

PROTEUM ENERGY, LLC
REPORT TO INVESTORS 3Q2020

Dear Proteum Energy Member,

We are grateful to you as an investor and to our board of directors and employees for the remarkable transition and emergence of Proteum Energy, LLC from bankruptcy into a viable and exciting enterprise. Proteum Energy has its roots in patented and proprietary technology to reform flare and residue gas into economically sustainable power and fuel. It is from these roots we now expand our scope of business as a midstream fuel processing and sales company while continuing to address and solve a pressing environmental need.

We are fortunate to have created a promising business model by integrating our micro-gas reforming hydrogen, designer fuel (HDF) system to produce valuable low emissions designer fuels and fuel cell quality transportation grade hydrogen. Our model offers midstream operator customers fuel cost savings by leveraging our technology with fuel price differentials to provide both environmental and economic returns to our customers and investors.

The Future of the O&G Industry. The global oil and gas industry is in the midst of seismic changes. In addition to the stress of extreme volatility in demand and pricing, the industry faces the challenge of a long-term trend emphasizing ESG (environmental, safety and governance) compliance simply for access to capital. To address this challenge, Proteum Energy™ has had significant discussions with the Oil and Gas Climate Initiative (<https://oilandgasclimateinitiative.com>) regarding their venture interests and our common goal to lower the carbon footprint of the oil and gas industry.

OVERVIEW OF OUR BUSINESS PLAN:

Our patented and proprietary technology offers midstream plant operators a solution that significantly and safely reduces prime power emissions. “Midstream” production is the sector of oil and gas business that takes product from upstream at the wellhead and processes natural gas liquids (NGLs) and transports product downstream to refineries and further gas distribution. Our technology taps into the midstream by producing designer fuel for the midstream operator from NGLs and residue gas while simultaneously producing fuel cell quality hydrogen with the goal of being designated a low carbon fuel standard (LCFS) transportation fuel by the California Air Resources Board (CARB).

Here is an overview of our business model based on our proprietary and patented HDF System:

1) We buy y-grade rejected ethane from the midstream operator at a favorable price differential to the fuel products we sell. Because of fractionation and transportation costs (the cost to transport and “crack” ethane or any NGL), fuel price differentials are often most favorable for us where a midstream plant is located an optimum distance from the downstream ethane fractionators (generally located near the US gulf coast);

2) We process natural gas liquids (NGL’s). NGL’s are collected in mixture of gasses called Y-Grade. Although the HDF system can reform any non-methane hydrocarbon, we have found the most optimum NGL, price-wise, to be ethane. As part of the HDF System, we remove ethane from Y-Grade with a pre-treatment technology called a de-ethanizer to get the best possible “cut” for pricing purposes. We reform this Y-Grade ethane into:

- Low Emissions Designer Fuels (special fuel blends to reduce NOx emissions and save the operator fuel costs and maintenance expense)
- Pipeline Quality Methane
- Hydrogen
- CO₂

3) We sell the Designer Fuel to the operator to fuel their own equipment. This covers the majority of our operating cost, saves the operator money, improves performance and reduces the emissions from their compressors, engines and turbines.

4) We sell (offtake) fuel cell quality hydrogen, CO₂ and pipeline quality methane that is simultaneously produced on site with the Designer Fuel. If there is a requirement to take the reformat gas from our processor back to methane and sell that as a commodity, this is possible as well.

5) The CO₂ product is not emitted in our process, but is captured and sold to customers who either sequester (bury) the CO₂ deep under the earth using carbon capture sequestration (CCS) or enhanced oil recovery (EOR) methods. This CO₂ can provide a carbon credit, lowering the carbon footprint of the oil and gas operator. This also may allow us to qualify for Low Carbon Fuel Standard hydrogen as measured by the California Air Resource Board (CARB), a certification we are currently pursuing. In most instances, we can sell (offtake) the CO₂ that is produced by the HDF.

We are currently focused squarely on midstream operator challenges by providing a modular solution that can be deployed to strategic locations at midstream operations across the globe. We have engaged world class engineering firms to assist us with the development of the HDF System. In addition, we have engaged third party testing and validation companies to certify our processes and capabilities. We believe the “distributed production model” allows us to deploy HDF Systems where infrastructure and transport costs for fuel cell quality hydrogen may be the greatest.

Flare to Fuel: Mexico and Proteum Canada. Proteum Energy is in discussions with a new company initiated by existing Canadian investors for the purpose of bringing together local Canadian experts and capital to pursue grants, public-private funds and local manufacturing to deploy our technology in Canada. We are excited to work with the Canadian team of experts as our HDF technology becomes ready for manufacture. The Canadian team may also be a manufacturing partner for the FTF300H (our present unit) that will be potentially deployed in Mexico.

Due to COVID-19, there continues to be delays in the pending PEMEX business negotiations. However, these should materialize in Q3 of 2021. We are working to restructure our relationship with our Mexican team which will result in reduced monthly costs to Proteum Energy and incent our local team with a participation in the successful deployment of FTF300 units to Pemex.

HOW OUR HDF REFORMER MIDSTREAM MODEL WORKS:

Midstream Fuel Pricing. Proteum Energy has identified strategic midstream opportunities to arbitrage the price differentials of low-value Y-grade ethane from residue gas. The price differentials are largely based on favorable transportation and fractionation costs that allow

us to produce designer fuels and hydrogen at favorable sales prices. Our business model pro forma solidly references Chicago Mercantile Exchange forward pricing curves for ethane. These are correlated against NYMEX forward pricing curves for methane prices. This strategy can solidly put Proteum Energy in the fuel trading business.

HDF Designer Fuel Emissions Benefits. Our HDF System is capable of producing hydrogen and CO₂ diluents for turbine and engine fuel. This lowers NO_x emissions outputs from these prime movers at a midstream operator's facility. The HDF system is able to reduce overall EPA emissions by as much as 67%, while removing CO₂ from the transportation fuel pipeline and delivering fuel cell quality low carbon index hydrogen at below market cost. Each Proteum Energy HDF unit is designed to eliminate up to 161,000 metric tons of greenhouse gas (GHG) per year when considering the hydrogen benefits of diesel fuel replacement. Including NO_x and other non-GHG EPA emissions, the estimated reduction in emissions could increase to 187,000 metric tons per year.

Our Team. We are blessed to have an operating team comprised of top engineering talent, supported by a dynamic board of directors with industry experience and a proven record for execution and performance. In my view, there are none better in the industry that are poised to meet the challenge before us.

Engineering. We have engaged the services of Joule Processing, a globally recognized midstream processing equipment design and engineering company. (<https://www.jouleprocess.com>) Joule is now fully engaged in the development of our production HDF unit. We are very proud to participate with Joule Processing and we anticipate a prototype HDF unit by May of 2021. In addition, we have engaged Jasper Ventures (<https://jasperventuresinc.com/>) for our pre and post HDF treatment and process review and installation partner.

Third Party Validation Testing. We have engaged DNV GL to provide third party engineering and certification of our technology. DNV GL is the global leader in third party validation testing and compliance in the oil and gas industry. (<https://www.dnvgl.com>) In addition, we have commissioned Air Hygiene (<https://www.airhygiene.com>) a leading third party accredited environmental testing laboratory to test and validate the emissions benefits of our designer fuel. Designer fuel and performance criteria for our technology will also be regularly third party validated through design models provided by Bryan Research and Engineering (BRE <https://www.bre.com/Support-Technical-Articles.aspx>) BRE is a recognized leader in midstream oil and gas processing engineering and performance modeling.

Business Development. We are pleased to announce we are in discussions with several midstream processing plants in the US regarding deployment of our technology. The focus is to provide designer fuel from their residue gas that lowers their emissions and provides a format for the HDF system to produce low carbon fuel standard hydrogen. We have a heightened focus on the huge California market where we have the potential to earn a Low Carbon Fuel Standard (LCFS) designation, which is mandated by the California Air Resources Board (CARB) (<https://ww2.arb.ca.gov>). LCFS is a complicated analytical "carbon life cycle" process and it is important to note we are engaged in a strategic "pathway process" for achieving a qualifying LCFS Pathway for our low carbon hydrogen fuel.

November 23, 2020

Proteum Energy Financial Proformas. In addition to the Proteum Energy-Canada license model, our fuel business model is compelling. We have attached an investor proposal for your review. This proposal is a request to potential investors for a Series B raise of \$25MM. This raise will get the company through development and installation of the first production HDF system at a midstream site, scheduled for Q4 of 2021. The financial proformas in this proposal are based upon hundreds of iterative calculations and compared against fuel sales models for accuracy and calculation integrity. As a matter of fact, we have engaged a leading fuel sales model analyst to prepare and vet the financial models and assumptions against accepted standards.

Hydrogen sales from each HDF production unit generates revenues to return the Company's full \$12-\$15MM CAPEX per unit (excluding cryogenic system costs) within 30 months. Transportation grade liquified hydrogen is priced at \$4.50 / kg with a \$0.75 / kg delivery expense included. As of this writing, transport grade hydrogen in California is priced at \$13.99USD/kg. Any increase in hydrogen pricing above \$4.50USD/kg for cryogenically treated liquified hydrogen for transportation will dramatically enhances investor returns.

Thank you for your confidence in our mission and our ability to lead the way forward toward low carbon, low emissions fuels and sustainability. Thank you also for your support in enabling us to begin building a compelling distributed fuel cell quality hydrogen fuel sales business. The dawn of the hydrogen age is upon us! As a newly reorganized entity, Proteum Energy has a clean balance sheet with no current debt. We have the best chemical engineers and technicians in the industry, and we have a bold and dynamic board of directors. We are poised for growth thanks to your commitment.

On behalf of the hard-working associates and board members of Proteum Energy, thank you for your support.



Laurence B. Tree, II
President / CEO

Email: larry.tree@proteumenergy.com
Cell: 602-999-8207