Varel Oil and Gas Intermediate Holdings, Inc.

Consolidated Financial Statements
December 31, 2024 and 2023

Varel Oil and Gas Intermediate Holdings, Inc.
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December 31, 2024 and 2023

Report of Independent Auditors

To the Management of Varel Oil and Gas Intermediate Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Varel Oil and Gas Intermediate Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated 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 "consolidated financial statements").

In our opinion, the accompanying consolidated 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Intermediate Holdings, Inc.
Consolidated Statements of Financial Position
Years Ended December 31, 2024 and 2023

(in thousands of U.S. dollars)	Notes	2024	2023
Assets			
Noncurrent assets			
Property, plant and equipment, net	(8)	$ 26,009	$ 28,512
Right-of-use assets, net	(17)	6,805	8,074
Goodwill	(10)	7,985	8,420
Intangibles, net	(9)	9,683	11,226
Investments in affiliates	(23)	3,145	676
Deferred tax asset	(18)	4,370	4,037
Other assets		124	110
Total noncurrent assets		58,121	61,055
Current assets			
Cash		$ 24,957	$ 5,876
Trade receivables, net	(6)	41,700	37,017
Income tax receivables		193	190
Inventories, net	(7)	70,555	62,171
Prepaids and other current assets		15,251	16,263
Total current assets		152,656	121,517
Total assets		$ 210,777	$ 182,572
Equity			
Share premium		$ 463,873	$ 456,796
Accumulated deficit		(412,148)	(415,281)
Accumulated other comprehensive income		8,009	12,983
Equity attributable to Varel		59,734	54,498
Noncontrolling interests		(3,196)	(908)
Total shareholder's equity		56,538	53,590
Liabilities			
Noncurrent liabilities			
Borrowings	(11)	69,057	29,556
Borrowings, affiliates	(19)	540	540
Lease liabilities	(17)	7,585	8,091
Deferred tax liabilities	(18)	2,074	1,098
Other liabilities		5,488	6,299
Total noncurrent liabilities		84,744	45,584
Current liabilities			
Trade payables		21,418	32,342
Trade payables, affiliates		20	20
Income tax payable	(18)	6,532	2,125
Accrued liabilities		5,161	4,579
Provisions		160	406
Other current liabilities	(12)	10,991	18,649
Current portion of borrowings	(11)	4,480	7,001
Current portion of borrowings, affiliates	(19)	18,642	15,973
Current portion of lease liabilities	(17)	2,091	2,303
Total current liabilities		69,495	83,398
Total liabilities		154,239	128,982
Total shareholder's equity and liabilities		$ 210,777	$ 182,572

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

Varel Oil and Gas Intermediate Holdings, Inc.
Consolidated Statements of Comprehensive Income (loss)
Years Ended December 31, 2024 and 2023

(in thousands of U.S. dollars)	Notes	2024	2023
Continuing Operations			
Revenue	(13)	$ 204,665	$ 192,241
Cost of revenue	(16)	(128,086)	(133,058)
Gross profit		76,579	59,183
Selling, general and administrative expenses	(16)	(53,396)	(58,717)
Loss on debt extinguishment	(11)	(376)	-
Other income, net	(15)	3,675	460
Operating profit		26,482	926
Finance income		-	1,788
Finance costs, net	(14)	(11,561)	(10,961)
Profit (loss) before income tax		14,921	(8,247)
Income tax expense	(18)	(8,256)	(4,070)
Profit (loss) from continuing operations		6,665	(12,317)
Loss from discontinued operations	(4)	-	(3,268)
Profit (loss) for the period		6,665	(15,585)
Profit (loss) from continuing operations attributable to:			
Varel		$ 6,632	$ (9,247)
Non-controlling interests		33	(3,070)
		$ 6,665	$ (12,317)
Other comprehensive income (loss)			
Items that are or may be reclassified subsequently to loss			
Foreign currency translation differences		(2,804)	1,220
Comprehensive income (loss) for the period		(2,804)	1,220
Total comprehensive income (loss) for the period		$ 3,861	$ (14,365)
Total comprehensive income (loss) attributable to:			
Varel		$ 3,861	$ (11,046)
Noncontrolling interests		-	(3,319)
		$ 3,861	$ (14,365)
Total comprehensive income (loss) for the period attributable to the Varel:			
Continuing operations		$ 3,861	$ (7,778)
Discontinued operations		-	(3,268)
		$ 3,861	$ (11,046)

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

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

(in thousands of U.S. dollars)

	Shares Outstanding Amount *(par value $0.01)*	Share Premium	Accumulated Deficit	Accumulated Other Comprehensive Income	Equity Attributable to Owner of Varel	Noncontrolling Interests	Total Equity
Balance at December 31, 2022	1,000	$ 430,380	$ (404,944)	$ 11,517	$ 36,953	$ 2,503	$ 39,456
Loss for the period	-	-	(9,247)	-	(9,247)	(3,070)	(12,317)
Other comprehensive income (loss)	-	-	-	1,468	1,468	(248)	1,220
Loss from discontinued operations	-	-	(3,268)	-	(3,268)	-	(3,268)
Capital contribution	-	26,325	-	-	26,325	-	26,325
Other	-	91	2,178	(2)	2,267	(93)	2,174
Balance at December 31, 2023	**1,000**	**456,796**	**(415,281)**	**12,983**	**54,498**	**(908)**	**53,590**
Profit for the period	-	-	6,632	-	6,632	33	6,665
Other comprehensive loss	-	-	-	(2,804)	(2,804)	-	(2,804)
Acquisition of noncontrolling interest	-	7,167	(2,717)	(346)	4,104	(4,104)	-
Other	-	(90)	(782)	(1,824)	(2,696)	1,783	(913)
Balance at December 31, 2024	**1,000**	**$ 463,873**	**$ (412,148)**	**$ 8,009**	**$ 59,734**	**$ (3,196)**	**$ 56,538**

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

Varel Oil and Gas Intermediate Holdings, Inc.
Consolidated 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			
Profit (loss) for the period		$ 6,665	$ (15,585)
Adjustments for			
Depreciation and amortization	(8),(9)	5,231	12,246
Depreciation of right-of-use assets	(17)	2,518	2,239
Amortization of deferred financing costs	(11)	612	381
Change in provision for credit losses		51	(2,907)
Loss on derivative		79	-
(Gain) loss on sale of equipment		(1)	1,061
(Gain) loss on foreign currency	(15)	(3,133)	1,870
Loss on debt extinguishment	(11)	376	-
Deferred taxes		1,088	(1,930)
Employee benefits		632	740
Net finance costs	(14)	10,870	9,173
Other		(43)	-
Changes in:			
Trade receivables		(4,867)	(275)
Inventories		(9,259)	(9,144)
Prepaids and other assets		1,378	3,960
Trade and other payables		(10,416)	(5,902)
Other liabilities		3,816	3,290
Cash generated from (used in) operating activities		5,597	(783)
Interest paid		(6,255)	(3,600)
Income taxes paid		(2,814)	(4,887)
Net cash used in operating activities - continuing operations		(3,472)	(9,270)
Net cash provided by operating activities - discontinued operations		-	237
Net cash used in operating activities		(3,472)	(9,032)
Cash flows from investing activities			
Acquisition of Sledgehammer	(3)	-	60
Proceeds from sale of equipment		-	31
Acquisition of property and equipment	(8)	(2,560)	(11,465)
Net cash used in investing activities - continuing operations		(2,560)	(11,374)
Net cash provided by investing activities - discontinued operations		-	2,007
Net cash used in investing activities		(2,560)	(9,367)
Cash flows from financing activities			
Proceeds from long-term borrowings	(11)	1,063	4,302
Proceeds from bond issuances	(11)	72,000	-
Proceeds from affiliate borrowings	(19)	-	12,000
Repayments of long-term borrowings	(11)	(33,185)	(1,063)
Payments of lease liabilities	(17)	(2,345)	(2,765)
Acquisition of noncontrolling interest	(3)	(6,600)	-
Deferred financing costs	(11)	(3,699)	-
Joint venture contributions	(23)	(2,513)	-
Bond premium	(11)	300	-
Net cash provided by financing activities		25,021	12,475
Effect of exchange rate changes on cash		92	(760)
Net change in cash and cash equivalents		19,081	(6,684)
Cash and cash equivalents			
Beginning of year		5,876	12,560
End of year		$ 24,957	$ 5,876
Supplemental non-cash investing activities			
Change in accrued capital expenditures		$ 66	$ 518

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

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

1. Nature of Operations

Varel Oil and Gas, Intermediate Holdings, 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 Holdings, Inc. ("Parent") who is also incorporated and domiciled in the US. Varel primarily designs, manufactures, and supplies products to the drilling, well construction, and completion solutions businesses within the energy sector and sells its products globally in the key markets of North America, South America, Europe, Asia, and the Middle East.

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

2. Summary of Material Accounting Policies

Basis of Presentation

The Consolidated 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") and have been prepared under the historical cost convention except for certain items measured at fair value. The Consolidated Financial Statements include the accounts of subsidiary companies in which the Company has a controlling interest. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. These entities are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. If the Company does not own all of the equity of an entity, noncontrolling interest reflects the share of the identifiable net assets not owned by the Company. All intercompany transactions, balances, income, and expenses have been eliminated in consolidation.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and 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 of the Company require a higher degree of judgement than others in their application. These include impairment of long-lived assets, impairment of goodwill, leases, and income taxes.

New and Amended Standards Adopted by the Company

The following new and amended standards were adopted by the Company in the year ended December 31, 2024:

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 consolidated financial statements.

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

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 consolidated 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 consolidated financial statements.

New and Revised Standards Issued but not Effective
The Company has not yet determined the impact of these revised standards on its consolidated 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.

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

IFRS 18 – Presentation and Disclosure in Financial Statements
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.

Segment Information
The Company is organized into three operating segments which focus on the manufacturing of downhole drilling, cementing and completion products:

1. Eastern hemisphere
2. Western hemisphere
3. Advanced manufacturing partnerships

The three operating segments are aggregated into a single reportable segment. The aggregation is based on analysis of the following considerations:

1. Economic characteristics
2. Nature of products and services
3. Production processes
4. Type of customer
5. Distribution methods

Business Combinations
Upon acquisition, the Company determines if the transaction is a business combination, which is accounted for using the acquisition method. Under the acquisition method, once control is obtained of a business, the assets acquired, liabilities assumed, consideration transferred and amounts attributed to noncontrolling interests, are recorded at fair value. The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired, liabilities assumed, consideration transferred and amounts attributed to noncontrolling interests at the acquisition date. The determination of the fair values is based on estimates and judgments made by management. The Company’s estimates of fair value are based upon assumptions it believes to be reasonable, but which are inherently uncertain and unpredictable.
When there is a right for the noncontrolling interest to put their shares to the parent or a forward contract to acquire the noncontrolling interests exist, the Company assesses whether the noncontrolling interest has retained risks and rewards associated with the ownership of the shares. In such instances, noncontrolling interest is presented in equity in addition to recording the net present value of the redemption obligation as a liability (the “double credit method”). In other circumstances only a liability is recognized.

Measurement period adjustments are reflected at the time identified, up through the conclusion of the measurement period, which is the time at which all information for determination of the values of assets acquired, liabilities assumed, consideration transferred and noncontrolling interests is received and is not to exceed one year from the acquisition date (the “Measurement Period”). During the Measurement Period, the Company may record adjustments to the assigned value with a corresponding offset to goodwill. Any adjustments identified outside of the Measurement Period are directly reflected in profit or loss.

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

Foreign Currency Transactions and Translation

Foreign currency transactions
Foreign currency transactions are translated into the respective functional currencies of Varel at the exchange rates prevailing when such transactions occur. All monetary assets and liabilities are remeasured into the respective functional currencies at the applicable exchange rates at the end of the reporting period. Gains or losses on exchange differences arising from settlement or remeasurement of monetary assets and liabilities is recognized in profit or loss.

Foreign operations
All assets and liabilities of foreign subsidiaries, associates and joint ventures (collectively, “foreign operations”) that use a functional currency other than the United States Dollar (“USD”) are translated into USD at the exchange rates at the end of the reporting period. All revenues and expenses of foreign operations are translated into USD at the average exchange rate for the period unless the exchange rate fluctuates widely. Exchange differences arising from such translations are recognized in other comprehensive income and accumulated in other components of equity in the Consolidated Statement of Financial Position. When a foreign operation is disposed of, and control, significant influence or joint control over the foreign operation is lost, the cumulative amount of exchange differences relating to the foreign operation is reclassified from equity to profit or loss.

Cash and Cash Equivalents
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.

Trade Receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Due dates are set on a contract-by-contract basis but are generally due for settlement within 30-90 days and therefore are classified as current assets. Trade receivables are recognized initially at the unconditional amount of consideration. Due to the short-term nature of trade receivables, the carrying amount approximates fair value.

Expected Credit Losses
The Company measures expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, trade receivables are reviewed on a case-by-case basis for credit risk characteristics such as days past due. The expected loss rate is determined based on the customer payment profile over the preceding 12-month period. The historical loss rate may be adjusted if there is reliable information which the Company determined could impact the customer’s ability to settle their outstanding receivables.

The Company’s customers are independently rated and the credit ratings are used by the Company to evaluate the risk of the counterparty. If there is no independent rating, the Company assesses the credit quality of the customer, considering its financial position, experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Based on the assessment of credit losses, the Company adjusted the provision for credit losses by $0 and $2.9 million for the years ended December 31, 2024 and 2023, respectively.

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

Inventories
Inventories primarily consist of raw materials, work in process and finished goods and are stated at lower of cost or net realizable value, which is the estimated selling price less cost to sell. Cost is determined using average cost method. For work in process and finished goods cost consists of the purchase price of materials and other directly related costs. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell, and an impairment loss is recognized in the Consolidated Statement of Comprehensive Income (loss).

Property, Plant and Equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Company adds to the carrying amount of property and equipment, renewals, and betterments when such items are expected to provide incremental future benefits. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to Cost of revenue as incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Ranges of estimated useful lives are as follows:

Asset Category	Economic Life
Buildings	10 - 20 years
Furniture, fixtures and other	4 - 10 years
Plant and machinery, including rental fleet	2 - 10 years
Vehicles	3 - 5 years
Computer software and hardware	3 - 5 years

The Company regularly assesses the estimated useful lives of property, plant, and equipment. In 2023, management completed an assessment of the useful lives of its rental fleet and revised the estimated useful life from less than one year to two years, based on an analysis of current use, historical age patterns, and industry trends and practices. The change was accounted for as a prospective change in accounting estimate, beginning on January 1, 2023. The change in estimate resulted in a decrease in depreciation of $0.6 million for the year ending December 31, 2023.

Gains and losses on disposals and retirements are determined by comparing the proceeds with the carrying amount and are recognized in the Consolidated Statement of Comprehensive Income (loss).

Intangible Assets
Intangible assets with finite lives are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the intangible assets. Estimated useful lives are as follows:

Asset Category	Amortization Method	Economic Life
Patents and tradenames	Straight-line	10 - 20 years
Customer relationships	Straight-line	10 years

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

Impairment of Long-lived Assets
We evaluate our long-lived assets for impairment whenever events or changes in circumstances suggest the carrying amount of an asset has suffered an impairment loss. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An asset's estimated recoverable amount is the higher of the cash generating unit's ("CGU") fair value less costs of disposal and its value in use. For the purpose of testing impairment, the Company performs a test for recoverability and groups assets into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, or CGU, to estimate the fair value less cost of disposal. Future cash flows are based on expected earnings and estimated operating expenses over the remaining useful life of the CGU. The Company determined that it has only one CGU, the Company.

Impairment of Goodwill
Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. The Company allocates goodwill to the applicable CGU and evaluates goodwill for impairment annually and whenever events or circumstances make it more likely than not that impairment may have occurred. A CGU to which goodwill has been allocated is tested for impairment by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognize an impairment loss. Income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit are considered when measuring the goodwill impairment loss, if applicable.

Trade Payables
Trade payables represent liabilities incurred by the Company for the procurement of goods and services. The amounts are unsecured and are generally 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.

Other Payables
Other payables represent accrued liabilities, provisions and income tax payable. The amounts are unsecured and are typically paid within 90 days of recognition. Other payables are presented as Other current liabilities in the Consolidated Statement of Financial Position unless payment is not due within 12 months after the reporting period.

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

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 Consolidated Statement of Comprehensive Income (Loss) as a Loss on debt extinguishment.

The Company considers interest expense calculated by the effective interest method, finance charges in respect of finance leases, and exchange differences arising from adjustments to foreign currency borrowing 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.

Provisions
A provision is recognized when the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering, as a whole, the class of the obligation.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Revenue Recognition
The Company recognizes revenue when it satisfies a performance obligation by transferring a promised good to a customer. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. The Company considers the terms of the contracts with customers for the relevant period to determine the transaction price.

The Company recognizes revenue based on the five-step model:

(i) identification of contracts with customers;
(ii) identification of performance obligations in contracts;
(iii) determination of the price of the transaction;
(iv) allocation of the transaction price to the performance obligation(s) provided for in the contracts;
(v) recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good (or service) to a customer

Downhole product sales
Sales of downhole products are recognized at a point in time when control has been transferred to the customer. To assess when the control has been transferred, indicators such as, but not limited to, significant risks and rewards of ownership, transferred physical possession, acceptance of the asset by the customer and a present right to payment and legal title of goods and services are

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considered. For the sale of goods, the transfer of control usually occurs when the significant risks and rewards are transferred in accordance with the transactions shipping terms. Payment is due between 30 and 90 days from the transfer of control. In some contracts, short-term advances are required before the equipment is delivered.

Income Taxes
The Company is a corporation for US 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 in Other Comprehensive Income or 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 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.

Leases
The Company leases buildings, land, machinery, vehicles, office equipment, and furniture and fixtures. The Company assesses at contract inception whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in

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exchange for consideration. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated amortization, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, and less lease incentives received, if any. Lease liabilities are recorded at the time the lease contracts are signed and the obligations are based on the Company's implicit rate and are recognized at the commencement of the lease at the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method.

Determination of the lease term is subject to judgment and has an impact on the measurement of the lease liability and related right-of-use assets. The Company judgmentally determines lease terms for lease agreements that include optional lease periods where it is reasonably certain the Company will either exercise an option to extend the lease or not exercise the option to terminate the lease. When assessing the lease term at the commencement date, the Company considers the broader economics of the contract. Reassessment of the lease term is performed upon changes in circumstances that affect the probability that an option to extend or terminate a lease will be exercised.

Where the implicit rate in the lease is not readily available, an incremental borrowing rate is applied. This incremental borrowing rate reflects the rate of interest the lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar nature and value to the right-of-use asset in a similar economic environment. Determination of the incremental borrowing rate requires estimation.

The property, plant and equipment acquired under leases is depreciated over the shorter of the asset's useful life or the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term. Right-of-use assets are subject to impairment.

When a contract includes both lease and non-lease components, the Company applies IFRS Accounting Standards 15 to allocate the consideration under the contract to the respective components.

Lessor
The Company classifies leases for which it is a lessor as either a finance lease or an operating lease. Whenever the terms of a lease substantially transfer all of the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease based on the right-of-use asset arising from the head lease.

Lease income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are gained. Initial direct costs incurred while negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized using the same basis as the lease income.

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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. Acquisition

On June 3, 2022, the Company through its wholly owned subsidiary, Downhole Products Limited (“DPL”), entered into an agreement to acquire Sledgehammer Oil & Tools Private Ltd. (“SOTPL”) in two tranches. SOTPL is a manufacturer and supplier of oil tools, oil rig equipment and other engineering products in India.

The first tranche for a 78% controlling interest in SOTPL, along with 38% and 26% minority shares in its joint venture operations: Sledgehammer Gulf LLC and Sledgehammer Oil Tools International Company, respectively, closed on June 28, 2022 (the “Acquisition Date”). The first tranche payment was completed in two parts: (i) $23.4 million, representing 78% of the $30.0 million enterprise value, on June 28, 2022; and (ii) $1.6 million of working capital and other adjustments, effective September 28, 2022. The payment of $23.4 million was financed through related party convertible loans by the Parent. Refer to Note 19 for further details on the convertible loans.

The deferred purchase consideration, net of discount, as of December 31, 2023, was $1.8 million. The effective discount resulting from the deferred purchase consideration was recorded as interest expense over the payment period using the effective interest method. The Company recorded interest expense on the discount of $0.1 million for the year ending December 31, 2023.

The following table summarizes the purchase price for SOTPL as of the Acquisition Date:

Cash consideration paid for 78% of shares and debt instruments	$	23,400
Deferred Consideration:		
Tranche 1 fair value of deferred consideration paid		1,516
Tranche 2 fair value of deferred consideration		1,552
Foreign currency translation adjustment		80
Total deferred consideration		3,148
Total purchase price	$	26,548

The purchase price was allocated to the net assets acquired and liabilities assumed based on

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management's determination of their estimated fair values using available information as of the Acquisition Date. The excess of purchase consideration over the net assets acquired is recorded as goodwill, which primarily reflects the existence of intangible assets not recognized under IFRS such as the value of expected future synergies, the value of the assembled workforce and other market factors.

SOTPL contributed revenues of $9.9 million and profit of $0.03 million for the period from June 3, 2022 to December 31, 2022. If the acquisition had occurred on January 1, 2022, SOTPL would have contributed revenues of $21.2 million and a loss of $3.8 million for the year ended December 31, 2022.

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed as recorded in the Company's Consolidated Statement of Financial Position as of the Acquisition Date:

Cash and cash equivalents	$ 2,153
Trade receivables	6,926
Inventories	2,840
Other current assets	2,906
Non-operating assets	3,556
Property, plant and equipment	2,559
Non-current investment	458
Goodwill	8,475
Identified intangible assets:	
Customer relationships	7,368
Trademark	6,606
Trade payables	(3,365)
Non-operating liabilities	(4,960)
Other current liabilities	(4,049)
Borrowings	(4,925)
	$ 26,548

The fair value, valuation methodologies, estimated useful lives, and significant assumptions of the identifiable intangibles acquired in the SOTPL acquisition are summarized in the table below:

		June 28, 2022			
SOTPL Identified Intangibles	**Balance Sheet Location**	**Fair Value**	**Valuation Methodology**	**Estimated Useful Life**	**Discount Rate**
Customer Relationships	Intangibles, net	$ 7,368	Multi-Period Excess Earnings Method - Income Approach	10 Years	14.50%
Trademark	Intangibles, net	$ 6,606	Relief from Royalty Method - Income Approach	10 Years	14.00%

The second tranche for the remaining 22% interest in SOTPL, closed on September 18, 2024 along with 11% and 7% minority shares in its joint venture operations: Sledgehammer Gulf LLC and Sledgehammer Oil Tools International Company, respectively. The second tranche payment was completed in two parts: (i) $6.6 million, representing the remaining 22% of the $30.0 million enterprise value, on June 28, 2022; and (ii) the proceeds related to the sale of the non-operating

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assets. The payment of the $6.6 million was financed through the issuance of the Nordic Bonds (refer to Note 11). The acquisition of the remaining 22% interest in SOTPL is a change in ownership without a loss in control and consequently the acquired 22% noncontrolling interest is treated as an equity transaction reclassifying the noncontrolling interest balance at the second tranche acquisition date to the Company's accumulated deficit without any gain or loss recognized in the Statements of Comprehensive Income (loss).

4. Discontinued Operations

On October 6, 2023, the Company, through its wholly owned subsidiary, entered into a Share Purchase Agreement ("SPA") to sell its share in ESIP Energy S.A. ("ESIP"), equal to 75% of the total equity, for a negligible amount to the minority shareholders. The disposal of the shares resulted in the discontinuation of the Company's interest in this foreign subsidiary. The Company obtained promissory notes for the payment of amounts due under this SPA, with partial proceeds received on October 3, 2023 and the remaining amount received in 2024. ESIP's total revenues for 2023 were $0.2 million and reported under the geographic region of Latin America, representing 6.3% of Latin America's revenue in 2023.

The results of the discontinued operations have been presented separately in the Consolidated Statements of Comprehensive Income (loss) as a single item. An analysis of the foregoing single amount representing discontinued operations is presented below:

		2023
Revenues	$	260
Cost of revenue		(113)
Selling, general and administrative expenses		(93)
Other Income/(Expense), net		(583)
Pre-tax operating loss		(529)
Loss on disposal		(2,738)
Loss on discontinued operations	$	(3,268)

5. 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.

Foreign Exchange Risk
The Company operates internationally and is exposed to foreign exchange risk on sales and purchases that are denominated in currencies other than the USD which primarily relate to the Mexican Peso, Indian Rupee, and Canadian Dollar. The carrying value of the Company's monetary assets and liabilities subject to foreign exchange risk is as follows:

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

	2024	2023
Assets	$ 86,555	$ 81,169
Liabilities	44,634	44,759

The Company regularly monitors the changes in foreign currency internally. A sensitivity analysis on assets and liabilities assuming a 10% increase and 10% decrease in foreign currency rates (before tax effect) as of December 31, 2024, is as follows:

10% Increase in U.S. Dollar Against Foreign Currency		10% Decrease in U.S. Dollar Against Foreign Currency	
Net Income (Loss)	Shareholder's Equity	Net Income (Loss)	Shareholder's Equity
$ (4,192)	$ (4,192)	$ 4,192	$ 4,192

No changes in foreign currency were attributable to noncontrolling interests for 2024.

A sensitivity analysis on assets and liabilities assuming a 10% increase and 10% decrease in foreign currency rates (before tax effect) as of December 31, 2023, is as follows:

	10% Increase in U.S. Dollar Against Foreign Currency		10% Decrease in U.S. Dollar Against Foreign Currency	
	Net Income (Loss)	Shareholder's Equity	Net Income (Loss)	Shareholder's Equity
Varel	$ (2,733)	$ (2,733)	$ 2,733	$ 2,733
Noncontrolling interests	(908)	(908)	908	908

Credit Risk
Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as credit exposure to the Company's customers, including outstanding receivables.

Cash maintained in US 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.

Impairment of Financial Assets
The Company has one type of financial asset that is subject to the expected credit losses ("ECL") model: trade receivables.

The Company applies the simplified approach to measure its ECL, which uses a lifetime expected loss allowance for all trade receivables. Therefore, the Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECL's at each reporting date. The

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Company does not expect any substantive credit losses.

The carrying amount of trade receivables represents the maximum exposure to credit risks which are as follows:

	2024	2023
Trade receivables, net	$ 41,700	$ 37,017

Interest Rate Risk
The Company has certain third-party borrowings subject to variable interest rate indices such as the Secured Overnight Financing Rate ("SOFR"). The Company regularly monitors the changes in interest rate risk. A sensitivity analysis on the Company's long-term borrowings and debentures assuming a 1% increase and 1% decrease in interest rates, before tax effect, as of December 31, 2024, is as follows:

1% increase		1% decrease	
Net Income (Loss)	Shareholder's Equity	Net Income (Loss)	Shareholder's Equity
$ (41)	$ (41)	$ 41	$ 41

There were no third-party borrowings subject to variable interest rates attributable to noncontrolling interests in 2024.

A sensitivity analysis on the Company's borrowings and debentures assuming a 1% increase and 1% decrease in interest rates, before tax effect, as of December 31, 2023, is as follows:

	1% increase		1% decrease	
	Net Income (Loss)	Shareholder's Equity	Net Income (Loss)	Shareholder's Equity
Varel	$ (267)	$ (267)	$ 267	$ 267
Noncontrolling interests	(89)	(89)	89	89

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 11), 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.

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

Financial Arrangements

The Company has access to the following lines of credit:

	2024	2023
Lines of credit available for general use	$ 6,000	$ 16,000

$0.9 million and $0.4 million on the lines of credit were available as of December 31, 2024 and 2023, respectively.

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.

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	$ 47,448	$ -	$ -	$ -	$ 47,448	$ 47,448
Borrowings	23,122	-	72,540	-	95,662	92,179
Lease liabilities	2,091	1,286	7,097	-	10,474	9,676
Nonderivative liabilities	$ 72,661	$ 1,286	$ 79,637	$ -	$ 153,584	$ 149,303

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	$ 58,121	$ -	$ -	$ -	$ 58,121	$ 58,121
Borrowings	22,974	30,030	540	-	53,544	53,070
Lease liabilities	2,303	1,143	7,384	69	10,899	10,394
Nonderivative liabilities	$ 83,398	$ 31,173	$ 7,924	$ 69	$ 122,564	$ 121,585

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:

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

	2024	2023
Total net borrowings	$ 92,719	$ 53,070
Total equity	56,538	53,590
Debt-to-equity ratio	163.99 %	99.03 %

Price Risk Management

The Company is exposed to risks arising from increased costs due to commodity price fluctuations, such as iron and steel, precious metals and nonferrous alloys used in manufacturing. The Company controls the price risk associated with the purchase of those commodities by maintaining inventory at the minimum level.

6. Trade Receivables, net

Trade receivables relate primarily to sales of drill bits and downhole equipment. The trade receivables, net balance was comprised of the following:

	2024	2023
Trade receivables, gross	$ 37,244	$ 33,479
Accrued income	4,691	3,764
Provision for credit losses	(235)	(226)
Trade receivables, net	$ 41,700	$ 37,017

The changes in the provision for credit losses for the years ending December 31 are as follows:

	2024	2023
Beginning balance January 1,	$ (226)	$ (3,133)
Recoveries, net of charge-offs	42	2,907
Current provision charges	(51)	-
Ending balance December 31,	$ (235)	$ (226)

7. Inventories, net

	2024	2023
Raw materials	$ 30,769	$ 32,025
Work in process	22,168	12,297
Finished goods	20,289	21,252
Excess and obsolete reserve	(2,671)	(381)
Inventories, net	$ 70,555	$ 65,193

8. Property, Plant and Equipment, net

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

	Buildings	Plant and Machinery	Computer Software and Hardware	Vehicles	Furniture, Fixtures and Other	Assets Under Construction	Total
Cost							
January 1, 2024	$ 13,374	$ 42,263	$ 6,685	$ 233	$ 873	$ 3,718	$ 67,146
Additions	52	4,457	42	-	62	1,154	5,767
Exchange rate impact	(1,584)	(813)	(77)	(4)	(8)	(162)	(2,648)
Transfers	-	392	43	-	-	(435)	-
December 31, 2024	11,842	46,299	6,693	229	927	4,275	70,265
Accumulated Depreciation							
January 1, 2024	$ (6,563)	$ (28,063)	$ (6,099)	$ (216)	$ (638)	$ -	$ (41,579)
Depreciation	(637)	(2,903)	(323)	(6)	(68)	-	(3,937)
Exchange rate impact	860	335	54	4	7	-	1,260
At December 31, 2024	(6,340)	(30,631)	(6,368)	(218)	(699)	-	(44,256)
Net Book Value							
At December 31, 2024	$ 5,502	$ 15,668	$ 325	$ 11	$ 228	$ 4,275	$ 26,009

	Buildings	Plant and Machinery	Computer Software and Hardware	Vehicles	Furniture, Fixtures and Other	Assets Under Construction	Total
Cost							
January 1, 2023	$ 13,282	$ 39,778	$ 9,380	$ 265	$ 1,340	$ 3,324	$ 67,369
Additions	362	10,495	161	-	215	750	11,983
Exchange rate impact	1,282	672	52	35	20	92	2,153
Disposals	(1,558)	(1,453)	(2,903)	(34)	(748)	-	(6,696)
Transfers	-	2,141	-	-	38	(2,129)	50
December 31, 2023	13,368	51,633	6,690	266	865	2,037	74,859
Accumulated Depreciation							
January 1, 2023	$ (6,036)	$ (24,419)	$ (8,389)	$ (237)	$ (604)	-	$ (39,685)
Depreciation	(1,251)	(9,051)	2,242	-	(19)	-	(8,079)
Exchange rate impact	(584)	(631)	33	55	168	-	(959)
Disposals	1,308	831	105	34	49	-	2,327
Transfers	-	49	-	-	-	-	49
At December 31, 2023	(6,563)	(33,221)	(6,009)	(148)	(406)	-	(46,347)
Net Book Value							
December 31, 2023	$ 6,805	$ 18,412	$ 681	$ 118	$ 459	$ 2,037	$ 28,512

9. Intangibles, net

The Company recognized various amortizable intangible assets in connection with the SOTPL acquisition, including customer relationships and trademarks. The Company also has patents.

The following tables provide additional information for our intangible assets:

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

	December 31, 2024		December 31, 2023	
Gross Carrying Amount	**Customer Relationships**	**Tradenames & Patents**	**Customer Relationships**	**Tradenames & Patents**
Beginning balance	$ 6,972	$ 6,383	$ 7,018	$ 6,424
Exchange rate impact	(186)	(166)	(46)	(42)
Ending balance	$ 6,786	$ 6,217	$ 6,972	$ 6,382
Accumulated Amortization				
Beginning balance	$ (1,046)	$ (1,040)	$ (351)	$ (411)
Amortization expense	(693)	(624)	(703)	(633)
Exchange rate impact	42	41	8	4
Ending balance	$ (1,697)	$ (1,623)	$ (1,046)	$ (1,040)

	As of December 31, 2024
Weighted average amortization period (years)	7.5 years

As of December 31, 2024, the estimated future amortization of intangibles is as follows:

2025	$ 1,290
2026	1,290
2027	1,290
2028	1,290
2029	1,290
Thereafter	3,233
	$ 9,683

10. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2024	2023
Balance, January 1	$ 8,420	$ 8,475
Effect of movements in foreign exchange rates	(435)	(55)
Balance, December 31	7,985	8,420

For purposes of impairment testing, goodwill is allocated to a CGU representing the lowest level within the Company at which goodwill is monitored for internal management purposes, and which is not higher than the Company's operating segment before aggregation. All the goodwill is allocated to the Eastern Hemisphere segment.

The following key assumptions were used in the goodwill impairment assessment for 2024:

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

Discount rate	11.76%
Terminal year growth rate (FY 2028)	2%
Tax rate	25.17%

The key assumptions in the value-in-use impairment tests are estimated post-tax cash flows, terminal year growth rate, and discount rate based on historical experience.

Management's assessment of goodwill did not result in any impairment, as the recoverable amount exceeds the carrying value for 2024 or 2023.

11. Borrowings

	2024	2023
External borrowings	$ 76,480	$ 35,845
Borrowings, affiliates	18,642	15,973
Bond premium	300	-
Paid-in-kind interest	-	1,189
Deferred financing costs	(3,243)	(477)
Total borrowings	92,179	52,530
Less current portion of borrowings	(23,122)	(22,974)
Borrowings	$ 69,057	$ 29,556

External Borrowings

Nordic Bonds
On April 8, 2024 the Company, through its wholly owned subsidiary Varel Oil and Gas, Inc. ("VOG"), 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. The Nordic Bonds are guaranteed by the Company 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 SOPTL (see Note 3 for further details) 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 reduction

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

to interest expense. The proceeds of the Tap Issue were used for an acquisition completed in January 2025. See Note 25 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 of borrowings on the Consolidated 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 2.50 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 further entered into a Floating Charge Agreement with Investec on May 29, 2020, to secure the obligations set forth within the Senior Facilities Agreement.

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 deferred financing 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

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

when the loan matures on March 2, 2025. The deferred financing 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 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 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 Consolidated Statements of Comprehensive Income (loss). $0.1 million of deferred financing costs was recognized as interest expense prior to the repayment on the Consolidated Statement of Comprehensive Income (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.

Other Facilities
On July 25, 2022, SOTPL entered into a working capital facility which allows SOTPL to draw funds up to 500,000,000 INR (approximately $6 million USD). Based on the use of funds, export orders, letters of credit, working capital, or buyers credit, the interest rate fluctuates based on SOFR plus 2.8 basis points or the marginal cost of fund-based lending rate (“MCLR”) plus 1.4 basis points. As of December 31, 2024, and 2023, the Company, through its wholly owned subsidiary SOTPL, had an outstanding balance of $4.1 million and $4.5 million, respectively.

For the years ended December 31, 2024, and 2023, interest expense of $8.2 million and $6.8 million, respectively, were incurred on external loans.

Refer to Note 19 for information on borrowings, affiliates.

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

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

	Beginning of Year	Cash Flow	Amortization of Deferred Financing Costs	Lease Addition	Bond Premium	End of Year
External borrowings	$ 36,557	$ 36,068	$ 612	$ -	$ 300	$ 73,537
Lease liabilities	10,394	(2,345)	-	1,627	-	9,676
Total liabilities from financing activities	$ 46,951	$ 33,723	$ 612	$ 1,627	$ 300	$ 83,213

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	Paid-in-Kind Interest	Lease Addition	End of Year
External borrowings	$ 31,797	$ 4,076	$ 383	$ 301	$ -	$ 36,557
Lease liabilities	7,940	2,424	-	-	30	10,394
Total liabilities from financing activities	$ 39,737	$ 6,500	$ 383	$ 301	$ 30	$ 46,951

12. Other Current Liabilities

	2024	2023
Compensation and benefits	$ 671	$ 462
Recurring accruals	2,422	3,619
Purchasing	1,275	1,591
Accrued interest	2,709	360
Taxes payable	2,407	1,783
Deferred consideration	-	1,770
Non-operating liability	-	4,913
Other	1,507	4,151
Total other current liabilities	$ 10,991	$ 18,649

13. Finance Costs, net

	2024	2023
Interest expense	$ 11,578	$ 12,184
Interest income	(17)	(34)
Amount capitalized	-	(1,189)
Finance costs, net	$ 11,561	$ 10,961

The amount of borrowing costs capitalized is the actual interest on specific loans for the items capitalized.

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

14. Revenue

The Company derives revenue from contracts with customers recognized at a point in time.

Revenue from Contracts with Customers	2024	2023
Completion	$ 20,339	$ 20,650
Primary Cementing Equipment	78,514	65,219
Polycrystiline Diamond Compact	45,745	28,755
Roller Cones	60,067	54,101
Total revenue	$ 204,665	$ 168,725

Revenue by Geographic Location	2024	2023
United States (US)	$ 84,247	$ 73,848
Middle East and North Africa (MENA)	46,173	31,401
Kingdom of Saudi Arabia (KSA)	41,541	31,135
Asia	21,011	18,167
Commonwealth of Independent States (CIS)	1,875	3,568
Europe	5,699	4,861
Canada	1,430	-
Latin America (LATAM)	2,099	4,009
Other	589	1,736
Total revenue	$ 204,665	$ 168,725

15. Other Income, net

	2024	2023
Net foreign exchange gains (losses)	$ 3,133	$ (1,870)
Net other income	542	2,330
Other income, net	$ 3,675	$ 460

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

16. Expenses by Nature

	2024	2023
Inventory materials	$ 60,942	$ 75,079
Employee compensation and benefits	30,531	27,971
Consumables	10,656	5,091
Freight and customs	10,935	6,392
Provision for excess and obsolescence inventory or impairments	(91)	(3,476)
Depreciation and amortization - non-rental	5,755	7,548
Rental fleet depreciation	4,905	4,680
Liquidating damages	501	793
Other	3,952	8,980
Total cost of revenue	$ 128,086	$ 133,058

	2024	2023
General administrative	$ 4,020	$ 4,170
Insurance	1,436	1,652
Information technology	1,582	1,783
Professional and legal fees	4,298	7,194
Research and development	2,695	2,460
Employee compensation and benefits	36,073	38,178
Depreciation and amortization	2,099	2,287
Other	1,193	993
Total selling, general, and administrative	$ 53,396	$ 58,717

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

17. Leases

The Consolidated Statements of Financial Position include the following amounts relating to right-of-use assets:

	2024	2023
Right-of-use, building	$ 13,339	$ 11,346
Right-of-use, land	-	118
Right-of-use, plant and machinery	37	37
Right-of-use, vehicles	777	1,206
Right-of-use, office equipment	626	219
Right-of-use, furnitures and fixtures	15	51
Accumulated depreciation right-of-use, building	(6,897)	(3,804)
Accumulated depreciation right-of-use, land	-	(222)
Accumulated depreciation right-of-use, plant and machinery	(23)	(28)
Accumulated depreciation right-of-use, vehicles	(544)	(670)
Accumulated depreciation right-of-use, office equipment	(515)	(176)
Accumulated depreciation right-of-use, furnitures and fixtures	(10)	(3)
Total right-of-use assets, net	$ 6,805	$ 8,074

The Consolidated Statements of Financial Position include the following amounts related to lease liabilities:

	2024	2023
Current	$ 2,091	$ 2,303
Noncurrent	7,585	8,091
Total lease liabilities	$ 9,676	$ 10,394

Additions to the right-of-use assets during the years ended December 31, 2024 and 2023 were $1.7 million and $4.5 million, respectively. The total cash outflows for leases in 2024 and 2023 were $2.1 million and $1.8 million, respectively. The Company recorded $1.0 million and $0.8 million in lease interest during the years ended December 31, 2024 and 2023, respectively.

Depreciation expense on right-of-use assets for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Depreciation right-of-use, building	$ 2,069	$ 1,820
Depreciation right-of-use, plant and machinery	13	12
Depreciation right-of-use, vehicles	382	347
Depreciation right-of-use, office equipment	54	60
Total depreciation on right-of-use assets	$ 2,518	$ 2,239

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

Rental Revenue
The Company recognizes rental revenue from operating leases on a straight-line basis over the term of the lease. The rental revenue for the years ended December 31, 2024, and 2023 was as follows:

	2024	2023
Rental revenue	21,845	$ 23,516

18. Income Taxes

The table below reconciles the Company's income taxes computed by applying the statutory federal income tax rate to earnings before income taxes to its effective tax provision for the years ended December 31, 2024 and 2023, respectively:

	2024	2023
Profit (loss) before tax	$ 14,921	$ (8,247)
US statutory tax rate of the reporting entity	21.00 %	21.00 %
Expected total tax expense (benefit)	3,133	(1,732)
Reconciling Items		
Expenses not deductible for tax purposes	(307)	84
Effect of different tax rates in countries in which the entity operates	1,413	112
Unrecognized deferred tax benefit	2,055	4,208
Foreign taxation	1,424	1,052
Prior year adjustments	99	281.00
Other	439	65
Total current and deferred tax expense	$ 8,256	$ 4,070

The tax effect of temporary differences that give rise to significant portions of the net deferred tax assets at December 31, 2023, and 2022 is as follows:

	2024	2023
Deferred Tax Assets		
IFRS 16 leases	$ 53	$ 6
Property, plant & equipment	1,712	2,202
Intangible assets	(2,459)	(2,828)
Reserves for obsolescence and receivables	404	1,193
Accrued liabilities	1,615	1,690
Accounts payable	68	172
Net operating loss carryforwards	876	210
Other deferred tax assets	27	294
Net deferred tax asset	$ 2,296	$ 2,939

The Company has a total of $17.6 million and $18.0 million of unused tax losses at December 31,

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

2024 and 2023, respectively. Of this amount, only $0.9 and $0.2 million have been recognized for deferred tax purposes at December 31, 2024 and 2023, respectively. Additionally, the Company has $1.2 and $1.3 million of capital loss carryforwards and $4.8 and $3.0 million of interest expense carry forwards at December 31, 2024 and December 31, 2023, respectively, for which no deferred tax has been recognized.

The Company is not aware of any open tax examinations with authorities or any other uncertain tax positions that existed as of December 31, 2024 or December 31, 2023.

19. Transactions with Affiliates

Transactions with Terelion, LLC
Varel International Energy Services, Inc. (“Varel International”), a wholly owned subsidiary of VOG, entered a Purchase, Supply and Manufacturing Agreement, effective June 1, 2019, with Terelion, LLC (formerly “Varel Mining and Industrial, LLC”) for the sale of roller cone drill bits, resulting in total revenue of $26.1 million and $29.5 million for the years ended December 31, 2024 and 2023, respectively, with an outstanding accounts receivable of $1.4 million and $0.1 million as of December 31, 2024 and 2023, respectively. Terelion, LLC. is a wholly owned subsidiary of the Parent’s noncontrolling owner, Sandvik, Inc. (30% owner).

In accordance with the agreement, there is a provision for Varel International to receive a reimbursement of expenses (including late delivery penalties, overhead under absorption, and substitute products) equal to the proven excess of aggregate purchase price of the substitute product, including all costs related to shipping and customs, over the aggregate purchase price of goods for which the buyer would have paid for pursuant to the original agreement. As of December 31, 2024 and 2023, respectively, Varel International noted $305,838 and $465,306, respectively, in reimbursements for late delivery penalties and overhead under absorption outside of the original agreement.

Transactions with Bluewater Energy, LLC
Bluewater Energy, LLC is an investor in the Parent. The Company recorded a recharge of expenses of $0.2 million and $0.2 million for the year ended December 31, 2024 and 2023, respectively.

Borrowings, affiliates

Varel Arabia Borrowings
Beginning in 2017, the Company’s subsidiary Varel Arabia Company Limited signed a series of loan agreements with its shareholders Arabian Inspection (25% interest) (“Arabian Inspection”) and Survey Co. Ltd. and Varel Europe S.A.S (75% interest) to finance working capital requirements. The loans accrue interest at 4% per annum with maturity dates 3 years from the date of funding and repayment terms over 24 months beginning 3 months after the date of funding. The repayment of the loans is subject to the working capital requirements of the subsidiary. The 75% proportionate loan from Varel Europe S.A.S and the related interest expense are eliminated upon consolidation. The 25% proportionate loan from Arabian Inspection. is reflected as related party borrowings, affiliates in the Consolidated Statements of Financial Position. As of December 31, 2024 and 2023, the Company had an outstanding balance of $2.8 million and $2.8 million, respectively, owed to Arabia Inspection. The Company recognized $0.1 million in interest expense for the years ending December 31, 2024 and 2023, respectively.

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

Intra-Group Loan Agreements
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 the Parent, and as a result the payable was reclassified as a capital contribution on the Consolidated Statement of Changes in Equity on June 28, 2023.

On March 11, 2023, the Parent 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, the Parent 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 March 11, 2023 and June 12, 2023 Intra-Group Loans.

Transactions for Raw Materials and Other Expenses
During 2024 and 2023, the Company entered into purchase agreements with Sandvik Coromant Company and Sandvik Materials Technologies, AB. The entities are wholly owned subsidiaries of the Parent's non-controlling owner, Sandvik, Inc. (30% owner). During the years ended December 31, 2024 and 2023 the transactions resulted in cash outflows of $0 and $0.2 million respectively.

20. Commitments and Contingencies

Varel, in its global operations, is involved from time to time in legal and regulatory proceedings, which may be material in the future. The outcome of proceedings, lawsuits and claims may differ from our expectations and estimated liabilities, leading Varel to change estimates of liabilities and related insurance receivables.

Legal and regulatory proceedings, whether with or without merit, and associated internal investigations, may be time-consuming and expensive to prosecute, defend or conduct, may divert management's attention and other resources, inhibit our ability to sell our products, result in adverse judgments for damages, injunctive relief, penalties and fines, and otherwise negatively affect our business.

The Company is currently facing a lawsuit from National Oilwell Varco (NOV), which claims that the Company and certain other drill bit manufacturers have breached a patent license covering a portfolio of patents with varying expiration dates. NOV asserts that the Company is specifically liable for past and future royalties. The Company has entered into a joint defense agreement with those other manufacturers to jointly defend against the lawsuit. Although the Company is of the opinion that the likelihood of successfully defending against the lawsuit is high, there is a risk of an unfavorable outcome, which may result in the Company being liable to pay royalties to NOV from October 2021 to January 2031.

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

Where appropriate, Varel may establish a financial provision for such proceedings. Varel also maintains insurance to mitigate certain risks. Costs for legal services are generally expensed as incurred. The Company did not record a financial reserve for legal or regulatory proceedings at December 31,2024 or 2023, respectively

21. Capital and Reserves

The Company has 3,000 shares of common stock authorized with $0.01 par value. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. The Company declared and paid dividends of $0 for the years ended December 31, 2024 and 2023, respectively.

	2024	2023
Outstanding at January 1	1,000	1,000
Issued	-	-
Outstanding at December 31	1,000	1,000

22. Key Management Compensation

Key management personnel are those people who have authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. The total remuneration of key management personnel, including salaries, benefits, and severance for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Salaries	$ 1,630	$ 2,338
Short Term Employee Benefits	1,252	502
Pension / 401K Matching	74	69
Termination Benefits	434	283
Social Security Benefits	63	108
Total	**$ 3,453**	**$ 3,300**

23. Material Subsidiaries and Associates

Functional currencies of the Company 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.

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

Entity	Country	Ownership %	Currency
Varel Oil and Gas, Inc.	United States	100%	USD
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

Through its wholly owned subsidiary, SOPTL, the Company participates in two joint ventures: SledgeHammer Gulf – LLC and SledgeHammer Oil Tools International Company with a 49% and 33%, respectively, equity interest. The joint ventures are accounted for as equity method investments. The Company is in the process of exiting both joint venture arrangements.

The activity in the joint ventures for the years ending December 31, 2024 and 2023 was as follows:

Balance, January 1, 2023	$	436
Effect of movements in foreign exchange rates		240
Balance, December 31, 2023		676
Contributions		2,513
Effect of movements in foreign exchange rates		(44)
Balance, December 31, 2024	$	3,145

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

24. Segment Information

Reportable segment assets are based on the physical location of the asset. Noncurrent assets by geographic location were as follows:

	2024	2023
United States (US)	$ 17,219	$ 18,489
Kingdom of Saudi Arabia (KSA)	1,398	1,581
Asia	24,068	24,011
Europe	1,119	2,055
Latin America (LATAM)	9,356	11,543
Other	4,961	3,376
Total noncurrent assets	$ 58,121	$ 61,055

The Company has a single customer, Terelion, LLC (see Note 19 for additional details), that accounts for approximately 12% and 17% of down hole product sales for the years ended December 31, 2024 and 2023, respectively. The loss of any significant customer or contract could have a material adverse short-term effect; however, it is not likely that the loss of any significant customer or contract would materially impact the Company's performance as such customers could be replaced by other customers with similar terms and conditions. No other customers accounted for more than 10% or more of the Company's revenue for the year ended December 31, 2024 or 2023.

25. Subsequent Events

The Company has evaluated subsequent events through April 30 2025, the date that the Consolidated 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.

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 price accounting.

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

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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.

Bond Listing
On April 4, 2025, the Company's subsidiary, VOG, 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 Company stock was available for trading April 4, 2025.