

December 22, 2016



QS Energy Issues Q4 Shareholder Update

SANTA BARBARA, CA -- (Marketwired) -- 12/22/16 --[QS Energy, Inc.](#) (the "Company") (OTCQB: QSEP) is a developer of integrated technology solutions for the energy industry. The following is a shareholder update from Gregory M. Bigger, Chief Executive Officer and Chairman of QS Energy.

It's my pleasure to extend personal best wishes for a Merry Christmas and happy and safe holiday season to our shareholders, Board of Directors, staff, and our industry collaborators. In the coming year, the QS Energy team, our supply chain partners, and the researchers at Temple University look forward to delivering on the exciting potential that AOT and our related technologies offer in support of greater operational efficiencies within the U.S. and global energy industry.



Gregory M. Bigger, Chief Executive Officer and Chairman of the Board, QS Energy, Inc.

Looking forward to 2017, I'm pleased to say we have three active, collaborative AOT projects on our agenda. The first is documented in the November 28th, 2016 [Form 8-K filing](#) which sets forth the stages of AOT testing at the facility of a vertically-integrated company active in Alberta's oil sands region. The initial phase will commence in the first quarter of 2017, with a fully functional laboratory-scale AOT device. The objective is to assess the technical capability of AOT technology under field operating conditions characteristic of the oil sands. Following that process, based on positive results, the next stage would call for a full pump station installation ("Field Test"). Previous viscosity reduction and related tests performed on customer-supplied samples at Temple University's Department of Physics were highly favorable, which led to the current Field Test Agreement.

The second collaborative project involves a trial assessment and then full and potentially sponsored engineering of the AOT-XL, an innovative new addition to our flagship product line. This specially configured, high volume AOT system was developed upon request by the management team at a trusted, long-term collaborative partner within the midstream sector of the domestic energy industry. Designed for very high volume pipeline environments, the AOT-XL is fabricated to meet a target of 25,000 barrels per hour capacity (600,000 bpd). Initial laboratory tests of one of their crude oil samples has also shown favorable results.

The third project is our continuing collaboration with an entity based in the Middle East, one of the largest oil companies in the world. Customer-supplied samples of crude oil are in possession of Dr. Tao's team at Temple University for the full scope of testing and analysis to replicate the efficacy of AOT. The infrastructure of this high-output producer and transporter is massive in scale and could require numerous installations of the AOT technology at strategic points. Our discussions to date have encompassed a variety of deployment scenarios based on the improved flow volume and time-to-market goals of the

customer.

Separately, we are preparing to receive and test heavy crude oil samples from one of Colombia's largest formations, a region that is greatly interested in viscosity reduction and flow volume improvement to alleviate [pipeline flow challenges](#) and shore up margins during continuing soft spot prices. Other samples sourced from an energy company based in Spain and active in regions across Latin America are also in line for testing early in 2017. These shipments are due to arrive shortly.

Each of the projects slated so far for 2017 deal with stable super-heavy to medium crude oils. Similar crude samples have tested well in Temple University's laboratories in the past, providing us with a high degree of confidence that results will be favorable and may lead to hydraulic analysis and AOT Case Study Proposals. These prospective customers are considering AOT for adoption as a cost-efficient component of their infrastructure to improve Opex through flow rate increase, carbon tax mitigation, and/or by reducing or eliminating chemical additives. We believe we have a turnkey solution that can meet their expectations and deliver the ROI they require.

Following the recent and successful value engineering of the AOT technology, QS Energy is now pursuing Equipment Lease Agreements and Purchase Orders with customers interested in optimizing their pipelines with custom AOT solutions on a worldwide basis. We have also initiated an outbound sales strategy which has already resulted in additional interest in the technologies we offer to the industry.

As always, we sincerely appreciate the loyalty of you, our shareholders, and your valued input as we strive to create shareholder value today and into the future.

Best regards,

Greggory M. Bigger
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Safe Harbor Statement:

Some of the statements in this letter 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>

Image Available:

<http://www.marketwire.com/library/MwGo/2016/12/22/11G125885/Images/GreggoryBigger-5c4cf212970f82c18dda87972c6ad19a.jpg>

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