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QS Energy Issues Update on AOT Opportunities in the Middle East

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QS Energy, Inc. (OTCQX: QSEP)

Global Energy Markets

Regional Update: The Middle East

Starting with this report on the Middle East, we will be providing our shareholders and the investment community with QS Energy's viewpoint on the world's most important oil producing regions. In addition to identifying the latest trends affecting these areas, we will also highlight the companies and the nationalized, government-owned entities active in crude oil production and transport. Our intention is to deliver insights into these high-output regions and, where applicable, discuss specific projects now in non-disclosure-level discussions, as well as others requesting proposals quantifying the benefits of deploying AOT technology.

The Middle East Opportunity

Located at the intersection of Eurasia and Africa, and bound by the Mediterranean Sea, the Indian Ocean, the Red Sea and the Arabian Sea, the Middle East is comprised of 17 nation states. Long suspected of having potentially large oil reserves due to natural seepage in the Persian Gulf, the region was first drilled in a meaningful way by Standard Oil Company (SOCAL) in 1932 with a successful strike in Bahrain. Beginning with the modern era of energy production in 1965, the Middle East quickly emerged as the leading oil producing region in the world.

The most oil-rich of these countries border the Persian Gulf and lie within the Arabian Peninsula. In order of total petroleum and other liquids production they are: Saudi Arabia (11,624,000 bpd), United Arab Emirates (3,471,000 bpd), Iran (3,375,000 bpd), Iraq (3,371,000 bpd), Kuwait (2,767,000 bpd), Qatar (2,055,000 bpd), and Egypt (667,000 bpd). The leading oil producers of the Middle East are nationalized oil companies (NOCs) formed and controlled by the governments or hereditary monarchies of the nations in which they are located. The largest of these include Saudi Arabian Oil Company (Saudi Aramco), Abu Dhabi National Oil Company (ADNOC), Bahrain Petroleum Company (BAPCO), Basra Oil Company (formerly South Oil Company) of Iraq, Kuwait Petroleum Corporation (KPC), National Iranian Oil Company (NIOC), Petroleum Development Oman (PDO), Qatar Petroleum, and Zakum Development Company (ZADCO).



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Since our first distributorship agreement was signed with [Energy Tech Premier Group](#) in 2013, this project management and technical services firm has represented AOT to prospective customers and joint venture partners in the Middle East and the continent of Africa. Originally based in Nairobi, Kenya, ETPG recently re-domiciled to Dublin, Ireland with an affiliate office in Zürich, Switzerland, providing QS Energy with excellent strategic positioning and greater flexibility in our offshore fabrication capabilities.

Often referred to as the "Celtic Tiger" due to its economic prosperity and export competitiveness, Ireland is renowned for its favorable treatment of foreign companies interested in establishing research and manufacturing operations. With the assistance of ETPG leadership, we are exploring the various programs offered through economic development agencies such as the Industrial Development Authority (IDA Ireland), the International Financial Services Centre (IFSC) and, more broadly, the European Central Bank (ECB).

AOT Infrastructure Optimization Projects

Due to a convergence of factors, including political, technological, societal and economic, the dynamics of the world's market-making OPEC member nations are evolving dramatically. Not the least of these developments is the highly anticipated initial public offering of Saudi Aramco, a move that would overnight create an expected investor-held market cap of \$2 trillion to \$3 trillion. As the largest IPO in history, Saudi Arabian Oil Co. represents both long-term liquidity for the Saudi Royal family and a projected \$1 billion in bankers' fees for those handling the largest investment-bank deal ever.

This push to turn a portion of the world's richest oil reserves into drilling rights with a value set by the biggest stock float in trading history is emblematic of the changes afoot. Despite many decades of global market dominance and massive revenues that have brought wealth, infrastructure development, and modernization to nations throughout the Middle East, the producers exploiting this region and their foreign partners face significant challenges. The current global oversupply of oil and resultant sharp price drop are squeezing GDP and budgets at precisely a time when the rulers of these petro states are trying to plan for a post-oil era, however far in the future that may occur. Topping the list of pressing concerns are increasing upstream output, improving operational efficiencies during transport, and reducing time to market by expanding pipeline and refinery capacity.

With the benefit of two AOT installations on high volume commercial pipelines in North America, coupled with extensive testing of crude oil samples from this region, we are currently in discussions with several of the above named entities. Following visits to the headquarters of these organizations by Energy Tech Premier Group and ongoing collaboration with QS Energy engineers, we believe we have convincingly made the case for the use of value engineered AOT systems to bring a new level of performance to the infrastructures of some of the pre-eminent energy companies in the world.

As is the case in every customer engagement, we begin by gathering operational metrics specific to the target pipeline infrastructure under a mutual non-disclosure agreement (NDA), enabling us to provide a highly detailed AOT Case Study Analysis report. We have recently tabled a Memorandum of Understanding letter with one such prospective customer and are in the proposal phase of multi-vessel AOT systems with numerous producers and transporters in the region.

Other AOT Targets

Due to our ongoing collaborations with over a dozen crude oil transporters in North America and the engineering consultants and contractors responsible for building, maintaining and upgrading their delivery systems, we are continually seeing new applications for AOT and the science of electrorheology which drives the functionality of our industrial hardware. Fortunately, a number of these engineers, senior executives, and operations specialists familiar with the efficacy of our equipment work in a consultative capacity with entities in the Middle East. Through their collaboration with us we are exploring the opportunities that may exist within prospective customers not yet in direct discussions with ETPG or QS Energy.

In our next Regional Update, we will discuss two of our technology partners assisting us in attracting joint venture and deployment opportunities in the rapidly maturing Latin-American energy industry.

We invite you to contact us anytime with your questions, comments or suggestions at investor@QSEnergy.com or sales@QSEnergy.com. For QS Energy news and articles concerning the energy industry, follow us on [Twitter](#) and [LinkedIn](#).

For further information about QS Energy please read our SEC filings at www.sec.gov, and, in particular, the risk factor sections of those filings.

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.qsenergy.com/site-info/disclaimer>.

Sincerely,

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