Welltec Latinamerica ApS

Gydevang 25, DK-3450 Allerød

Annual Report for 1 January - 31 December 2016

CVR No 28 50 53 02

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/05 2017

Martin Skovbjerg
Chairman

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Welltec Latinamerica ApS for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Allerød, 31 May 2017

Executive Board

Jørgen Hallundbæk
Executive Officer

Independent Auditor's Report

To the Shareholder of Welltec Latinamerica ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Welltec Latinamerica ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the

Independent Auditor's Report

audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 31 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr
statsautoriseret revisor

Tue Stensgård Sørensen
statsautoriseret revisor

Company Information

The Company	Welltec Latinamerica ApS Gydevang 25 DK-3450 Allerød CVR No: 28 50 53 02 Financial period: 1 January - 31 December Municipality of reg. office: Allerød
Executive Board	Jørgen Hallundbæk
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Income Statement 1 January - 31 December

	Note	2016	2015
		USD	USD
Revenue		**778,792**	**5,993,139**
Cost of sales		-212,287	-4,617,483
Other external expenses		-372,540	-861,232
Gross profit/loss		**193,965**	**514,424**
Depreciation, amortisation and impairment	2	-31,109	-21,976
Profit/loss before financial income and expenses		**162,856**	**492,448**
Result of investments in subsidiaries	3	6,268,489	-131,466
Financial income	4	1,907	747
Financial expenses	5	-1,264,933	-314,989
Profit/loss before tax		**5,168,319**	**46,740**
Tax on profit/loss for the year	6	449,340	-39,972
Net profit/loss for the year		**5,617,659**	**6,768**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	4,000,000	0
Retained earnings	1,617,659	6,768
	5,617,659	**6,768**

Balance Sheet 31 December

Assets

	Note	2016	2015
		USD	USD
Other fixtures and fittings, tools and equipment		92,494	123,603
Property, plant and equipment		**92,494**	**123,603**
Investments in subsidiaries	7	3,906,797	974,401
Financial asset		**3,906,797**	**974,401**
Fixed assets		**3,999,291**	**1,098,004**
Trade receivables		845,934	1,991,067
Receivables from group enterprises		10,968,544	5,851,396
Other receivables		2,477	119
Deferred tax asset	8	141,598	55,797
Corporation tax		325,534	77,137
Prepayments		17,503	48,070
Receivables		**12,301,590**	**8,023,586**
Cash at bank and in hand		**98,591**	**460,108**
Currents assets		**12,400,181**	**8,483,694**
Assets		**16,399,472**	**9,581,698**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		USD	USD
Share capital		87,414	83,677
Retained earnings		1,803,709	-3,771,704
Proposed dividend for the year		4,000,000	0
Equity		**5,891,123**	**-3,688,027**
Credit institutions		5,190	21,054
Trade payables		21,019	79,194
Payables to group enterprises		10,360,370	12,451,303
Corporation tax		0	423,190
Other payables		121,770	294,984
Short-term debt		**10,508,349**	**13,269,725**
Debt		**10,508,349**	**13,269,725**
Liabilities and equity		**16,399,472**	**9,581,698**
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Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	USD	USD	USD	USD
Equity at 1 January	83,677	-3,771,704	0	-3,688,027
Capital increase	3,737	3,957,754	0	3,961,491
Net profit/loss for the year	0	1,617,659	4,000,000	5,617,659
Equity at 31 December	**87,414**	**1,803,709**	**4,000,000**	**5,891,123**

Notes to the Financial Statements

1 Key activities

The Entitys primary activity is to provide customers on Latin America with Well Tractor sevices. In addition to owning a number of subsidiaries, the Entity has a branch in Columbia (Welltec Latin America ApS Sucursal Colombiana Branch) and Ecuador (Welltec Latinamerica ApS (Ecuador Branch)).

2 Depreciation, amortisation and impairment

Depreciation of property, plant and equipment	31,109	21,976
	31,109	**21,976**

3 Result of investments in subsidiaries

Impairment adjustment of the year	4,292,810	-131,466
Dividends recevied	1,975,679	0
	6,268,489	**-131,466**

4 Financial income

Other financial income	1,907	747
	1,907	**747**

5 Financial expenses

Interest paid to group enterprises	189,989	158,582
Other financial expenses	138,482	60,151
Exchange adjustments, expenses	936,462	96,256
	1,264,933	**314,989**

Notes to the Financial Statements

6 Tax on profit/loss for the year

Tax on ordinary profit/loss for the year	-20,918	-28,952
Deferred tax for the year	13,480	5,919
Other taxes	-454,479	63,005
Adjustment of deferred tax concerning previous years	12,577	0
	-449,340	**39,972**

7 Investments in subsidiaries

Cost at 1 January	8,507,416	8,251,222
Additions for the year	0	256,194
Disposals for the year	-1,360,414	0
Cost at 31 December	7,147,002	8,507,416
Value adjustments at 1 January	-7,533,015	-7,401,549
Impairment adjustment for the year	4,292,810	-131,466
Value adjustments at 31 December	-3,240,205	-7,533,015
Carrying amount at 31 December	**3,906,797**	**974,401**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Welltec Venezuela C.A.	Venezuela	100%	36,789	4,164,865
Welltec Do Brazil Ltda	Brazil	100%	3,984,676	-73,779
Welltec Oilfield Services (Mexico) S.A.	Mexico	100%	450,465	24,923
Welltec Oilfield Services Argentina S.A.	Argentina	100%	491,383	401,976

Notes to the Financial Statements

8 Deferred tax asset

Deferred tax asset at 1 January	55,797	49,879
Amounts recognised in the income statement for the year	85,801	5,918
Deferred tax asset at 31 December	**141,598**	**55,797**

9 Contingent assets, liabilities and other financial obligations

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of JH Holding, Allerød, ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

10 Related parties

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements

Name	Place of registered office
JH Holding, Allerød ApS	Græsted

Notes to the Financial Statements

11 Accounting Policies

The Annual Report of Welltec Latinamerica ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in US dollar (USD), which also is the functional currency.
End of year exchange rate for 2016 is 7,0528.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

11 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise cost incurred to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

11 Accounting Policies (continued)

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

11 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Investments in are recognised and measured under the equity method.

The item in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in .

with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

11 Accounting Policies (continued)

Equity

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.