providing better performance at a lower operating cost.

The primary motivation for our research and development focused on providing innovative heat solutions for the upstream oil sector was a direct result of lengthy discussions with exploration and production (E&P) entities, pipeline operators and state government officials that centered on the inefficiencies of existing heat technologies. Many state governments are scrutinizing activities such as drilling, flaring (the burning off of gas at the well hole) and the transport of oil and natural gas because they contribute significantly to CO<sub>2</sub> emissions.

In an effort to mitigate the problem, various mandates and incentives are being introduced for reducing Greenhouse Gas (GHG) through cooperative efforts between industry and state and federal government agencies such as detailed in the ['Greenhouse Gas Reduction Strategies in Utah: An Economic and Policy Analysis'](#) report issued by the Utah Department of Natural Resources Office of Energy and Resource Planning. As field tests further prove the efficacy of AOT and STWA Joule Heat to reduce the amount of energy required to operate pumping stations, heat crude oil to improve flow and move feedstock more efficiently through pipelines, we expect their value to be recognized in the context of these GHG mitigation strategies.

The use of heat to ensure the safe, reliable and cost-effective transport of crude oil is common throughout the industry. Several classes of solutions for raising the temperature of feedstock within pipelines for better flow are in widespread use such as trace heating and bulk heating systems, but are extremely inefficient and therefore costly. With few exceptions they rely on using an electrical resistor to heat the oil which results in extremely poor efficiencies and loss of heat into the pipeline material.

Designed entirely in-house and currently being fabricated by a supply chain partner, STWA Joule Heat is a compact pipeline heating solution for improving flow with a wide spectrum of applications, including gathering lines, offloading stations, onboard ships and other sectors of the global crude infrastructure. STWA Joule Heat subjects the oil to a direct and intense electric field which increases oil temperature uniformly without interruption of flow. Preliminary testing suggests efficiencies of over 60% in converting electrical energy into internal energy in oil compared to efficiencies of approximately 30% typical in trace heating systems. Production of the first STWA Joule Heat prototype units is underway and field testing is scheduled to commence in the first quarter of 2015. Designed to operate on low-

flow "feeder" pipelines which are ubiquitous throughout the massive upstream sector, STWA Joule Heat units are much smaller and cost significantly less than our AOT product line.

As there have not been significant technological innovations in existing heating technologies for many years, we anticipate a ready market for a superior solution and an opportunity for STWA to extend our reach as a vendor of pioneering, "clean tech" flow assurance technologies. We expect that the introduction of a highly energy-efficient feedstock heating system designed to deliver optimal heat conductivity and performance using less power than other systems could be a game-changer in an otherwise stagnant equipment category.

To ensure the highest degree of operational performance possible in the final design of STWA Joule Heat, we have entered into a joint development agreement with an independent exploration and production entity as documented in our November 10th [10-Q filing](#). Our discussions with the leadership of this partner have been ongoing for several years and have engendered a strong mutual respect and the present day collaboration which provides us with an opportunity to deploy STWA Joule Heat on an operational pipeline.

To further extend our reach as a recognized supplier of clean tech solutions to industry, the Company is engaged in discussions with [Southern California Edison](#) (SCE) and [Pacific Gas & Electric](#) (PG&E). Our immediate objective is to have our AOT and STWA Joule Heat solutions reviewed for possible inclusion in the California Public Utilities Commission's integrated [Demand Side Management \(DSM\)](#) incentives program. Having our solutions recognized by utilities in California and other markets as having carbon reduction and energy-efficiency benefits provides the Company with further evidence of the bottom line value they can deliver to customers motivated by carbon offset credits or other CO2 mitigation incentives available in the geographic areas they operate.

Finally, it is with mixed emotions that I announce the resignation from our Board of an American hero, my mentor and fellow veteran, Ryan Zinke due to his November 4th win in Montana's At Large Congressional district. We are extremely grateful for Mr. Zinke's service to this great nation and for his dedication and invaluable contributions while acting as a board member for STWA. Despite his busy schedule, Ryan unselfishly offered his time and wise counsel to STWA management and introduced us to a who's who of the Montana and Texas energy establishment. I am proud to say that he shares our belief that the commercialization of STWA's technology can help fulfill America's goal of energy independence.

Congratulations Congressman-elect Zinke! We have no doubt that in your new role in Washington you will continue to make a difference as you have always done throughout your life. You will be sorely missed and we thank you immensely for your effort and support. STWA will be replacing this board position sometime in early 2015.

As detailed in previous shareholder communications and at our Shareholders Meeting, in addition to our efforts to extend our franchise as the industry leader in the use of an applied electrical field to reduce the viscosity of crude oil and improve flow, the Company intends to explore opportunities to diversify our operations throughout 2015. Over the past several quarters we have reviewed the balance sheets of a number of acquisition targets, mostly in the oil field services sector.

The downward pressure on oil prices is putting the squeeze on energy stocks and the valuation of companies serving the industry, resulting in market conditions favorable to our

aim of owning a profitable complimentary business with a strong customer base. Although the further optimization and commercialization of AOT and the development of our Joule Heat system demand the full and steadfast attention of our entire team, it is prudent that we as an opportunistic buyer in a seller's market undergoing value adjustments and consolidation, continue to review acquisition opportunities that will complement our core business and add intrinsic value.

During the past twelve months it has been an absolute privilege to serve the shareholders and Board of Directors of STWA and lead our efforts to develop and bring to market technologies designed to improve the efficiencies and economics of the U.S. and global energy industry.

In closing, I would like to sincerely thank all of our 4,000 plus shareholders. It is both humbling and inspiring to myself and our hard working employees and contractors that our shareholders are behind the company's drive to build value now and well into the future. Your support will allow us the opportunity to serve the needs of our customers while meeting the real world challenges of today's energy industry.

Best regards,

Greggory M. Bigger  
Chief Executive Officer, Chairman of the Board  
Save the World Air, Inc. d/b/a STWA

For further information about Save the World Air, Inc. d/b/a STWA visit [www.stwa.com](http://www.stwa.com), read our SEC filings at <https://ir.stockpr.com/stwa/all-sec-filings> and subscribe to Email Alerts at <https://ir.stockpr.com/stwa/email-alerts> to receive company news and shareholder updates.

Safe Harbor Statement:

Some of the statements in this release may constitute forward-looking statements under federal securities laws. Please visit the following link for our complete cautionary forward-looking statement: <http://www.stwa.com/site-info/disclaimer>

About STWA

Save the World Air, Inc. d/b/a STWA develops integrated viscosity reduction and joule heat solutions designed to deliver operational benefits to the global energy industry. As a trusted partner and certified supplier to oil producers and transporters here in North America and globally, STWA designs and manufactures industrial-grade equipment for improving the efficiencies and economics of the upstream, gathering and midstream energy sectors. During the recent unprecedented expansion of the energy industry made possible by enhanced crude recovery techniques, STWA has diligently prepared a stable, robust foundation for growth, and is currently entering the market collaboratively with several leading entities within this market. More information is available at: [www.stwa.com](http://www.stwa.com).

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