Varel Oil and Gas Inc.

Separate Financial Statements
December 31, 2023 and 2022

Varel Oil and Gas Inc.
Index
December 31, 2023 and 2022

Report of Independent Auditors

To the Management of Varel Oil and Gas, Inc.

Opinion

We have audited the accompanying financial statements of Varel Oil and Gas, Inc. (the "Company"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of loss and comprehensive loss, of changes in shareholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the " financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

PricewaterhouseCoopers LLP

New Orleans, Louisiana
November 2, 2024

Varel Oil and Gas Inc.
Statements of Financial Position
Years Ended December 31, 2023 and 2022

(in thousands of U.S. dollars)	Notes	2023	2022
Assets			
Noncurrent assets			
Investments	(9)	$ 125,473	$ 99,733
Total noncurrent assets		125,473	99,733
Current assets			
Cash		273	84
Note receivable, related party		-	24,570
Other current assets		-	461
Receivables from affiliates		9,412	1,667
Total current assets		9,685	26,782
Total assets		$ 135,158	$ 126,515
Equity			
Share premium		$ 114,124	$ 88,384
Accumulated deficit		(25,590)	(16,350)
Equity attributable to owners of Varel		88,534	72,034
Total equity		88,534	72,034
Liabilities			
Noncurrent liabilities			
Borrowings	(4)	29,195	27,097
Total noncurrent liabilities		29,195	27,097
Current liabilities			
Trade payables		1,614	782
Trade payables, related parties		313	288
Accrued liabilities		34	-
Current portion of borrowings	(4)	1,744	1,744
Current portion of borrowings, related parties	(8)	13,724	24,570
Total current liabilities		17,429	27,384
Total liabilities		46,624	54,481
Total shareholders' equity and liabilities		$ 135,158	$ 126,515

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

Varel Oil and Gas Inc.
Statements of Loss and Comprehensive Loss
Years Ended December 31, 2023 and 2022

(in thousands of U.S. dollars)	Notes	2023	2022
Continuing Operations			
Selling, general and administrative expenses	(5)	$ (4,764)	$ (1,576)
Other income (expense)	(6)	1,731	(682)
Operating loss		(3,033)	(2,258)
Finance income, related party		1,170	1,170
Finance costs, related party		(2,894)	(1,170)
Finance costs		(4,444)	(2,498)
Loss before income tax		(9,201)	(4,756)
Income tax expense		(39)	(196)
Loss for the period		(9,240)	(4,952)
Other comprehensive income			
Total comprehensive loss for the period		$ (9,240)	$ (4,952)
Loss for the period attributable to:			
Owners of Varel		$ (9,240)	$ (4,952)
		$ (9,240)	$ (4,952)

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

Varel Oil and Gas Inc.
Statements of Changes in Equity
Years Ended December 31, 2023 and 2022

(in thousands of U.S. dollars)	Share Premium	Accumulated Deficit	Equity Attributable to Owners of Varel	Total Equity
Balance at December 31, 2021	$ 88,384	$ (11,398)	$ 76,986	$ 76,986
Loss for the period	-	(4,952)	(4,952)	(4,952)
Balance at December 31, 2022	$ 88,384	$ (16,350)	$ 72,034	$ 72,034
Loss for the period	-	(9,240)	(9,240)	(9,240)
Capital contribution	25,740	-	25,740	25,740
Balance at December 31, 2023	$ 114,124	$ (25,590)	$ 88,534	$ 88,534

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

Varel Oil and Gas Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(in thousands of U.S. dollars)	**Notes**	**2023**	**2022**
Cash flows from operating activities			
Loss for the period		$ (9,240)	$ (4,952)
Adjustments for			
Amortization of deferred financing costs	(4)	381	366
(Gain) Loss on foreign currency	(6)	(10)	17
Finance income		(1,170)	(1,170)
Finance costs		7,338	3,668
Changes in			
Receivables from affiliates		10	(17)
Prepaids and other assets		476	(285)
Trade and other payables		832	691
Other liabilities		(1,652)	(1,481)
Accounts receivable, related parties		(7,745)	-
Accounts payable, related parties		1,749	(1,745)
Cash used in operating activities		(9,031)	(4,908)
Interest paid		(3,600)	(2,177)
Income taxes paid		(39)	(196)
Net cash used in operating activities		(12,670)	(7,281)
Cash flows from financing activities			
Proceeds from long-term borrowings	(4)	1,937	10,000
Proceeds from borrowings, related party	(8)	12,000	-
Repayments of long-term borrowings	(4)	(1,063)	(2,125)
Long term note intercompany		(15)	(515)
Net cash provided by financing activities		12,859	7,360
Net increase in cash and cash equivalents		189	79
Cash and cash equivalents			
Beginning of year		84	5
End of year		$ 273	$ 84
Supplemental non-cash investing activities			
Non-cash capital contribution with VOIGH		$ 25,740	$ -
Supplemental non-cash financing activities			
Non-cash note receivable with DPH		$ -	$ (23,400)

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

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

1. Nature of Operations

Varel Oil and Gas Inc. ("Varel" or the "Company") was founded in 2019 as a Delaware Corporation domiciled in the United States of America. Varel primarily designs, manufactures, and supplies products to the drilling, well construction, and completion solutions businesses within the energy sector. The Company sells its products globally in the key markets of America, Europe, Asia, and the Middle East.

These Separate Financial Statements were authorized for issuance by the Board of Directors on November 2, 2024.

2. Summary of Material Accounting Policies

Basis of Presentation
The Separate Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB").

The Separate Financial Statements have been prepared under the historical cost convention except for certain items measured at fair value. The investments in subsidiaries are accounted for using the cost method.

New and amended standards adopted by the Company
There were no new or amended standards adopted by the Company in the year ended December 31, 2023 that materially impacted the Company.

IAS 1 - Disclosure of Accounting Policies

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' which is intended to help entities in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. Management has conducted an evaluation of the materiality of the accounting policies reported in its separate financial statements, considering both the materiality and nature of the transactions disclosed.

IAS 8 - Definition of Accounting Estimates

In February 2021, IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The adoption of this amendment has no material impact on the Company's financial statements.

New and revised standards issued but not effective

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

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

- Amendments to IFRS 16 Lease Liability in a sale and Leaseback *
- Amendments to IAS 1 Non-current Liabilities with Covenants *
- Amendments to IAS 1 Classification of Liabilities *
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements *
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates **

* Effective for annual periods beginning on or after January 1, 2024.

** Effective for annual periods beginning on or after January 1, 2025.

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.

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.

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.

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 an its exposure to liquidity risk and how it might be affected if the arrangements were no longer available to it.

IAS 21 - The Effects of Changes in Foreign Exchange Rates

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

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.

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

Cash
Cash includes cash on hand and demand deposits.

Receivables from affiliates
Receivables from affiliates are recognized when the Company has a legal right to receive cash or other assets from the affiliate, and it is probable that the economic benefits will flow to the Company. Receivables from affiliates are recognized initially at the unconditional amount of consideration. Due to the short-term nature of Receivables from affiliates, the carrying amount approximates fair value.

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

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

Fees paid on the establishment of loan facilities 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 facility.

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,

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

including any noncash assets transferred or liabilities assumed, is recognized in the Separate Statement of Loss and Comprehensive Loss as Other income/(losses) or Finance cost.

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

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

Income Taxes
The Company is a corporation for U.S. federal and state income tax purposes, and accordingly, the Company records taxes in profit or loss, except to the extent that it relates to items recognized 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.

The Company recognizes deferred tax assets to the extent that it believes it is probable the assets will be realized.

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 Group 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.

3. Critical Accounting Estimates and Judgments

The preparation of the Separate 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. These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates were revised and in any future periods affected.

Information about important estimation and judgments that have significant effects on the amounts recognized in the Separate Financial Statements is as follows:

Taxes
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

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

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 as well as in the amounts recognized in Separate Statement of Loss and Comprehensive Loss in the period in which the change occurs.

4. Borrowings

	Current	Noncurrent	Total
External loans	$ 2,146	$ 28,081	$ 30,227
Paid-in-kind	-	1,189	1,189
Debt issuance costs	(402)	(75)	(477)
Borrowings at December 31, 2023	$ 1,744	$ 29,195	$ 30,939

	Current	Noncurrent	Total
External loans	$ 2,125	$ 26,716	$ 28,841
Paid-in-kind	-	859	859
Debt issuance costs	(381)	(478)	(859)
Borrowings at December 31, 2022	$ 1,744	$ 27,097	$ 28,841

External Loans
BWE entered in a Senior Facility Agreement with Investec Bank PLC on October 28, 2019 (“Senior Facility 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 Bank PLC 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. 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.

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

A Facility

On March 2, 2020, the Company entered into a loan agreement with Investec Bank PLC which allows it to draw funds up to $8.5 million through March 2025. The loan accrues interest at SOFR plus 6.5 basis points per annum. Payments are due quarterly following a 12-month grace period and the loan matures on March 2, 2025. The debt issuance costs of $451,000 are presented as a direct deduction from Borrowings amortized over the life of the loan. As of December 31, 2023 the Company had an outstanding balance of $2.8 million, net of debt issuance costs of $68,000 respectively.

B Facility

On March 2, 2020, the Company entered into a loan agreement with Investec Bank PLC 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 (“PIK”) interest. A bullet payment is due when the loan matures on March 2, 2025. The debt issuance costs of $875,000 are presented as a direct deduction from Borrowings amortized over the life of the loan. As of December 31, 2023 the Company had an outstanding balance of $16.3 million, net of debt issuance costs of $208,000.

Revolver Facility

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

For the years ended December 31, 2023, and 2022, interest expense of $ 4.4 million and $2.5 million, respectively, were incurred on external loans.

Refer to Footnote 8, Related Party Transactions, for information on intercompany borrowings. On April 10, 2024, the Company repaid $32.0 million. Refer to Footnote 10, Subsequent Events, for additional information on the repayments.

Fair Value of Borrowings
As the Company’s external borrowings are issued with floating rates of interest and the Company’s exposure to risk has remained materially unchanged, the carrying value of borrowings approximates its fair value.

Debt Covenants
The Company has certain financial covenants for its loans to maintain a minimum debt to equity ratio of 2.60 to 1 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 year ended December 31, 2023.

The Company was in compliance with all covenants for the years ended December 31,2023 and 2022.

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

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

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

Reconciliation of liabilities arising from financial activities for the year ended December 31, 2022:

	Beginning of Year	Cash Flow	Amortization of Deferred Financing Costs	PIK	End of Year
Borrowings	$ 20,299	$ 7,875	$ 366	$ 301	$ 28,841

5. Selling, General, and Administrative Expenses

	2023	2022
General administrative	109	33
Information technology	5	-
Professional and legal fees	4,650	1,543
Total selling, general, and administrative	$ 4,764	$ 1,576

6. Other Losses

	2023	2022
Net foreign exchange gains (losses)	10	(17)
Net other income (losses)	1,721	(665)
Other income (losses), net	$ 1,731	$ (682)

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

7. 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, 2023 and 2022, respectively:

		2023		2022
Accounting profit before tax	$	(9,201)	$	(4,756)
US statutory tax rate of the reporting entity		21%		21%
Expected total tax income		(1,932)		(999)
Reconciling items				
Expenses not deductible for tax purposes		19		4
Unrecognized deferred tax benefit		1,913		994
Other		39		197
Total current and deferred tax expense	$	39	$	196

The Company has a total of $1.9 million and $1.0 million of unused tax losses at December 31, 2023 and 2022, respectively. None of these amounts have been recognized for deferred tax purposes at December 31, 2023 and 2022, respectively. Additionally, the Company has $2.9 million of interest expense carry forwards at December 31, 2023 for which no deferred tax has been recognized.

8. Related Party Transactions

Intercompany Loans

On June 30, 2022, Varel Oil and Gas Intermediate Holdings Inc.("VOIGH") executed an Intra-Group Loan Agreement with the Company, transferring $23.4 million to the Company at 10% coupon payable within a year. Immediately following, the Company executed an Intra-Group Loan Agreement with Downhole Products Limited ("DPH"), a wholly owned subsidiary of the Company, transferring $23.4 million to DPH at 10% coupon payable within a year. The Intra-Group loans agreements were forgiven by VOIGH and the Company on June 28, 2023.

On March 11, 2023, the Company entered into a loan agreement with VOIGH which allows the Company to draw funds up to $5.4 million with a maturity date of March 10, 2024. The loan accrues interest at 18% per annum. As of December 31, 2023, the Company had an outstanding balance of $6.1 million.

On June 12, 2023, the Company entered into a second loan agreement with VOIGH which allows the Company to draw funds up to $6.6 million with a maturity date of June 11, 2024. The loan accrues interest at 25% per annum. As of December 31, 2023, the Company had an outstanding balance of $7.6 million.

For the years ended December 31, 2023 and 2022, interest expense of $2.9 million and $1.2 million, respectively, were incurred on intercompany loans.

For the years ended December 31, 2023 and 2022, interest income of $1.2 million and $1.2 million, respectively, were incurred on intercompany loans.

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

A reconciliation of the current portion of borrowings, related parties the year ended December 31, 2023:

	Beginning of Year	Cash Flow	Accrued Interest	Loan Forgiveness	End of Year
Current portion of borrowings, related parties	$ 24,570	$ 12,000	$ 2,894	$ (25,740)	$ 13,724

A reconciliation of the current portion of borrowings, related parties the year ended December 31, 2022:

	Beginning of Year	Related party Loan (non- cash)	Accrued Interest	End of Year
Current portion of borrowings, related parties	$ -	$ 23,400	$ 1,170	$ 24,570

Fair Value of Borrowings

The fixed-rate intercompany notes are recorded at amortized cost, which approximates their fair value due to the nature of the terms and prevailing interest rates in the market. The interest rates on these notes are consistent with market rates for similar instruments, reflecting the credit quality and liquidity of the counterparties involved.

9. Share in subsidiaries

The Company has a direct investment in the following company:

Entity	Country	Ownership %	Currency
Varel International Energy Services, Inc.	United States	100%	USD

Additionally, the Company has indirect investments in the following companies:

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

Entity	Country	Ownership %	Currency
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	78%	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

10. Subsequent Events

The Company has evaluated subsequent events through November 2, 2024, the date that the Separate Financial Statements were available for issuance.

Bond Issuance
On April 4, 2024, the Company issued four-year $60.0 million Senior Secured Bonds (the “bonds”). The bonds carry a fixed coupon of 12.25%, payable semi-annually.

Repayment of Borrowings
In connection with the issuance of the Bonds, on April 10, 2024, the Company used a portion of the proceeds to repay $32.0 million of the Senior Facility Agreement.