



3<sup>rd</sup> February 2010

Dear Shareholder:

I thought this would be a good time to provide you with a progress report on the Company's activities since fresh capital, in the amount of \$1.5 million, was invested in June 2009.

As was reported to you earlier, the name of the Company has been changed from American Diesel & Gas, Inc. to Q-Shield Technologies, Inc., a name more representative of the Company's products and marketing thrust. Concurrently, we completely changed our website to reflect the name change, to modernize the website and make it easier for potential customers to understand our product offerings. You can see the result at [www.Q-ShieldTechnologies.com](http://www.Q-ShieldTechnologies.com). Relevant information will be added to the website as it becomes available and, in the near future, the website will feature a portal for password protected shareholder access.

Q-Shield products meet important needs in the truck, heavy equipment and generator markets: Heat management, reduction of fuel consumption, reduction of emissions and increased ability to manage government mandated emission filters. Our current marketing focus is on heat management, which contrasts with prior emphasis on reduction of fuel consumption. Customers have a basic understanding of the role that heat management plays in reducing fuel consumption, increasing the life cycle of components and helping to control emissions. This subtle, but important, change is being well received in the market and is at the heart of the message we are imparting on our new website.

Sales results for the last six months of 2009 were minimal. We are in the process of restructuring our US sales operation and recently had a training seminar for thirteen new sales representatives. The representatives traveled here from other parts of the US and Canada, at their own expense, to receive training on the sale and installation of Q-Shield™ products. These sales representatives are experienced in selling products in the automotive, heavy equipment and truck markets. We have high expectations for their future success.

We are actively pursuing sales opportunities with various military branches of the Defense Department (DoD) and recently hired new sales representation in this area. The DoD spends billions of dollars yearly on fuel consumption and there is now an active program in the military to reduce fuel costs. We believe we can play an important role in this initiative.

The Department of Energy and other Federal agencies are funding research and development in fuel savings technologies. We will be actively pursuing these opportunities. I will have more to report on this at a later date.

Our international operations are focused on India. India is a high growth market with GDP growth for 2010 estimated to be at 7%.

This past month we participated in the India AutoExpo, which is the largest automotive show in the world with an attendance of over 2 million people. Our technology was highlighted in the Ashok Leland exhibit and was also being used on a Mercedes bus in another exhibit. Our local sales force in India is now following up on leads developed at the show and quoting on new business opportunities.

Our technology has undergone extensive testing in the laboratory and under real-life conditions by major Original Equipment Manufacturers (OEM) in India. For example, an OEM tested our product on one of its engines for 65,000 km under real-road conditions; 1000 hours in a test cell and 300 hours in a high endurance test. The fact that our products performed well, in this and other tests, legitimizes our technology and further enhances our market position not only in India but in the US as well as in other markets.

During my recent visit to India, I was able to meet many of the prospects we have been working with for some time. I am pleased to report that we have made significant progress. We received orders from Ashok Leyland for heat management for marine and CNG automotive engines. Orders were also received from Thermax, the largest boiler manufacturer in India. A contract was signed with Sutlej (Lexia Motors), a bus manufacturer, for the use of our technology to reduce fuel consumption. Recent tests conducted by Sutlej resulted in fuel reductions of 8.9%. Sutlej will also act as our exclusive sales representative to sell our technology to other bus systems in defined sales territories in India. In addition, we continue to pursue our sales opportunities with Cummins India. Cummins has run a substantial number of tests with our technology on its marine and truck engines and have obtained positive results. We are optimistic about securing Cummins' business.

One of the most important developments to report is our expanding business relationship with Tata Motors. We have now been qualified as a “Tier 1” vendor for Tata. Initial purchase orders were recently received and we are anticipating production orders in the next several months. Currently, we are involved in approximately eight projects with Tata and have quoted extensively on potential business.

In order to enlarge our marketing footprint in India, and other international markets, we entered into an arrangement with Radxport Enterprises, Pvt. Ltd. to sell our products in the Indian end user market, specifically to the mining industry and stand-alone generator market. Since our Indian subsidiary concentrates its sales efforts in selling to OEMs, this arrangement is a good fit for us. Radxport will also represent us on an exclusive basis in several African countries.

To better respond to the developing business in India, there is a need to set up a local manufacturing facility. We are negotiating for manufacturing space in Pune, which is an important manufacturing center that is in close proximity to our customers. This facility will allow for timely response to customer requirements and permit appropriate pricing for the local market. Currently we are seeking additional financing to support our activities in India.

Management is cautiously optimistic regarding the progress we are making, though it seems that “things” never move as quickly as we would like. Much remains to be done to further our Indian business and to develop our presence in the US and other international markets. You can be certain that we are dedicated to making it happen.

Some administrative issues: Under separate cover you will be receiving year-end financials for 2009, relevant tax information and new Company shares (reflecting the new Company name and the share split we announced several months ago).

If you have any questions or comments, please do not hesitate to contact me.

Sincerely,

***Bill***

William Weksel  
CEO

WW/cpl