Varel Oil and Gas, Inc.

Separate Financial Statements
December 31, 2024 and 2023

Varel Oil and Gas, Inc.
Index
December 31, 2024 and 2023

Report of Independent Auditors

To the Management of Varel Oil and Gas Inc.

Opinion

We have audited the accompanying financial statements of Varel Oil and Gas Inc. (the "Company"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of comprehensive income (loss), of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

New Orleans, Louisiana
April 30, 2025

Varel Oil and Gas, Inc.
Statements of Financial Position
Years Ended December 31, 2024 and 2023

(in thousands of U.S. dollars)	Notes	2024	2023
Assets			
Noncurrent assets			
Investments	(10)	$ 125,473	$ 125,473
Note receivable - affiliates	(9)	39,995	-
Total noncurrent assets		165,468	125,473
Current assets			
Cash		2,020	273
Other current assets		10	-
Receivables from affiliates		717	9,412
Total assets		$ 168,215	$ 135,158
Equity			
Share premium		$ 114,124	$ 114,124
Accumulated deficit		(34,031)	(25,590)
Total shareholder's equity		80,093	88,534
Liabilities			
Borrowings	(5)	69,057	29,195
Total noncurrent liabilities		69,057	29,195
Current liabilities			
Trade payables		2	1,614
Trade payables, affiliates		208	313
Accrued liabilities		2,462	34
Current portion of borrowings	(5)	-	1,744
Current portion of borrowings, affiliates	(9)	16,393	13,724
Total current liabilities		19,065	17,429
Total liabilities		88,122	46,624
Total shareholder's equity and liabilities		$ 168,215	$ 135,158

The accompanying notes are an integral part of these financial statements.

Varel Oil and Gas, Inc.
Statements of Comprehensive Loss
Years Ended December 31, 2024 and 2023

(in thousands of U.S. dollars)	Notes	2024	2023
Continuing Operations			
Revenue		$ -	$ -
Cost of revenue		-	-
Gross profit		-	-
Selling, general and administrative expenses	(6)	$ (483)	$ (4,764)
Other income (expense), net	(7)	(258)	1,731
Operating loss		(741)	(3,033)
Finance income, affiliates		2,313	1,170
Finance costs, affiliates		(2,669)	(2,894)
Finance costs		(6,855)	(4,444)
Loss on debt extinguishment	(5)	(376)	-
Loss before income tax		(8,328)	(9,201)
Income tax expense	(8)	(113)	(39)
Comprehensive loss		(8,441)	(9,240)

The accompanying notes are an integral part of these financial statements.

Varel Oil and Gas, Inc.
Statements of Changes in Equity
Years Ended December 31, 2024 and 2023

(in thousands of U.S. dollars)	Share Premium	Accumulated Deficit	Total Equity
Balance at December 31, 2022	$ 88,384	$ (16,350)	$ 72,034
Loss for the period	-	(9,240)	(9,240)
Capital contribution	25,740	-	25,740
Balance at December 31, 2023	114,124	(25,590)	88,534
Loss for the period	-	(8,441)	(8,441)
Balance at December 31, 2024	$ 114,124	$ (34,031)	$ 80,093

The accompanying notes are an integral part of these financial statements.

Varel Oil and Gas, Inc.
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

(in thousands of U.S. dollars)	**Notes**	**2024**	**2023**
Cash flows from operating activities			
Loss for the period		$ (8,441)	$ (9,240)
Adjustments for			
Amortization of deferred financing costs	(5)	612	381
Other		(43)	-
(Gain) Loss on foreign currency	(6)	9	(10)
Finance income		(2,313)	(1,170)
Finance costs		8,913	7,338
Loss on debt extinguishment	(5)	376	-
Changes in			
Receivables from affiliates		-	10
Inventories		-	-
Prepaids and other assets		(10)	476
Trade and other payables		(1,508)	832
Other liabilities		193	(1,652)
Accounts receivable, related parties		8,695	(7,745)
Accounts payable, related parties		(105)	1,749
Cash generated from (used in) operating activities		6,378	(9,031)
Interest paid		(4,324)	(3,600)
Income taxes paid		(113)	(39)
Net cash provided by (used in) operating activities		1,941	(12,670)
Cash flows from investing activities			
Net cash provided by investing activities		-	-
Cash flows from financing activities			
Proceeds from long-term borrowings	(5)	1,063	1,937
Proceeds from borrowings, affiliates	(9)	-	12,000
Repayments of long-term borrowings	(5)	(32,175)	(1,063)
Bond Premium	(5)	300	-
Proceeds from bond issuance	(5)	72,000	-
Debt issuance costs	(5)	(3,699)	-
Long-term note receivables, affiliates	(9)	(37,683)	(15)
Net cash (used in) provided by financing activities		(194)	12,859
Net increase in cash and cash equivalents		1,747	189
Cash and cash equivalents			
Beginning of year		273	84
End of year		$ 2,020	$ 273
Supplemental non-cash investing activities			
Capital contribution from Parent		$ -	$ 25,740

The accompanying notes are an integral part of these financial statements.

(tables in thousands of dollars, except for share and per share amounts)

1. Nature of Operations

Varel Oil and Gas, Inc. ("Varel" or the "Company") was founded in 2019 as a Delaware Corporation domiciled in the United States of America ("US"). The Company is a wholly owned subsidiary of Varel Oil and Gas Intermediate Holdings, Inc. ("Parent" or "VOGIH") who is also incorporated and domiciled in the US. The Parent is a wholly owned subsidiary of Varel Oil and Gas Holdings, Inc. ("Ultimate Parent") who is also incorporated and domiciled in the US. Through its subsidiaries the Company primarily designs, manufactures, and supplies products to the drilling, well construction, and completion solutions businesses within the energy sector. The Company sells its products globally in the key markets of North America, South America, Europe, Asia, and the Middle East.

These financial statements of the Company were authorized for issuance by the Board of Directors on April 30, 2025.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB"). The exemption from consolidation under 4(a) of IFRS 10 has been used and these Financial Statements are separate financial statements.

The Financial Statements have been prepared under the historical cost convention except for certain items measured at fair value. The Company's investments in subsidiaries are accounted for at historical cost. Any dividends declared by the investments are recognized when declared. No dividends from the Company's subsidiaries were declared in 2024 and 2023.

Use of Estimates

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Actual results could differ from these estimates. Changes in these accounting estimates are recognized in the period in which the estimates were revised and in any future periods affected. These estimates and underlying assumptions are reviewed on a continuous basis. Certain accounting estimates, such as income taxes, of the Company require a higher degree of judgement than others in their application.

New and Amended Standards Adopted by the Company

There were no new or amended standards adopted by the Company in the year ended December 31, 2024 that materially impacted the Company.

IFRS 16 - Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale and where the lease payments contain variable elements. The adoption of this amendment had no material impact on the Company's financial statements.

IAS 1 - Non-current Liabilities with Covenants

In October 2022, IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The adoption of this amendment had no material impact on the Company's financial statements.

IAS 1 - Classification of Liabilities
In January 2020, IASB issued the final amendments in 'Classification of Liabilities as Current or Non-Current', which affect only the presentation of liabilities in the statement of financial position. They clarify that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarified that if there is convertible debt where the conversion option is exercisable such debt would require classification as a current liability unless it meets the "fixed for fixed" criteria under IAS 32. The adoption of this amendment had no material impact on the Company's financial statements.

IAS 7 and IFRS 7 - Supplier Finance Arrangements
In May 2023, the IASB issued 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)' which require an entity to provide additional disclosures about supplier finance arrangements. Solely credit enhancements for the entity or instruments used by the entity to settle their dues, are not supplier finance arrangements. Entities will have to disclose information that enables users of financial statements to assess how these arrangements affect its liabilities and cash flows and to understand their effect on its exposure to liquidity risk and how it might be affected if the arrangements were no longer available to it. The adoption of this amendment had no material impact on the Company's financial statements.

New and Revised Standards Issued but not Effective

The Company has not yet determined the impact of these revised standards on its financial statements that have been issued but are not yet effective:

IAS 21 - The Effects of Changes in Foreign Exchange Rates
In August 2023, the IASB issued 'Lack of Exchangeability (Amendments to IAS 21)' to provide guidance to specify which exchange rate to use when the currency is not exchangeable. An entity must estimate the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing. This standard is effective for annual reporting periods beginning on or after January 1, 2025. The Company plans to adopt this standard as required in 2025.

IFRS 9 and 7 – Classification and Measurement of Financial Instruments
In May 2024, the IASB issued amendments to IFRS 9, 'Financial Instruments', and IFRS 7, 'Financial Instruments: Disclosures' that clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities and add further guidance for assessing whether a financial asset meets the solely payments principal and interest criterion. The amendments also added new disclosures for certain instruments with contractual terms that can change cash flow and updated disclosures for equity instruments designated at Fair Value through Other Comprehensive Income. This standard is effective for annual reporting periods beginning on or after January 1, 2026. The Company plans to adopt these amendments as required in 2026.

IFRS 18 – Presentation and Disclosure in Financial Statements

(tables in thousands of dollars, except for share and per share amounts)

In May 2024, the IASB issued ‘Presentation and Disclosure in Financial Statements’ to introduce a defined structure for the statement of profit or loss and enhanced principles of aggregation and disaggregation in the financial statements and notes focused on grouping items based on their shared characteristics. The new standard will also require disclosure of management-defined performance measures with a reconciliation to the related financial statement line item. This standard is effective for annual reporting periods beginning on or after January 1, 2027. The Company plans to adopt this standard as required in 2027.

Use of Estimates
The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Although the Company uses its best estimates and judgments, actual results could differ from these estimates as future confirming events occur.

Cash
Cash and cash equivalents include cash on hand, demand deposits, and other short-term investments with original maturities of three months or less from the acquisition date.

Receivables, Affiliates
Receivables, Affiliates are amounts due from subsidiaries for services performed on their behalf in the ordinary course of business. Due dates are generally due for settlement within 30 days and therefore are classified as current assets. Receivables are recognized initially at the unconditional amount of consideration. The Company holds the receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Due to the short-term nature of receivables, the carrying amount approximates fair value.

Trade Payables
Trade payables represent liabilities incurred by the Company for the procurement of goods and services. The amounts are unsecured and are paid within 90 days of recognition. Trade payables are presented as current liabilities, initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Due to the short-term nature, the carrying amount approximates fair value.

Borrowings
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost.

Fees paid on the establishment of the borrowing are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment within Borrowings and amortized over the period of the borrowing.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in the Statement of Comprehensive Loss as a Loss on debt extinguishment.

(tables in thousands of dollars, except for share and per share amounts)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months following the balance sheet date.

The Company considers interest expense calculated by the effective interest method as borrowing costs. General and specific borrowing costs attributable to the acquisition, construction, or production of a qualifying asset are capitalized during the period required to complete and prepare the asset for its intended use or sale. Qualifying assets are ones that take over 12 months to prepare for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

Notes Receivable, Affiliates
The Company classifies its notes receivable at amortized cost only if both of the following criteria are met:

i. the asset is held within a business model whose objective is to collect the contractual cash flows, and
ii. the contractual terms give rise to cash flows that are solely payments of principal and interest.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Regular way purchases and sales of notes are recognized on the trade date, being the date on which the Company commits to purchase or sell the asset. Notes are derecognized when the rights to receive cash flows from the note have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a note at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Income Taxes
The Company is a corporation for U.S. federal and state income tax purposes, and accordingly, the Company records taxes in profit or loss, except to the extent that it relates to items recognized directly in equity. The Company also has certain subsidiaries that are subject to foreign income taxes.

The current income tax provision is calculated based on tax rates and laws enacted or substantively enacted on the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Tax liabilities are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount expected to be settled, where this can be reasonably estimated. Provisions for uncertain income tax positions or treatments are measured at the most likely amount or the expected value, whichever method is more appropriate. Generally, uncertain tax treatments are assessed individually, except where they are expected to be settled collectively. It is assumed that taxing authorities will examine

(tables in thousands of dollars, except for share and per share amounts)

positions taken if they have the right to do so and that they have full knowledge of the relevant information. A change in the estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in the results of operations in the period in which the change occurs. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. Judgments relate to transfer pricing, including inter-company financing, expenditure deductible for tax purposes and taxation arising at disposal.

Deferred tax assets are recognized only to the extent it is considered probable those assets will be recovered. This involves an assessment of when those assets are likely to reverse and a judgment as to whether there will be sufficient taxable profits available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized as deferred tax assets.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liabilities where the timing of reversal of the temporary differences is controlled by the Company and it is probable that the temporary differences will not reverse in the near future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Fair Value Measurement
Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its nonperformance risk.

The Company classifies the fair value of assets and liabilities according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 Fair value is based on inputs for the asset or liability that are not based on observable market data.

3. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

(tables in thousands of dollars, except for share and per share amounts)

Credit Risk
Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions.

Cash maintained in banks at times may exceed the Federal Deposit Insurance Corporation coverage of $250,000. During the years ending December 31, 2024 and 2023, the Company has not experienced losses on these cash accounts and management believes that the credit risk with regard to these deposits is not significant.

Liquidity Risk
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to meet contractual terms of derivative positions.

The Company monitors rolling forecasts of the liquidity reserve comprising its long-term external borrowings (Note 4), and cash based on expected cash flow. In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet future obligations, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans while taking into consideration the Company's debt covenant compliance to ensure it does not breach its covenants.

Financial Arrangements
The Company has access to the following lines of credit:

	2024	2023
Line of credit available for general use	$ -	$ 10,000

There was no availability on the line of credit as of December 31, 2023. The line of credit was terminated with the repayment of the Senior Facilities in 2024 (Note 5).

Maturity of Financial Liabilities
The table below analyzes the Company's undiscounted financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet to the contractual maturity date. The interest element of borrowings is based on the actual rate or the rate at the closing date if not available. Early payments or additional borrowings on financial liabilities are not reflected.

(tables in thousands of dollars, except for share and per share amounts)

Financial liabilities are as follows:

At December 31, 2024	Less Than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
Nonderivatives						
Trade and other payables	$ 2,464	$ -	$ -	$ -	$ 2,464	$ 2,464
Borrowings	16,393	-	72,300	-	88,693	85,450
Nonderivative liabilities	$ 18,857	$ -	$ 72,300	$ -	$ 91,157	$ 87,914

At December 31, 2023	Less Than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
Nonderivatives						
Trade and other payables	$ 1,648	$ -	$ -	$ -	$ 1,648	$ 1,648
Borrowings	15,468	29,672	-	-	45,140	44,663
Nonderivative liabilities	$ 17,116	$ 29,672	$ -	$ -	$ 46,788	$ 46,311

There were no outstanding derivative arrangements as of December 31, 2024 and 2023.

Capital Risk Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company may return capital to shareholders.

Consistent with others in the industry, the Company monitors capital based on the debt-to-equity ratio. The ratio is calculated as net borrowings divided by total equity. The debt-to-equity ratios were as follows:

	2024	2023
Total net borrowings	$ 85,450	$ 44,663
Total equity	80,093	88,534
Debt-to-equity ratio	106.69 %	50.45 %

4. Borrowings

	2024	2023
Borrowings	$ 72,000	$ 30,227
Borrowings, affiliates	16,393	13,724
Bond premium	300	-
Paid-in-kind interest	-	1,189
Deferred financing costs	(3,243)	(477)
Total borrowings	85,450	44,663
Less current portion of borrowings	(16,393)	(15,468)
Borrowings	$ 69,057	$ 29,195

(tables in thousands of dollars, except for share and per share amounts)

External Borrowings

Nordic Bonds
On April 8, 2024 the Company entered into an agreement to issue a series of Bonds ("Nordic Bonds") up to a maximum amount of $90 million (the "Nordic Bonds Agreement"). The initial issuance consisted of $60 million of senior secured bonds ("Initial Issuance") at a nominal value of $125,000. The Nordic Bonds have a maturity date of April 7, 2028 and bear an interest rate of 12.25% per annum. Interest payments are payable bi-annually in October and April commencing October 8, 2024 and the final interest payment on the maturity date of April 7, 2028. Interest payable is recognized in Other Current Liabilities on the Statements of Financial Position. The Nordic Bonds are guaranteed by the Parent and certain subsidiaries as defined under the terms of the Nordic Bonds Agreement. The Nordic Bonds Agreement includes a 2-year call protection with the first eligible call date of April 8, 2026. The redemption price at any such call date is determined under the terms of the Nordic Bonds Agreement. The Company has one year from the date of the Initiation Issuance to file and register the Nordic Bonds on the Euronext Securities Osle, the Norwegian Central Securities Depository (the "CSD"). The proceeds of the Initial Issuance were used to repay the A Facility, B Facility and Revolver, as discussed below, for the purchase of the remaining 22% of Sledgehammer by a subsidiary and other operational needs.

On December 11, 2024 the Company issued an additional series of bonds ("Tap Issue") of $12.0 million in accordance with the terms of the Nordic Bonds Agreement. The Tap Issue contained a 2.5% premium resulting in the recognition of a bond premium of $300,000 in connection with the Tap Issue. The bond premium is amortized over the life of the bond and recognized as a reduction to interest expense. The proceeds of the Tap Issue were used for an acquisition completed in January 2025. See Note 11 for further details on the acquisition.

At December 31, 2024 $72.0 million of Nordic Bonds were outstanding with the remaining $18.0 million available for future issuances.

In connection with the Nordic Bonds the Company recognized $3.8 million in deferred financing costs to be amortized over the life of the Nordic Bonds. $3.2 million remained as of December 31, 2024 and is shown as a deduction on the outstanding borrowings on the Statements of Financial Position. $0.5 million of amortized debt issuance costs related to the Nordic Bonds was included in interest expense for the year ended December 31, 2024.

Nordic Bond Covenants
Under the terms of the Nordic Bonds Agreement the Company has certain financial covenant requirements on a quarterly basis to maintain a leverage ratio of less than 3.00 to 1.00 through April 7, 2026 and a leverage ratio of less than 2.5 to 1.00 from April 8, 2026 to the maturity date. Other covenant requirements include restriction on issuance of dividends or distributions by the Company and limitations on other indebtedness. The Company may not acquire or dispose of any entity that would have material adverse effect on the Company. The Company must also maintain a minimum balance of $5 million of cash and cash equivalents. The Company was in compliance with the covenant requirements as of December 31, 2024.

Senior Facilities
The Company entered in a Senior Facility Agreement with Investec Bank PLC ("Investec") on October 28, 2019 ("Senior Facilities Agreement"). The Senior Facility Agreement ensured funding up to $35 million allocated between an A Facility, B Facility and a Revolver. The Company entered into a Floating Charge Agreement with Investec on May 29, 2020, to secure the obligations set forth within the Senior Facilities Agreement.

(tables in thousands of dollars, except for share and per share amounts)

On August 31, 2023, the Company amended the Senior Facilities Agreement, which in addition to certain other terms, waived the Company's covenant requirements from March 31, 2022 through to March 31, 2023, and provided a moratorium on amortization payments for the quarters ending September 30, 2023 and December 31, 2023. The Company was in compliance with all covenants from April 1, 2023, to December 31, 2023. As part of the amendment, the Company engaged a debt advisor in September 2023 and agreed to complete the refinancing of the Senior Facilities Agreement by March 31, 2024.

A Facility
On March 2, 2020, the Company entered into a loan agreement with Investec which allows it to draw funds up to $8.5 million through March 2025. The loan accrues interest at SOFR plus 6.5 basis points per annum. Payments are due quarterly following a 12-month grace period and the loan matures on March 2, 2025. The debt issuance costs of $451,000 are presented as a direct deduction from Borrowings and are amortized over the life of the loan. As of December 31, 2023 the Company had an outstanding balance of $2.8 million net of deferred financing costs of $34,000.

B Facility
On March 2, 2020, the Company entered into a loan agreement with Investec which allows the Company to draw funds up to $16.5 million through to March 2025. The loan accrues interest at SOFR plus 6.5 basis points per annum plus 2% Paid-in-kind interest. A bullet payment is due when the loan matures on March 2, 2025. The debt issuance costs of $875,000 are presented as a direct deduction from Borrowings and are amortized over the life of the loan. As of December 31, 2023, the Company had an outstanding balance of $16.3 million net of deferred financing costs of $311,000.

Revolver
On March 2, 2020, the Company entered into a revolving loan agreement with Investec Bank PLC which allows the Company to draw funds up to $10.0 million through March 2025. The loan accrues drawn interest at SOFR plus 6.5 basis points per annum plus and 2.275% basis points on the undrawn funds per annum. A ballon payment is due when the loan matures on March 2, 2025. The deferred financing costs of $530,000 are presented as a direct deduction from Borrowings and are amortized over the life of the loan. As of December 31, 2023, the Company had an outstanding balance of $11.8 million.

On April 10, 2024 the Company repaid the $33.2 million outstanding balance on the Senior Facilities. In connection with the repayment, the Company recognized a loss on debt extinguishment of $0.4 million related to the unamortized debt issuance costs at the time of repayment in the Statements of Comprehensive Loss. $0.1 million of deferred financing costs was recognized as interest expense prior to the repayment on the Statement of Comprehensive Loss for the year ending December 31, 2024.

Senior Facilities Debt Covenants
The Senior Facilities Agreement required the Company to maintain a minimum debt to equity ratio of 2.60 to 1.00 and cash flow shall not be less than negative $1.8 million in any quarter-end periods.

The Company was in compliance with all covenants for the period prior to repayment and for the year ended December 31, 2023.

(tables in thousands of dollars, except for share and per share amounts)

Reconciliation of external liabilities arising from financial activities for the year ended December 31, 2024:

	Beginning of Year	Cash Flow	Amortization of Deferred Financing Costs	Bond Premium	End of Year
Borrowings	$ 30,939	$ 37,206	$ 612	$ 300	$ 69,057

Reconciliation of external liabilities arising from financial activities for the year ended December 31, 2023:

	Beginning of Year	Cash Flow	Amortization of Deferred Financing Costs	PIK	End of Year
Borrowings	$ 28,841	$ 875	$ 381	$ 842	$ 30,939

5. Selling, General, and Administrative Expenses

	2024	2023
General administrative	$ 80	$ 109
Information technology	5	5
Professional and legal fees	398	4,650
Total selling, general, and administrative	$ 483	$ 4,764

6. Other Income (Losses), net

	2024	2023
Net foreign exchange (losses) gains	$ (9)	$ 10
Net other (expense) income	(249)	1,721
Other income (expense), net	$ (258)	$ 1,731

(tables in thousands of dollars, except for share and per share amounts)

7. Income Taxes

	2024	2023
Loss before tax	$ (8,328)	$ (9,201)
US statutory tax rate	21%	21%
Expected total tax benefit	(1,749)	(1,932)
Reconciling items		
Expenses not deductible for tax purposes	53	19
Unrecognized deferred tax benefit	1,696	1,913
Other	113	39
Total current and deferred tax expense	$ 113	$ 39

8. Related Party Transactions

Intercompany Loans

On June 30, 2022, the Company's Parent executed an Intra-Group Loan Agreement with the Company, transferring $23.4 million to the Company at 12.5% coupon payable within a year. The Intra-Group loan was forgiven by VOIGH, and as a result the payable was reclassified as a capital contribution on the Statement of Changes in Equity on June 28, 2023.

On March 11, 2023, VOIGH executed an Intra-Group Loan Agreement with the Company, transferring a $5.4 million note payable to the Company with a maturity date of March 10, 2024 ("March 11, 2023 Intra-Group Loan"). The loan accrues interest at 18% per annum. The Intra-Group Loan Agreement was amended March 9, 2024 extending the maturity date to March 8, 2025 with no other changes to the agreement. On March 8 2025, the Intra-Group Loan was amended to extend the maturity date to March 7, 2026 with no other changes to the agreement.

On June 12, 2023, VOIGH executed an Intra-Group Loan Agreement with the Company, transferring a $6.6 million note payable to the Company with a maturity date of June 11, 2024 ("June 12, 2023 Intra-Group Loan"). The loan accrues interest at 25% per annum. The Intra-Group Loan Agreement was amended March 9, 2024 extending the maturity date to June 10, 2025 with no other changes to the agreement. On March 8 2025, the Intra-Group Loan was amended to extend the maturity date to June 9, 2026 with no other changes to the agreement.

For the years ended December 31, 2024 and 2023, interest expense of $2.7 million and $2.9 million, respectively, were incurred on the March 11, 2023 and June 12, 2023 Intra-Group Loans.

Notes Receivable, Affiliates

The fixed-rate intercompany notes are recorded at amortized cost, which approximates their fair value due to the nature of the terms and prevailing interest rates in the market. The interest rates on these notes are consistent with market rates for similar instruments, reflecting the credit quality and liquidity of the counterparties involved. The Company did not incur transaction costs with the notes, as they are with affiliates of the Company. The Company had notes receivable from the following affiliates as of December 31, 2024:

(tables in thousands of dollars, except for share and per share amounts)

		2024
Varel International Ind., LLC	$	32,825
Downhole Products Limited		7,170
	$	39,995

There were no notes receivable outstanding for the year ending December 31, 2023.

9. Material Subsidiaries and Associates

Functional currencies of the Company's subsidiaries, other than the USD, include Mexican Peso ("MXN"), Canadian Dollar ("CAD"), Central African CFA Franc ("XAF"), Chinese Yuan ("CNY"), Indian Rupee ("INR"), United Arab Emirates Dirham ("AED"), Malaysian Ringgit ("MYR"), and Pound Sterling ("GBP"). Below is a list of material subsidiaries and associates of the Company and ownership share as of December 31, 2024.

Entity	Country	Ownership %	Currency
Varel International Energy Services, Inc.	United States	100%	USD
DHP Varel, Inc.	United States	100%	USD
Downhole Products UK Holdco Limited	United Kingdom	100%	USD
Downhole Products UK Holdco II Limited	United Kingdom	100%	USD
Varel International Holdings, LLC	United States	100%	USD
Varel International Industries, LLC	United States	100%	USD
Varel Energy Oil Field Equipment Trading L.L.C	Dubai	100%	USD
Varel International de Mexico S.A. de C.V.	Mexico	100%	MXN
Varel Gas y Petroleo de Mexico S de RL CV	Mexico	100%	MXN
Varel Rock Bits Canada, Inc.	Canada	100%	CAD
Varel Europe S.A.S.	Europe	100%	USD
Varel International Engineering Resources SA	Switzerland	100%	USD
Varel Gabon SARL	Gabon	100%	XAF
Varel (Beijing) Trading Co., Ltd.	China	100%	CNY
Varel Arabia Company Limited	Saudi Arabia	75%	USD
Varel International (for Oil Products & Services)	Egypt	100%	USD
Varel Europe Pakistan Branch Office	Pakistan	100%	USD
SledgeHammer Oil Tools Pvt. Ltd.	India	100%	INR
SledgeHammer Gulf - LLC	India	49%	INR
SledgeHammer Oil Tools International Company	India	33%	INR
SledgeHammer Gulf DMCC	Dubai	100%	INR
SledgeHammer Americas Inc.	Texas	100%	INR
Down Hole Products Limited	United Kingdom	100%	USD
Aberdeen Products, Inc.	United States	100%	USD
Downhole Products Middle East	The United Arab Emirates	100%	AED
Down Hole Products Asia	Malaysia	100%	MYR
Ian Hay Engineering Limited	United Kingdom	100%	GBP
Smooth Team Investments Limited	Hong Kong	100%	GBP

(tables in thousands of dollars, except for share and per share amounts)

10. Accrued Expenses

	2024	2023
Professional fees	$ 285	$ 34
Interest payable	2,177	-
Total accrued expenses	$ 2,462	$ 34

11. Subsequent Events

The Company has evaluated subsequent events through April 30, 2025, the date that the Financial Statements were available for issuance.

Intra-Group Loan Amendments
As discussed in Note 20, the March 11, 2023 and June 12, 2023 Intra-Group Loans were amended on March 8, 2025 to extend the respective maturity dates to June 6, 2026.

Bond Listing
On April 4, 2025, the Company completed the necessary listing requirements and filed its prospectus with the Financial Supervisory Authority of Norway (“NFSA”) for the listing of the $72 million in Nordic Bonds on the Oslo Stock Exchange. The Nordic Bonds were available for trading beginning April 4, 2025.

Tariffs
Beginning March 2025, the US federal government imposed a series of new or increased tariffs or duties on an array of materials and goods, such as aluminum and steel, used in connection with the our business which will raise the cost of these items and products made from them. Foreign governments, including China, Mexico, and Canada and trading blocs such as the European Union have responded by imposing or increasing tariffs, duties and/or trade restrictions on US goods and reportedly considering other measures. Any trading conflicts and related escalating governmental actions that result in additional tariffs, duties, and/or trade restrictions could increase our costs further and cause disruption or shortages in our supply chains and/or negatively impact the results of operations.

Ace Well Technology Acquisition
On January 3, 2025, the Company, through its wholly owned subsidiary Downhole Products Limited, acquired 100% of the outstanding stock of Ace Well Technology AS (“Ace Well”) and its wholly owned subsidiary Ace Distribution and Services US Inc (collectively “Ace”) for a preliminary purchase price of $10.7 million. Ace develops, produces, and sells tools and solutions related to downhole technology for the oil and gas industry. The purchase price is subject to working capital adjustments. Ace Well is located in Norway and its subsidiary is located in the USA. The Company is still in the process of evaluating the purchase accounting.