



Q3 2025 Unaudited Financial Report

BEYOND TECHNOLOGY • BEYOND NORMAL



TABLE OF CONTENTS

Executive Summary & CEO Statement	Page 1
CFO Financial Statement	Page 2
Financial Statements	Page 3-5
Varel Unaudited Profit and Loss	Page 3
Varel Unaudited Balance Sheet	Page 4
Varel Unaudited Cash Flow Statement	Page 5

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EXECUTIVE SUMMARY

Profitability

\$23.3m adjusted EBITDA YTD Q3 2025

\$35.4m adjusted EBITDA LTM Q3 2025

Cash

Cash / Cash equivalents of \$16.9m as of Q3 2025

Net debt of \$66.7m; Net Leverage of 2.49x

YTD 2025 Operating Cash Flow of \$8.2 million

Operations

Strong growth in offshore cementing products compared to Q2, led by Ace Well Technology sales and new casing centralizer technology

Significant expansion in roller cone drill bit production supporting major OFS customers (2x growth over prior 12 months)

Letter from CEO Derek Nixon Chief Executive Officer

I am pleased to share our third-quarter results for 2025 with confidence in our strategic direction and in the exceptional capabilities of our approximately 1,300 employees worldwide. During the quarter, we delivered revenue of \$42.8m and Adjusted EBITDA of \$6.2m, reflecting solid execution and continued commercial traction across our core markets.

Business Overview:

Despite ongoing market headwinds, geopolitical uncertainty, and a softer drilling outlook than expected through year-end 2025, we generated operating cash flow of \$4.5 million and \$8.2 million for the three and nine-month periods ended September 30, respectively. These results underscore the effectiveness of our disciplined focus on working capital efficiency and cash generation.

Additionally, I'm pleased to report that our Completions business continues to perform exceptionally well, with year-to-date revenue up 26%, reinforcing our strong market leadership position in the U.S.

We have made meaningful progress in rightsizing our production capacity and administrative structure while adopting leaner inventory practices, both of which have reduced structural costs and enhanced cash flow. These actions position Varel to capitalize on future market opportunities from a position of financial strength.



Our global production order pipeline remains strong at approximately \$35m as of September 30. As we approach year-end, we are revising our full-year Adjusted EBITDA guidance to a range of \$27 million - \$33 million, reflecting prudent expectations given the current market environment.

Looking ahead, our priorities remain clear: we will maintain a disciplined focus on liquidity, working capital efficiency, and cash generation, ensuring we remain in compliance with our debt covenants and well-prepared for an anticipated rebound in Saudi Arabia drilling programs beginning in the first quarter of 2026. Our agile operating model gives us the flexibility to navigate near-term uncertainty while protecting long-term value creation.

I am extremely proud of the operational improvements we have implemented during a challenging 2025. The combination of capacity optimization, cost reduction, and a renewed emphasis on cash flow provides a strong foundation as we enter the final quarter of the year and prepare for 2026.

Additionally, we continue to pursue selective, strategic acquisitions to enhance our technology offering and market presence. Our earlier acquisition of Ace Well Technology is a strong example of this approach; expanding our capabilities, broadening our commercial offering, and strengthening our customer partnerships.

Finally, I want to reaffirm that the safety of our people remains our highest priority. I am pleased to report another strong quarter of safety performance, with a TRIR of 0.01 and zero Lost Time Incidents.

A handwritten signature in black ink, appearing to read 'D. Nixon', located below the CEO's letter text.

CFO FINANCIAL STATEMENT

Operating Performance:

The consolidated income statement is shown on page 3 to these financial statements. Revenue was \$42.8m and \$52.7m for the three months ended September 30, 2025 and September 30, 2024, respectively.

Adjusted EBITDA was \$6.2 and \$11.8m for the quarters ended September 30, 2025 and 2024, respectively. A reconciliation between net profit per these financial statements and Adjusted EBITDA is set out below.

	Quarter ended		Nine Months Ended		LTM Ended
	Sep 30, 2025	Sep 30, 2024	Sep 30, 2025	Sep 30, 2024	Sep 30, 2025
Net profit (loss)	(4,578)	802	(9,169)	9,240	(11,744)
Transaction cost (debt)	217	578	398	904	1,359
Debt extinguishment					376
Depreciation and amortization	2,720	2,688	9,020	8,360	13,300
Interest expense	3,413	6,155	10,638	11,062	9,272
Provision (benefit) for income taxes	537	1,530	2,384	5,249	5,391
Inventory revaluation	1,826	-	4,786	-	6,217
EBITDA	4,135	11,753	18,057	34,815	24,171
Adjustments for the effects of:					
Restructuring & Severance	785	-	1,468	1,230	1,586
Other	1,326	-	3,785	429	9,653
Adjusted EBITDA	6,246	11,753	23,310	36,474	35,410

Borrowings:

During the second quarter of 2024, the Company completed the refinancing of its pre-existing debt facility through the issue of a new 4-year senior secured \$60m Nordic Bond. This process was completed on April 4, 2024, with the proceeds being used to repay the aforementioned pre-existing debt facility amounting to \$33.1m, fees associated with both the pre-existing debt facility and the bond process of \$2.8m, the remaining purchase price related to our Indian acquisition in 2022 amounting to \$6.6m which was finalized in September 2024, and other general corporate purposes. During the fourth quarter, Varel successfully issued subsequent bonds in the amount of \$12m, increasing the total outstanding amount under the existing senior secured bond to \$72m. Net proceeds from the subsequent bond issue were ultimately used for the acquisition of Ace Well Technology in January 2025.

Cashflow and Debt:

The consolidated statement of cash flows is show on page 5 of the financial statements. An analysis of the net debt (an improvement of \$3.4m from the prior quarter) for the quarter ending September 30, 2025, is set out below, with leverage at 2.49x.

Leverage Ratio Table

(in thousands of dollars)	Sep 30, 2025
Nordic Bonds	\$ (72,000)
Loan-Revolver	(4,373)
Right of Use Liabilities	(7,259)
Cash	16,936
Net Debt as of Sep 30, 2025	\$ (66,696)
Adjusted EBITDA TTM Q3 2025	\$ 26,769 *, **
Leverage	2.49x

* restricted to 10% for debt leverage

** does not reflect Ace Well Technology pro forma EBITDA

FINANCIAL STATEMENTS

Consolidated Unaudited Profit and Loss

(in thousands of dollars)	Three Months Ended September 30			Nine Months Ended September 30			LTM
	2025	2024	Percent Change	2025	2024	Percent Change	
Revenue	\$ 42,755	\$ 52,704	-19%	\$ 142,511	\$ 153,430	-7%	\$ 193,746
Cost of revenue ¹	(28,693)	(29,705)	-3%	(92,099)	(84,719)	9%	(129,711)
Gross profit	14,062	22,999	-39%	50,412	68,711	-27%	64,035
Selling, general and administrative expenses	(12,119)	(12,727)	-5%	(41,305)	(38,437)	7%	(54,282)
Operating profit	1,943	10,272	-81%	9,107	30,274	-70%	9,753
Loss on debt extinguishment	-	-	NM	-	-	NM	(376)
Other income	(387)	336	-215%	791	1,108	-29%	3,358
Add: Add-backs ¹	4,690	1,145	310%	13,412	5,092	163%	22,675
Adjusted EBITDA	6,246	11,753	-47%	23,310	36,474	-36%	35,410
Less: Add-backs	(4,690)	(1,145)	310%	(13,412)	(5,092)	163%	(22,675)
Transaction cost (debt)	(217)	(578)	-62%	(398)	(904)	-56%	(1,359)
Depreciation	(1,967)	(1,543)	27%	(5,647)	(4,927)	15%	(8,457)
Finance costs	(3,413)	(6,155)	-45%	(10,638)	(11,062)	-4%	(9,272)
Income tax expense	(537)	(1,530)	-65%	(2,384)	(5,249)	-55%	(5,391)
Net profit (loss)	(4,578)	802	-671%	(9,169)	9,240	-199%	(11,744)

NM = Not Meaningful

¹ Rental Fleet depreciation and inventory revaluation expenses are included in cost of revenue and add-backs; see the detailed amounts on the reconciliation between net profit and Adjusted EBITDA on page 2

FINANCIAL STATEMENTS

Consolidated Unaudited Balance Sheets

(in thousands of dollars)

	Sep. 30, 2025	Dec. 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 16,936	\$ 24,957
Trade receivables, net	42,022	41,700
Inventories, net	60,244	70,555
Income tax receivable	875	193
Other current assets	15,098	15,251
Total current assets	135,175	152,656
Noncurrent assets		
Property, Plant and Equipment, net	24,357	26,009
Right-of-use assets, net	4,591	6,805
Intangibles, net	12,973	9,683
Goodwill	10,755	7,985
Investments in affiliates	3,490	3,145
Deferred tax receivable	4,591	4,370
Other assets	196	124
Total noncurrent assets	60,953	58,121
Total assets	\$ 196,128	\$ 210,777

	Sep. 30, 2025	Dec. 31, 2024
Liabilities		
Current liabilities		
Trade payables	\$ 15,355	\$ 21,438
Income tax payable	7,007	6,532
Accrued liabilities	3,540	5,161
Provisions	-	160
Other current liabilities	13,864	10,991
Current portion of borrowings	24,958	23,122
Current portion of lease liabilities	1,789	2,091
Total current liabilities	66,513	69,495
Noncurrent liabilities		
Borrowings	70,029	69,597
Lease liabilities	5,470	7,585
Deferred tax liabilities	2,562	2,074
Other liabilities	3,456	5,488
Total noncurrent liabilities	81,517	84,744
Total liabilities	148,030	154,239
Equity		
Total equity	48,098	56,538
Total shareholders' equity and liabilities	\$ 196,128	\$ 210,777

FINANCIAL STATEMENTS

Consolidated Unaudited Cash Flow

Cash from operating activities increased \$15.3 million from cash used in operations of \$7.1 million to cash generated in operations of \$8.2 million for the nine months ended September 30, 2024 and 2025, respectively. Cash flows from operating activities primarily result from earnings and are impacted by changes in operating assets and liabilities. Consistent with our strong focus on working capital efficiency, reductions in inventories contributed \$11.4 million of operating cash flow in the nine months ended September 30, 2025.

Cash used in investing activities increased \$2.3 million from \$11.6 million to \$13.9 million for the nine months ended September 30, 2024 and 2025, respectively.

Financing cash flows changed \$26.7 million from cash provided of \$24.5 million to cash used of \$2.2 million for the nine months ended September 30, 2024 and 2025, respectively.

Condensed Consolidated Statements of Cash Flow (Unaudited)

	Nine Months Ended September 30	
(in thousands of dollars)	2025	2024
Cash flows from operating activities		
Net profit (loss)	\$ (9,170)	\$ 9,240
Adjustments to net income:		
Depreciation & amortization	9,014	4,927
Amortization of deferred financing costs	801	328
Net Finance Costs	9,837	-
Severance Costs	2,128	
Other non cash movements	1,435	-
Change in operating assets and liabilities:		
Decrease (increase) in trade receivables	2,382	(5,768)
Decrease (increase) in inventories	11,442	(10,910)
Decrease (increase) in other assets	46	3,713
Increase (decrease) in trade payables	(7,990)	(9,612)
Increase in income tax payable		1,600
Increase (decrease) in other liabilities	(6,176)	(654)
Cash generated (used in) operating activities	13,749	(7,136)
Interest paid	(5,595)	-
Net cash provided by operating activities	8,154	(7,136)
Cash flows from investing activities		
Acquisition of property and equipment	(3,669)	(4,959)
Business Combination, net of cash acquired	(10,206)	(6,600)
Net cash used in investing activities	(13,875)	(11,559)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	60,000
Repayments of long-term borrowings	-	(33,126)
Payment of Lease Liabilities	(1,902)	(2,416)
Debt issuance costs	(308)	-
Net cash (used in) provided by financing activities	(2,210)	24,458
Effect of exchange rate changes on cash	(91)	(16)
Net (decrease) increase in cash & cash equivalents	(8,022)	5,747
Cash and cash equivalents at beginning of year	24,957	5,876
Cash and cash equivalents at end of period	\$ 16,935	\$ 11,623

FURTHER INFORMATION

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