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QS Energy CEO Jason Lane Issues Shareholder Update

HOUSTON, May 15, 2018 (GLOBE NEWSWIRE) -- [QS Energy, Inc.](#) (the "Company" or "QS Energy") (OTCQB:QSEP) is a developer of integrated technology solutions for the energy industry. The following is a shareholder update from Jason Lane, Chief Executive Officer and Chairman of the Board, QS Energy, Inc.

Dear Shareholders:

Over the past two months since our last shareholder update we have continued to make progress on a number of fronts.

SOUTH AMERICA

South America presents an incredible opportunity for our AOT technology. Crude oils throughout this region tend to be very heavy and are ideal candidates for AOT viscosity reduction. In March, we had the opportunity to test a set of oil samples from a prospective customer in this region. As expected, these samples were heavy crudes (~API 15°) with high levels of asphaltene and paraffin. The results of the Temple University laboratory tests on these oil samples are some of the best we have seen to date both in terms of viscosity reduction and the lasting duration of the effects of AOT. Tested across a range of operating temperatures, AOT reduced viscosity of these samples by 50% or more, with viscosity reduction lasting more than 100 hours. Applying laboratory results to detailed characteristics of this customer's pipeline at a site under consideration for AOT deployment indicates AOT has the potential to increase flow rates and capacity of this pipeline by 30% to 40%.

In April, we entered into a non-binding letter of intent with a second South American oil company to test crude oil samples and, subject to laboratory results, negotiate and execute binding demonstration project agreements. This customer operates capacity-constrained pipelines, producing very heavy crudes (~API 8°) with high levels of asphaltene, and is currently relying on a combination of heat and diluent techniques to maintain production. Based on laboratory tests on similar crude oil samples, AOT should have a significant impact. They have expressed great interest in utilizing AOT to optimize production, increase efficiency, and boost revenue. Crude oils samples are being collected now and will be shipped to Temple University for testing in the very near future.

At the beginning of May, I travelled with Shannon Rasmussen, our VP of Engineering, to meet with these two customers, continuing discussions from our previous trip to further specify and identify potential AOT demonstration sites. Based on information gathered, we are now working with the customers' engineers on detailed analysis of likely locations to determine final site viability and configurations.

While in South America, we had a follow-up meeting with a third crude oil company to discuss candidate demonstration sites, and introductory meetings with four additional

companies in two of South America's largest oil-producing countries. Each of these companies expressed continued interest in our AOT technology as a means to optimize production and transportation. These countries have immense heavy oil reserves and at today's crude oil prices, production and revenue escalation is a top priority in both private and government sectors. We are also in discussions regarding non-pipeline applications including super tanker ship and semi-tanker loading and unloading facilities, presenting market expansion opportunities for QS Energy and our AOT technology.

ASIA

We are advancing on a potential demonstration project with an Asian oil company as discussed in our shareholder update letter dated March 19, 2018. There have been some delays due to management changes at the Asian oil company which have specifically delayed the site location process. Though delayed, this project is proceeding, targeting demonstration project operations before year end.

Canadian Grants

We recently applied for federal and provincial grants in Canada related to pipeline efficiency and GHG emissions reductions programs. Our goal with this project is to supply partial funding of a demonstration project at a Canadian partner site, providing white paper data in support of commercialization and industry acceptance. We are very early in this process, but I am happy to report we did make the first cut as one of 400 out of approximately 800 applicants chosen for further consideration. Over the next few months, the top 100 applicants will be selected and asked to present detailed project submissions for final consideration.

Summary

We are continuing to make progress on our 2018 targets for the installation and operation of one or more demonstration projects, with four customers at the site-location phase. In addition, we have begun to build supplemental relationships outside of the midstream market, with gaining interest in trucking and ocean shipping. Once again, we thank you for your support and we look forward to a great year.

Sincerely,
Jason Lane
CEO, QS Energy, Inc.

For further information about QS Energy, Inc., visit www.QSEnergy.com, read our SEC filings at <http://ir.stockpr.com/qsenergy/all-sec-filings> and subscribe to Email Alerts at <http://ir.stockpr.com/qsenergy/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.qsenergy.com/site-info/disclaimer>

About Applied Oil Technology

QS Energy's patented Applied Oil Technology (AOT) is a solid-state turn-key system which uses a high volt / low amp electric field to reduce crude oil viscosity. AOT installs inline on crude oil pipelines, operates unattended without interrupting pipeline flow, with full remote monitoring and control. More information is available online at www.qsenergy.com/technology.

About QS Energy

QS Energy, Inc. (OTCQB:QSEP), develops and markets crude oil flow assurance technologies designed to deliver measurable performance improvements to pipeline operations in the midstream and upstream crude oil markets. More information is available at www.qsenergy.com.

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