



### GOOD NEWS

"We have been in anticipation of a letter of intent/memorandum of understanding for the past few months. Needless to say, we are proud to state we have made meaningful progress with a new potential partner whilst promoting renewed interest from our previous development partner. Our confidence supports the formalities of these engagements will be secured in the coming weeks."

**Cecil Bond Kyte CEO**

In April of this year, our final engineering call with our new leading development partner was received with positive feedback and all remaining questions were answered to their satisfaction. The conversations were thorough and left the participants confident in the ability of the AOT to function as designed pending their internal review. Concurrent with the engineering reviews, we were asked to define specific economic benefits leading to a detailed model projecting the range of efficiency gains customers are likely to see given a specific set of pipeline factors. The detailed projections were well received indicating our next step forward.

As we have continued to update the QS Energy community, let us summarize once again:

- Component test observations and measured results confirmed the redesign criteria.
- Consolidation and completion of our successful AOT redesign resulted in a set of schematics ready for manufacturing.
- Received vendor approval of the schematics and finalized the part orders.

Although vendor delays and supply chain issues prolonged a 2022 test, we were able to overcome obstacles by working with suppliers to accelerate timelines by adding overtime and 3rd party resources that allowed us to complete a successful test at the end of December 2022.

- After final assembly, on December 29th, the AOT was configured with a representative oil sample whilst maximum power was applied. Figure 2 shows the power supply at 40.2 kV during the test. While we expect to

operate around 28 kV the additional voltage availability will allow us the flexibility of increasing the electric field if we have a desire or need to do so.

- The final and successful redesign of the AOT has surpassed iterations tested in prior years. Currently the AOT is ready for customer field testing.
- As recent discussions have progressed with potential development partners our next natural step is a commercial contract.



The July 18, 2022 update addressed the seven design criteria that we developed and listed in the April 15, 2022 investor update. Once again, the new design accomplished the following:

1. All metal surfaces have rounded edges.
2. All perpendicular surfaces between grids have been eliminated.
3. Grids are better supported and will have a uniform separation.
4. All electrical connections will have positive mechanical contact.
5. All corners have been removed from the grid design.
6. The entire perimeter of the grids are now surrounded with insulation.
7. Design will be less sensitive to insulation swelling.

Figure 1 shows AOT internals otherwise known as the stack fully assembled and ready to be installed in the AOT vessel.

Not all seven of the design criteria are visible in Figure 1. Criteria 3 and 6 are accomplished by utilizing full ring spacers which are the horizontal cream color parts stacked on top of one another in Figure 1. The full ring spacers hold the grid plates in place with the appropriate gap. The ring spacers also fully insulate

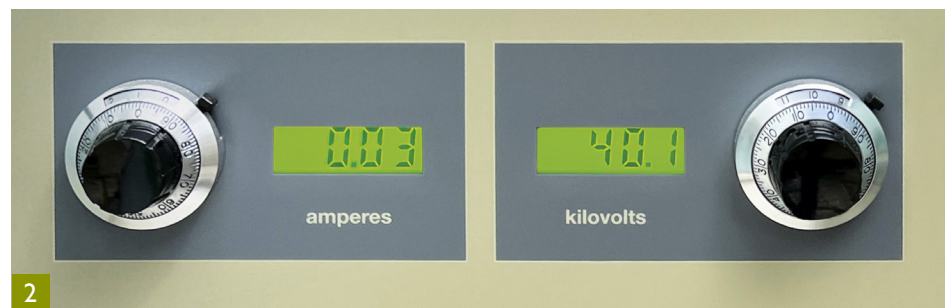
the edges of the grid plates and prevent arcing along the perimeter of the grid plates. We will share additional details in our future communications.

Two years ago, Cecil Bond Kyte was asked to return to the company, with full support of the Board. Mr. Kyte states: "We have addressed the issues that were facing the company with successful results:

- Reinstated the company's integrity starting with the company's SEC reporting requirements.
- Evaluated, redesigned, and tested the final successful iteration of the AOT.
- Raised sufficient capital to maintain company ongoing operations and AOT redevelopment."

While there have been frustrating and unexpected delays in the past two years, management, shareholders, and engineers ultimately accomplished the goal of delivering a functional AOT.

Our only focus now is the path to field deployment in parallel with a commercially viable contract. In keeping with our past, this team fully expects to deliver on the goals we have set.



## NOTABLE ACCOMPLISHMENTS

1. Successfully passed the engineering review of a new potential partner.
2. Completed the redesign of the AOT.
3. Demonstrated that a fully assembled AOT would operate at target electric field strength and more.
4. Remained SEC compliant.
5. Sufficient capital raised from our investor community to maintain operations.



For further information about QS Energy, Inc., visit [www.qsenergy.com](http://www.qsenergy.com), read our SEC filings at <https://ir.stockpr.com/qsenergy/all-sec-filings>

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### **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: <https://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](http://www.qsenergy.com).

### **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](http://www.qsenergy.com).

### **QS ENERGY, Inc.**

Tel: +1 844-645-7737

E-mail: [investor@qsenergy.com](mailto:investor@qsenergy.com)

Sales: [sales@qsenergy.com](mailto:sales@qsenergy.com)