

BOARD OF DIRECTOR'S REPORT 2025

Varel Oil and Gas Inc., commercially known as Varel Energy Solutions (“VES” or the “Company”), a global provider of products and services to the oil and gas industry. A predecessor company of the Group, Varel Manufacturing, was founded in 1947 in Carrollton, Texas as a manufacturer of roller cone rock bits. The Group has expanded its product offering over the years to include PDC drill bits and primary cementing equipment.

The Company, headquartered in Houston, United States of America offers engineered and manufactured solutions to the oil & gas, renewable energy, mining, and industrial markets with its comprehensive suite of drilling, well construction, and completions offerings. VES is the largest independent provider of roller cone and fixed cutter drill bits, as well as primary cementing and completion equipment, leveraging ~1.2 million square feet of manufacturing capacity to deliver a comprehensive portfolio of downhole solutions. The Company employs ~1,100 people represented in 16 countries, with three manufacturing facilities in Matamoros (Mexico), Dammam (Saudi Arabia) and Faridabad (India). VES's efficient supply chain and engineering capabilities uniquely position it as the industry's leading manufacturer of consumable downhole products. VES support both E&P and service companies with high-quality downhole solutions, delivering reliable performance and exceptional customer experience. Learn more at www.varel.com.

Development of operations & financial results:

2025 was a year of disciplined execution in a challenging macroeconomic environment characterized by geopolitical uncertainty, persistent market headwinds, and softer drilling activity across key regions. Despite these conditions, the Company demonstrated resilience through a continued focus on working capital efficiency, cost control, and cash generation, delivering \$15.4 million of operating cash flow for the year.

Throughout the period, VES made significant progress in optimizing its operational footprint, rightsizing production capacity, and implementing leaner inventory practices. These initiatives reduced structural costs, enhanced operational flexibility, and strengthened the Company's financial position. In parallel, the Company continued to build and deepen strategic relationships with national oil companies and leading oilfield services customers across core markets.

The Company's assets ended the fiscal year at \$XXX.X million with a net cash position of \$XX.X million. Our Board of Directors believes that the annual accounts give a true and fair view of the Company's assets and liabilities, financial position and results of operations.

Key Risks and Uncertainties:

The Company is subject to several key risks, including geopolitical instability; U.S. political developments resulting in tariffs; volatility in commodity prices; fluctuations in drilling and well construction activity; and increasing uncertainty in the Middle East, particularly in Saudi Arabia, which could adversely impact demand for downhole products.

Continued Operation:

The annual accounts for 2025 have been prepared on a going concern basis, supported by management's evaluation that no material uncertainties exist regarding the business's operational outlook. Accordingly, it is confirmed that the going concern assumption is appropriate.

Work Environment:

The safety of our people continues to be our highest priority. We are pleased to report that in 2025 we sustained strong safety performance, achieving a Total Recordable Incident Rate (TRIR) of 0.19 and recording one Lost Time Incidents (LTI).

Equality:

The Company does not discriminate between genders or other personal orientations. Throughout 2025, the gender equity ratio was 91% men and 9% women. The Company works actively to promote equality, ensure equal opportunities and rights and prevent discrimination on the grounds of ethnicity, national origin, descent, skin color, language, religion and outlook on life.

Environmental:

The Company is working toward a zero-emission target, and the Company has put considerable effort and investment into environmentally friendly solutions. Power usage in solar has grown considerably and the waste/recycle performance from manufactured materials has improved year-over-year since 2022.

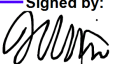
In Closing:

We are pleased to share the results of our 2025 financial performance with a sense of pride about the Company and the ~1,100 employees around the world. Reflecting on the last five years, a period of profound volatility and economic disruption for the energy sector, it is remarkable how much the Company has accomplished, not only in terms of financial performance but in our steadfast dedication to becoming a leading value creator in downhole consumable products.

STATEMENT BY THE BOARD OF DIRECTORS AND CEO 2024


We confirm that, to the best of our knowledge, the financial statements for the period January 1 to December 31, 2025 have been prepared in accordance with applicable accounting standards and gives a true and fair value of the assets, liabilities, financial position and profit and loss of the Company.

We also confirm, to the best of our knowledge, that the Board of Director's Report includes a fair review of the development and performance of the business and position of the Company as a whole, together with a description of the key risks and uncertainties the Company faces.

Signed by:

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Jim Nixon

Director

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Salil Oberoi

Director

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Derek Nixon

CEO

PRINCIPLES OF CORPORATE GOVERNANCE 2025

The Board of Directors of the Company (“Board”) has established the following guidelines for the conduct and operation of the Board. The Board intends that these guidelines serve as a flexible framework within which the Board may conduct its business and not as a binding set of legal obligations.

Qualifications of Directors

In determining whether a person is qualified to be nominated or renominated for membership on the Board or a Board committee, the Board will comply with all applicable laws and regulations, including laws and regulations relating to the independence of directors. The number and qualifications of directors is determined in accordance with the bylaws of Varel and an investment agreement between shareholders of the ultimate parent company of Varel dated as of March 2, 2020.

Responsibilities of Directors

Under applicable Delaware law, the Board is responsible for overseeing the business and affairs of Varel. The Board discharges this responsibility by exercising oversight over the President and other senior Varel management, who are charged with the competent and ethical operation of Varel on a day-to-day basis. Through oversight, review, and counsel, the Board establishes and promotes Varel’s business and organizational objectives and assures that the long-term interests of Varel’s stockholders are being served. The Board oversees Varel’s business affairs and integrity, works with management to determine Varel’s mission and long-term strategy, performs periodic evaluations of the President, oversees succession planning, ensures that processes are in place to preserve the integrity of Varel’s financial reporting, and assesses the processes and strategies whereby Varel identifies and mitigates major risks.

President

The President presides as the chairman of meetings of the stockholders and the Board; and the President has general and active management of the business of Varel and sees that all orders and resolutions of the Board are carried into effect.

Access to Management and Independent Advisors

The Board, and committees of the Board, are entitled to, and expect, direct access to members of management when and to the extent such access is necessary or desirable. The Board is empowered to, and will, retain outside, independent advisors as and when it determines that such action is necessary or desirable. Varel will provide such funding as is necessary for the payment of fees and compensation to such advisors.

Board Composition and Committees

The Board considers, on an ongoing basis, the skills, background, and experience that should be represented on the Board and its committees, the performance of incumbent directors, the appropriate size of the Board, potential vacancies on the Board, and other factors relating to the efficacy of the Board. The Board has not determined that it should be composed of a minimum or maximum number of directors. Rather, the Board seeks to maintain a group of Board members that, in the aggregate, possesses the skills, background and experience necessary and desirable to effectively address the issues and challenges Varel will confront, and has a composition that is appropriate to facilitate substantive discussions and director interaction. The Board does not expect that any single member will possess all of these attributes, and therefore seeks to accomplish this by selecting candidates with varied skills and backgrounds, taking into consideration such factors as experience, diversity, and, for non-management directors, independence. The Board does not believe that arbitrary term or age limits should be imposed on the service of its members. The Board's self-evaluation process is the primary means of determining whether incumbent directors continue to demonstrate the attributes that should be reflected on the Board, or whether changes to membership are appropriate. The Board, in an ongoing fashion, evaluates the various qualifications and skills that should be represented on the Board and its committees, taking into account the nature of the business and the objectives of Varel as they may evolve over time. The Board also reviews, in an ongoing fashion, the performance of the sitting members of the Board. The Board may appoint such standing and special or ad hoc committees, composed of one or more members of the Board, as it may from time to time determine to be useful to the performance of its duties and may, to the extent permitted by law, delegate to such committees such powers and authority of the Board as it may determine.

Other Directorships

The Board believes there are benefits derived from a director's service on the Board of another company. Such service leads to the sharing of ideas and facilitates the proliferation of best practices.

Periodic Evaluation

Periodically, the Board will conduct a self-evaluation to determine whether it and its committees are functioning effectively.

Management Succession

The bylaws of Varel provide that the officers, including the President, are appointed by the Board. The Board, or a committee designated by the Board, will periodically review the performance of the President and consider available alternatives for succession.

Director Orientation and Continuing Education

New members of the Board will be mentored by one or more incumbent Board members, key management personnel and others as part of a program of orientation to Varel, the Board, and any committees to which they may be appointed. Members of the Board, senior managers and others are encouraged to bring to the attention of the Board materials and information relating to developments and events relevant to the business and affairs of Varel or to corporate governance.

Director Compensation

Compensation is determined by the Board in accordance with the bylaws and at a competitive level that enables Varel to attract and retain talented, well qualified directors.

Social Responsibility

Varel has a responsibility to the communities in which it operates, as well as to its employees, stockholders, and other stakeholders. To ensure appropriate Board review and input, the Board periodically reviews management's sustainability strategies, initiatives and policies and evaluates Varel's practices and contributions made in fulfillment of Varel's social responsibilities.

Amendment of Guidelines

These Guidelines have been adopted by the Board of Varel and may be changed by the Board at any time. The Guidelines will be reviewed periodically by the Board, or by a Board Committee designated by the Board, which shall recommend to the Board for consideration any changes considered by such Committee to be desirable.