UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): January 4, 2024

FORUM ENERGY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-35504	61-1488595
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

10344 Sam Houston Park Drive Suite 300 Houston TX 77064
(Address of Principal Executive Offices) (Zip Code)

281 949-2500
Registrant's telephone number, including area code
Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	FET	NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

This Amendment No. 1 on Form 8-K/A (this "Amendment") is being filed by Forum Energy Technologies, Inc. ("Forum"), a Delaware corporation, to amend and supplement its Current Report on Form 8-K filed with the Securities and Exchange Commission on January 8, 2024 (the "Initial Form 8-K"), in connection with the completion of the acquisition (the "Acquisition") by Forum Canada ULC, an Alberta corporation and a wholly owned subsidiary of Forum (the "Purchaser"), of all of the issued and outstanding common shares of Variperm Holdings Ltd., an Alberta corporation ("Variperm"), in accordance with the terms of a Stock Purchase Agreement, dated as of November 1, 2023 (the "Agreement"), by and among Forum, the Purchaser, Variperm Energy Services Partnership, Jamie Olson, Elise Robertson, Slotting RemainCo Limited Partnership and Variperm Energy Services Partnership, as the representative of the sellers named therein. Upon consummation of the Acquisition and the other transactions contemplated by the Agreement on January 4, 2024, Variperm became a wholly owned subsidiary of the Purchaser.

Forum is filing this Amendment solely to supplement Item 9.01 of the Initial Form 8-K to include (i) the historical audited consolidated financial statements of Variperm described below as required by Item 9.01(a) of Form 8-K and (ii) the pro forma financial statements described below as required by Item 9.01(b) of Form 8-K. Except as described herein, all other information in the Initial Form 8-K remains unchanged.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The historical audited consolidated financial statements and accompanying notes of Variperm as of and for the years ended December 31, 2022 and 2021 and the Report of Independent Registered Public Accounting Firm issued by Deloitte LLP are filed as Exhibit 99.1 hereto and are incorporated herein by reference.

The historical unaudited consolidated financial statements and accompanying notes of Variperm as of and for the nine months ended September 30, 2023 are filed as Exhibit 99.2 hereto and are incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined financial statements of Forum as of and for the nine months ended September 30, 2023, and for the year ended December 31, 2022 are filed as Exhibit 99.3 hereto and are incorporated herein by reference.

(d) Exhibits:

Exhibit No.	Exhibit Title or Description
23.1	Consent of Deloitte LLP.
99.1	Audited consolidated financial statements and accompanying notes of Variperm as of and for the years ended December 31, 2022 and 2021.
99.2	Unaudited consolidated financial statements and accompanying notes of Variperm as of and for the nine months ended September 30, 2023.
99.3	Unaudited pro forma condensed combined financial statements of Forum as of and for the nine months ended September 30, 2023, and for the year ended December 31, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 15, 2024

FORUM ENERGY TECHNOLOGIES, INC.

/s/ John C. Ivascu

John C. Ivascu

Executive Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement Nos. 333-213158, 333-231525, 333-239257, 333-264934 and 333-276390 on Form S-8 of Forum Energy Technologies, Inc. of our report dated March 13, 2024, relating to the financial statements of Variperm Holdings Ltd. appearing in this Current Report on Form 8-K/A (Amendment No. 1) of Forum Energy Technologies, Inc. dated March 15, 2024.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Canada
March 15, 2024

Consolidated financial statements of

Variperm Holdings Ltd.

December 31, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Variperm Holdings Ltd.

Opinion

We have audited the consolidated financial statements of Variperm Holdings Ltd. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of earnings and retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements (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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with Accounting Standards for Private Enterprises in Canada.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company prepares its financial statements in accordance with Accounting Standards for Private Enterprises in Canada, which differs from accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Private Enterprises in Canada, 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 required to evaluate whether 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 one year after the date that the financial statements are issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Canada
March 13, 2024

Variperm Holdings Ltd.
Consolidated balance sheets
As at December 31, 2022 and 2021

	Notes	2022 $	2021 $
Assets			
Current assets			
Accounts receivable		30,200,371	24,274,804
Prepaid expenses and deposits	3	6,372,272	2,416,383
Inventories	4	19,176,915	9,735,472
Income taxes recoverable		—	520,465
		55,749,558	36,947,124
Property and equipment	5	30,121,968	31,325,463
Intangible assets	6	1,011,000	1,011,000
Goodwill		8,975,381	8,975,381
		95,857,907	78,258,968
Liabilities			
Current liabilities			
Short-term borrowings	7	12,314,086	8,697,540
Accounts payable and accrued liabilities	8	6,333,118	7,335,108
Income taxes payable	9	9,090,767	—
Deferred revenue		1,246,714	1,837,669
		28,984,685	17,870,317
Future income taxes	9	4,890,000	3,652,000
Due to Variperm Energy Services Partnership	13	10	10
		33,874,695	21,522,327
Commitments and contingencies	11		
Shareholders' equity			
Share capital	10	20,596,806	52,534,918
Contributed surplus	10	1,349,741	1,100,241
Retained earnings		40,036,665	3,101,482
		61,983,212	56,736,641
		95,857,907	78,258,968

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

Variperm Holdings Ltd.
Consolidated statements of earnings and retained earnings
Year ended December 31, 2022 and 2021

	Notes	2022 $	2021 $
Revenue			
Product		145,797,515	53,136,208
Service		7,387,697	4,768,402
Total revenue		153,185,212	57,904,610
Direct costs		81,955,388	35,380,751
Depreciation of property and equipment		3,850,880	2,651,193
Gross profit		67,378,944	19,872,666
General and administrative expenses		17,825,159	9,536,969
Earnings from operations before the following		49,553,785	10,335,697
Other expenses (income)			
Loss on disposal of property and equipment		551,298	—
Interest expense and fees		345,989	109,331
Stock-based compensation	10	296,400	137,423
Foreign exchange (income) loss		(155,595)	41,798
Transaction costs		—	816,074
		1,038,092	1,104,626
Earnings before income taxes		48,515,693	9,231,071
Income taxes			
Current		10,327,521	223,320
Future	9	1,238,000	1,993,000
		11,565,521	2,216,320
Net earnings		36,950,172	7,014,751
Retained earnings (deficit), beginning of year		3,101,482	(3,913,269)
Dividends		(14,989)	—
Retained earnings, end of year		40,036,665	3,101,482

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

Variperm Holdings Ltd.

Consolidated statements of cash flows

Year ended December 31, 2022 and 2021

	Notes	2022 $	2021 $
Operating activities			
Net earnings		36,950,172	7,014,751
Items not affecting cash			
Depreciation of property and equipment		3,850,880	2,651,193
Loss on disposal of property and equipment		551,298	—
Future income taxes		1,238,000	1,993,000
Stock-based compensation		296,400	137,423
Amortization of deferred finance charges		—	24,885
		42,886,750	11,821,252
Changes in non-cash operating working capital items			
Accounts receivable		(5,925,567)	(16,665,516)
Inventories		(9,441,443)	(3,132,287)
Prepaid expenses and deposits		(3,955,889)	(1,301,966)
Accounts payable and accrued liabilities		(1,001,990)	3,848,547
Income taxes payable		9,611,232	(1,174,454)
Deferred revenue		(590,955)	—
		(11,304,612)	(18,425,676)
		31,582,138	(6,604,424)
Investing activities			
Business acquisition, net of cash acquired	2	—	1,417,574
Purchase of property and equipment		(3,318,465)	(299,317)
Proceeds on disposal of property and equipment		119,782	—
		(3,198,683)	1,118,257
Financing activities			
Return of capital	10	(31,985,012)	(3,990,491)
Dividends paid		(14,989)	—
Repayment of long term debt		—	(493,779)
		(32,000,001)	(4,484,270)
Decrease in cash		(3,616,546)	(9,970,437)
(Short-term borrowings) cash, beginning of year		(8,697,540)	1,272,897
Short-term borrowings, end of year		(12,314,086)	(8,697,540)

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

Variperm Holdings Ltd. (the "Company") was established as a Canadian corporation incorporated under the Business Corporations Act of Alberta on January 20, 2014. The Company, through its wholly owned subsidiaries, Variperm Energy Services Inc., 2357835 Alberta Ltd., and Pacific Perforating Inc., provides sand control and related downhole products and services to the oilfield and agricultural industries in Western Canada as well as California, USA.

1. Accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting standards for private enterprises ("ASPE") in Canada and include the consolidated financial position, results of operations, and cash flows of the Company and its wholly owned subsidiaries. All intercompany balances, transactions and profits have been eliminated.

Change in accounting policy

Effective January 1, 2022, the Company has adopted the amendments to Handbook Section 3400, Revenue ("Section 3400"), which provided additional guidance relating to the accounting for multiple elements of a contract, percentage of completion, determination of principal or agent, and bill and hold transactions.

The application of this amendment does not have an impact on the Company's financial statements.

Principles of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries.

The Company's subsidiaries are those entities over which the Company has control and has the right and ability to obtain future economic benefits, and is exposed to the related risks. Control is the continuing power to determine the strategic operating, investing and financing policies of the other entity without the co-operation of others, and may be achieved through voting rights, contractual rights, potential voting rights or a combination thereof.

Use of estimates

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the net realizable value of inventories, the useful life of long-lived assets, the potential impairment of goodwill and indefinite-life intangible assets, income taxes, the fair value of certain financial instruments and liabilities under legal contingencies. Actual results could differ from these estimates.

1. Accounting policies (continued)

Financial instruments

The Company's financial instruments recognized in the balance sheet consists of accounts receivable, short-term borrowings, accounts payable and accrued liabilities, and amounts due to Variperm Energy Services Partnership, a shareholder of the Company. Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at amortized cost, and tested for impairment when there are indications of possible impairment. A previously recognized impairment loss may be reversed to a maximum of the original impairment. The amount of the write-down and any subsequent reversal is recognized in income in the period realized. Transaction costs on the acquisition, sale, or issue of financial instruments which are subsequently measured at fair value, are expensed when incurred. Transaction costs on the acquisition, sale or issue of all other financial instruments are added to or netted with the cost and are recognized straight-line over the expected life of the instrument.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit in banks, cash on hand and borrowings of a short-term nature through revolving bank facilities.

Inventories

Inventories are valued at the lower of cost and market. Work in progress cost consists of direct material and labour. Direct material cost is determined on a first-in, first-out basis. Market is defined as net realizable value.

Property and equipment

Property and equipment are recorded at cost. Repairs and maintenance expenditures that do not extend the useful life or improve the efficiency of the asset are expensed. Depreciation is provided by the Company at rates determined to depreciate the cost of the assets over their estimated useful lives as follows:

Equipment	10 years straight line
Rental tools	20 years straight line
Automative	5 years straight line
Office equipment	5 years straight line
Leasehold improvements	Over the term of the lease

Intangible assets

Intangible assets are trade names and are recorded at cost, which have an indefinite life and therefore are not amortized.

Goodwill

The excess cost of assets acquired over the fair value of the identifiable assets acquired is recorded as goodwill. The value of goodwill of individual reporting units is assessed when events occur which indicate that there may have been impairment in the value. Goodwill is assessed by comparing the fair value of a reporting unit to the carrying value of its net assets. Where carrying value exceeds fair value, the carrying value is written down to equal fair value. Fair value of a reporting unit is determined by reference to discounted cash flow estimates, or other methods such as reference to recent market transactions involving similar assets.

1. Accounting policies (continued)

Long-lived assets

When events indicate that a decrease in the net recoverable value of long-lived assets, which include property and equipment and intangible assets, may have occurred, management assesses the carrying value for indications of impairment. Impairment is tested by comparing the carrying value of the asset to its net recoverable value, the carrying value is written down to equal net recoverable value. The net recoverable value is determined by reference to cash flow estimates. There is no impairment for the years ended December 31, 2022 or 2021.

Income taxes

The Company uses the future tax method of accounting for income taxes. Under this method, temporary differences arising between the tax basis of an asset or liabilities and its carrying amount on the balance sheet are used to calculate the future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

Revenue recognition

Revenue from slotting, seaming, wire-wrap, punch screen, flow control and machining is recognized when the service or product is complete and control is transferred to the customer where contractual arrangements permit, otherwise recognition occurs when products are shipped. All revenues are recognized only when evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured.

Any advance payment that the Company receives for products that are to be delivered in the future is deferred on the balance sheet until such time that the product is completed and shipped.

Stock-based compensation

The Company has a stock-based compensation plan described in Note 9. The fair value method of accounting is applied for awards and options awarded to directors, officers, employees and providers of service. Compensation is recorded based on the estimated fair value of the option on the grant date. Consideration paid on the exercise of options is recorded as contributed capital. Forfeitures are accounted for as an adjustment to expense when incurred.

Foreign currency translation

The consolidated financial statements of the Company are reported in Canadian dollars. One of the Company’s subsidiaries uses the US dollar as their measurement currency which is translated into Canadian dollars on consolidation using the temporal method. The subsidiary is considered to be a fully integrated foreign operation. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Non-monetary items are translated at the exchange rate prevailing on the transaction date. Income and expenses are translated at the average exchange rate prevailing during the period in which the transactions take place. Unrealized gains and losses arising from foreign currency translation are included in the consolidated statements of earnings and retained earnings.

1. Accounting policies (continued)

Employee benefit plan

The Company has a defined contribution RRSP plan that all employees can participate in. Employer contributions to the plan are expensed as employees earn the entitlement and contributions are made. Under the plan, the Company matches individual contributions up to a specified percentage of employee's compensation. The total expense under the defined contribution plan was $259,024 ($90,263 in 2021).

Government programs

In response to the COVID-19 pandemic, Governments within Canada and the United States enacted multiple programs to help people and businesses manage their way through the pandemic. The following programs had an impact on the Company:

The federal government's Canada Emergency Wage Subsidy ("CEWS") is a wage subsidy program administered through employers with the goals of keeping employees on company payrolls and avoiding layoffs and terminations, helping to ensure that government run benefit programs were not overwhelmed and getting workers income in a timely fashion. The Company was eligible for $nil in 2022 ($809,943 in 2021) through the CEWS program which has been recorded as a reduction of wage expense.

The federal government's Canada Emergency Rent Subsidy ("CERS") is a rent subsidy program designed to assist businesses who have seen a drop in revenue during the COVID-19 pandemic continue to meet their rent obligations. The Company was eligible for $nil in 2022 ($189,914 in 2021) through the CERS program. The Company has elected to use the practical expedient to record these funds and has recorded them as a reduction of rent expense.

All government program amounts are subject to audit from the Canada Revenue Agency ("CRA") and as the Legislation on the programs is new, it is unknown how the CRA may interpret the Law and whether that interpretation may have an impact on the amounts recorded in these financial statements or on the Company in the future.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value and represents the sum of the assets transferred, liabilities incurred to former owners and equity interests issued to them at the acquisition date, in exchange for control of the business. Any liability arising from a contingent consideration arrangement is measured at its acquisition-date fair value and included in the consideration transferred. Identifiable assets acquired and liabilities assumed are initially measured at their acquisition-date fair values, with limited exceptions. Acquisition-related costs, other than those related to the issuance of debt or equity securities, are expensed when incurred.

2. Business acquisition

On July 23, 2021 the Company acquired the net assets of RGL Reservoir Management ("RGL") and Pacific Perforating Inc. ("PPI") for total non-cash consideration of $28,775,399. The purchase price was settled by the issuance of 2,683,334 Class B common shares, representing a 46% interest in the Company.

The acquisition was accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The purchase price allocation is based on management's best estimates of fair values of RGL's and PPI's assets and liabilities as at July 23, 2021.

2. Business acquisition (continued)

The purchase prices have been allocated as follows on July 23, 2021:

	$
Cash	1,417,574
Accounts receivable	4,072,927
Inventories	2,534,507
Prepaid expenses	1,049,580
Property and equipment	21,575,399
Accounts payable and accrued liabilities	(1,874,588)
Net assets acquired	28,775,399
The purchase price is comprised of the following:	
2,683,334 Class B common shares	28,775,399
	28,775,399

The fair values of cash, accounts receivable, inventories, prepaid expenses, and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of the instruments. The fair value of property and equipment was determined using a third-party appraisal report.

3. Prepaid expenses and deposits

	2022 $	2021 $
Prepaid - insurance	490,864	414,358
Prepaid - other	111,292	145,264
Deposits	5,770,116	1,856,761
	6,372,272	2,416,383

4. Inventories

	2022 $	2021 $
Direct materials	18,603,716	8,764,020
Work in progress	573,199	971,452
	19,176,915	9,735,472

Inventories expensed in direct costs for the year were $72,716,930 ($31,146,570 in 2021).

5. Property and equipment

	Cost $	Accumulated depreciation $	2022 Net book value $
Equipment	39,858,097	13,829,782	26,028,315
Rental tools	3,442,000	—	3,442,000
Automotive	1,451,652	978,178	473,474
Office equipment	474,984	385,247	89,737
Leasehold improvements	1,670,544	1,647,646	22,898
Assets under construction	65,544	—	65,544
	46,962,821	16,840,853	30,121,968

	Cost $	Accumulated depreciation $	2021 Net book value $
Equipment	36,598,039	9,350,910	27,247,129
Rental tools	3,442,000	—	3,442,000
Automotive	1,506,821	1,110,201	396,620
Office equipment	468,413	341,063	127,350
Leasehold improvements	1,658,754	1,597,131	61,623
Assets under construction	50,741	—	50,741
	43,724,768	12,399,305	31,325,463

Assets under construction include equipment purchased but not yet installed or put into operation at year-end.

6. Intangible assets

	Cost $	Accumulated impairment $	2022 Net book value $
Trade names	1,577,000	566,000	1,011,000

	Cost $	Accumulated impairment $	2021 Net book value $
Trade names	1,577,000	566,000	1,011,000

7. Short term borrowings

The Company has available an operating loan facility authorized to $30,000,000 CAD or $22,815,510 USD, in the form of a demand revolving loan which bears interest at prime plus 0.60% and US base rate plus 0.60% respectively. The prime rate ranged from 2.45% to 6.45% in 2022 and it was 2.45% in 2021. The US base rate ranged from 3.25% to 7.5% in 2022 and it was 3.25% in 2021. The amounts drawn are in CAD and USD, and are repayable in that currency. The facility was set to mature March 21, 2023 but was extended to September 30, 2024 subsequent to year-end. The Company was in compliance with all covenants and conditions for 2022 and 2021.

8. Accounts payable and accrued liabilities

	2022 $	2021 $
Accounts payable	5,225,991	6,208,547
Accrued liabilities	788,174	713,440
Government remittances payable	318,953	413,121
	6,333,118	7,335,108

9. Future income taxes

The Company uses the future income tax method to determine future income tax on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their respective tax bases. Future income tax is calculated using the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized. If expected tax rates change, future income taxes are adjusted to the new rates.

At December 31, 2022, the Company had cumulative loss carryforward of $nil (2021 – $205,595) available to reduce future taxable income. During the year ended December 31, 2022, the Company used $205,595 of loss carryforwards ($986,106 in 2021)

The composition of the net future tax liability consists of:

	2022 $	2021 $
Property and equipment	4,880,720	3,879,901
Deferred financing fees	(3,979)	(5,642)
Loss carryforwards	(61,260)	(288,883)
Other	74,519	66,624
	4,890,000	3,652,000

The movement in the future tax liability account is as follows:

	2022 $	2021 $
Future tax liability - opening balance	3,652,000	1,659,000
Future tax expense	1,238,000	1,993,000
	4,890,000	3,652,000

10. Share capital

Authorized

Unlimited Common shares, issuable in series

Issued

	#	$
Class A common shares		
January 1, 2021	3,150,001	27,750,010
Return of capital	—	(3,990,491)
December 31, 2021	3,150,001	23,759,519
Return of capital	—	(17,271,906)
December 31, 2022	**3,150,001**	**6,487,613**
Class B common shares		
January 1, 2021	—	—
Issued in business acquisition (Note 2)	2,683,334	28,775,399
December 31, 2021	2,683,334	28,775,399
Return of capital	—	(14,713,106)
December 31, 2022	**2,683,334**	**14,062,293**
Class C common shares		
January 1, 2021	—	—
Return of capital	—	—
December 31, 2021	—	—
Issued through stock awards	4,375	46,900
December 31, 2022	**4,375**	**46,900**
	5,837,710	**20,596,806**

Any distributions, either by way of dividend or return of capital, are recorded when declared and approved by the Board of Directors. During the year ended December 31, 2022, a dividend of $nil was paid on the common shares ($nil in 2021).

The Company has established a stock option plan for directors, officers and key employees. The Board of Directors may periodically designate which directors, officers and employees of the Company are to be granted options. The terms and conditions are determined by the Board of Directors and are issued with the exercise price being equal to estimated fair value of the Company's units at the time of issue, expire 10 years from the issue date and vest over 4 years.

Details of the option agreements outstanding are as follows:

Price range $	Outstanding #	Average life remaining	Weighted average strike price $	Vested #	Weighted average strike price of vested options $
7.63 – 10.00	299,500	6.50 years	9.64	217,375	9.71

10. Share capital (continued)

During the year 44,500 options were granted to employees (45,000 in 2021) and no (nil in 2021) options were forfeited. Compensations costs of $249,500 ($137,423 in 2021) determined using the calculated value method were charged to net earnings in the current year. Assumptions under the fair value method for the year were a risk free rate between 0.68% and 3.66%, expected life of the options of 10 years, a 0% forfeiture rate, a volatility rate of 46% and no expected dividends. The Company recognizes compensation costs on a straight-line basis.

Changes to contributed surplus relating to these costs are as follows:

	$
January 1, 2021	962,818
Stock-based compensation costs for options - 2021	137,423
December 31, 2021	1,100,241
Stock-based compensation costs for options - 2022	249,500
December 31, 2022	1,349,741

On September 1, 2021 the Company granted two employees stock awards. A total of 17,500 Class C common shares were awarded to these employees, which will vest over four years. On each anniversary of the agreement, providing that the employees still work for the Company, 4,375 shares will be issued. During the 2022 year 4,375 (nil in 2021) of these stock awards were issued with a value of $46,900. Dividends on these stock awards paid during the year were $14,989 (nil in 2021).

Included in the stock based compensation expense on the face of the income statement is the expense for both the stock options of $249,500, and the stock awards of $46,900.

11. Commitments and contingencies

(i) The Company has various operating lease commitments with minimum payments of: $2,253,826 in 2023, $2,065,503 in 2024, $1,497,979 in 2025, $656,705 in 2026, and $20,000 in 2027

(ii) The Company, through performance of its services and product sales obligations, is sometimes named as a defendant in litigation. The Company maintains a level of insurance coverage deemed appropriate by management and for matters for which insurance coverage can be maintained.

(iii) The Company is a party to two legal proceedings. Although the ultimate result of the legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of these claims will not have a material effect on the financial position of the Company, its cash flows or net earnings.

12. Risk management activities

The Company is exposed to financial risks that are managed as follows:

Credit risk

Accounts receivable include balances from a large number of customers. The Company assesses the credit worthiness of its customers on an on-going basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risk associated with these amounts as normal for the industry. Primarily all of the Company's trade receivables are from customers in or related to the oil and gas industry. At year-end, four customers (three in 2021) accounted for 55% (60% in 2021) of trade accounts receivable. As at December 31, 2022, the Company had an allowance for doubtful accounts of $nil on outstanding trade receivables ($nil in 2021).

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the Company's cash flow, financial position and earnings. The risk relates primarily to the Company's short-term borrowings financed at floating rates of interest. Management monitors interest rate trends and will fix rates or enter into hedging transactions as deemed necessary. No derivative financial instruments for hedging purposes are outstanding at year-end. Based on the outstanding balance at year-end, if prime changed by 1%, it would impact earnings by $123,000.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of the available credit facilities. The available credit facility provides flexibility in the short-term to meet operational needs and bridge long-term financing.

Currency risk

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has currency risk relating to purchases and sales of product in foreign currencies. Management monitors the prevailing exchange rates and has the ability to enter into derivative contracts to attempt to mitigate currency risk if deemed appropriate. At year end the Company has no forward contracts in place.

Market risk

The Company's primary customer base is involved in the oil and gas sector in Western Canada and as such the Company's revenues are exposed to fluctuations in prices for natural gas, crude oil and natural gas liquids. Commodity prices are affected by many factors including supply, demand and the Canadian and U.S. dollar exchange rate.

Insurance

The Company purchases discretionary insurance to cover property damage, business interruption and liability risk of loss exposure.

13. Related parties

The Company rents property from Nurco Holdings Ltd. which is owned by James Nurcombe (Company's Founder and Chairman). These transactions were made in the normal course of business and have been recorded at the exchange amounts. The amount paid for rent was $480,630 for the year ended 2022 ($480,630 in 2021).

Amounts due to Variperm Energy Services Inc., a shareholder of the Company, are non-interest bearing with no fixed terms of repayment.

14. Reconciliation to United States generally accepted accounting principles

These consolidated financial statements for years ended December 31, 2022 and 2021 have been prepared in accordance with ASPE which differs in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). These consolidated financial statements are reported in Canadian dollars and the effects of price level changes and foreign currency translations are not considered in this reconciliation.

The following is a summary of material adjustments to net earnings for the years ended December 31, 2022 and 2021 and shareholders' equity as of December 31, 2022 and 2021, necessary to reconcile those to net earnings and shareholders' equity determined in accordance with U.S. GAAP.

Reconciliation of net earnings under ASPE to U.S. GAAP

	2022 $	2021 $
Net earnings as reported under ASPE	36,950,175	7,014,751
Operating lease expense	(2,014,256)	(1,234,440)
Amortization of leased assets	2,100,833	1,312,770
Accretion of lease liabilities	40,144	26,426
Net earnings under U.S. GAAP	37,076,896	7,119,507

Reconciliation of shareholders' equity under ASPE to U.S. GAAP

	2022 $	2021 $
Shareholders' equity as reported under ASPE	61,983,212	56,736,641
Opening retained earnings	104,756	—
Operating lease assets	5,800,665	7,901,498
Operating lease liabilities	(5,927,386)	(8,006,254)
Shareholders' equity under U.S. GAAP	61,961,247	56,631,885

14. Reconciliation to United States generally accepted accounting principles (continued)

Operating leases

In these consolidated financial statements, lease rentals related to operating leases were recognized in net earnings over the lease term on a straight-line basis. No assets or liabilities were recognized on the balance sheet.

Under U.S. GAAP, assets and liabilities are recognized on the balance sheet for the rights and obligations created by operating leases and the operating lease expense is recognized on a straight-line basis over the term of the lease.

Consolidated statements of cash flows

In respect of the adjustments above, the differences between cash flows reported in the consolidated statements of cash flows in accordance with ASPE versus that under U.S. GAAP is a reduction of operating cash flows and an increase in financing cash flows in the amount of $126,721 for the year ended December 31, 2022, and $104,756 for the year ended December 31, 2021.

Aside from the above, there are no material differences between cash flows reported in the consolidated statements of cash flows under ASPE and the consolidated statements of cash flows prepared in accordance with U.S. GAAP.

15. Subsequent events

On November 1, 2023 a purchase agreement was entered into to sell all the shares of the Company to a company whose shares are traded on the New York Stock Exchange. The transaction closed on January 4, 2024.

Subsequent to December 31, 2022, the directors of the Company approved a distribution of $36,000,000, consisting of $16,585,716 of return of capital and $19,414,284 of dividends to shareholders.

Consolidated financial statements of

Variperm Holdings Ltd.

September 30, 2023 and 2022

Variperm Holdings Ltd.
Consolidated balance sheets
As at September 30, 2023 and December 31, 2022
(Unaudited)

	Notes	September 30, 2023 $	December 31, 2022 $
Assets			
Current assets			
Cash		25,233,418	—
Accounts receivable		24,667,970	30,200,371
Inventories	3	18,324,565	19,176,915
Prepaid expenses and deposits	2	2,301,745	6,372,272
		70,527,698	55,749,558
Property and equipment	4	28,457,097	30,121,968
Intangible assets	5	1,011,000	1,011,000
Goodwill		8,975,381	8,975,381
		108,971,176	95,857,907
Liabilities			
Current liabilities			
Short-term borrowings	6	—	12,314,086
Accounts payable and accrued liabilities		8,599,957	6,333,118
Income taxes payable		4,938,752	9,090,767
Deferred revenue		89,761	1,246,714
		13,628,470	28,984,685
Future income taxes	7	4,802,000	4,890,000
Due to Variperm Energy Services Partnership	11	10	10
		18,430,480	33,874,695
Commitments and contingencies	9		
Shareholders' equity			
Share capital	8	13,523,631	20,596,806
Contributed surplus	8	1,498,945	1,349,741
Retained earnings		75,518,120	40,036,665
		90,540,696	61,983,212
		108,971,176	95,857,907

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

	Notes	September 30, 2023 (9 months) $	September 30, 2022 (9 months) $
Revenue			
Product		127,606,686	103,894,496
Service		4,137,003	5,614,023
Total revenue		131,743,689	109,508,519
Direct costs		63,791,249	60,442,761
Depreciation of property and equipment		3,116,881	2,980,781
Gross profit		64,835,559	46,084,977
General and administration expenses		14,408,882	12,755,284
Earnings from operations before the following		50,426,677	33,329,693
Other expenses (income)			
Interest and fees		267,310	261,286
Stock-based compensation	8	196,104	234,024
Gain on disposal of property and equipment		(8,381)	(104,768)
Foreign exchange (gain) loss		(141,528)	348,675
		313,505	739,217
Earnings before income taxes		50,113,172	32,590,476
Income tax expense (recovery)			
Current		11,839,793	7,202,295
Future	7	(88,000)	626,600
		11,751,793	7,828,895
Net earnings		38,361,379	24,761,581
Retained earnings, beginning of period		40,036,665	3,101,482
Dividends		(2,879,924)	—
Retained earnings, end of period		75,518,120	27,863,063

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

	Notes	September 30, 2023 (9 months) $	September 30, 2022 (9 months) $
Operating activities			
Net earnings		38,361,379	24,761,581
Items not affecting cash			
Depreciation of property and equipment		3,116,881	2,980,781
Gain on disposal of property and equipment		(8,381)	(104,768)
Future income taxes		(88,000)	626,600
Stock-based compensation	8	196,104	234,024
		41,577,983	28,498,218
Changes in non-cash operating working capital items			
Accounts receivable		5,532,401	(10,328,792)
Inventories		852,350	(6,689,061)
Prepaid expenses and deposits		4,070,527	(2,671,568)
Accounts payable and accrued liabilities		2,266,839	(393,042)
Income taxes payable		(4,152,015)	7,387,016
Deferred revenue		(1,156,953)	4,487,892
		7,413,149	(8,207,555)
		48,991,132	20,290,663
Investing activities			
Purchase of property and equipment		(1,473,676)	(2,210,665)
Proceeds on disposal of property and equipment		30,047	130,422
		(1,443,629)	(2,080,243)
Financing activities			
Return of capital	8	(7,120,075)	(12,000,000)
Dividends paid		(2,879,924)	—
		(9,999,999)	(12,000,000)
Increase in cash		37,547,504	6,210,420
(Short-term borrowings), beginning of period		(12,314,086)	(8,697,540)
Cash (short-term borrowings), end of period		25,233,418	(2,487,120)

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

Variperm Holdings Ltd. (the "Company") was established as a Canadian corporation incorporated under the Business Corporations Act of Alberta on January 20, 2014. The Company, through its wholly owned subsidiaries, Variperm Energy Services Inc., 2357835 Alberta Ltd., and Pacific Perforating Inc., provides sand control and related downhole products and services to the oilfield and agricultural industries in Western Canada as well as California, USA.

1. Accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting standards for private enterprises ("ASPE") in Canada and include the consolidated financial position, results of operations, and cash flows of the Company and its wholly owned subsidiaries. All intercompany balances, transactions and profits have been eliminated.

Principles of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries.

The Company's subsidiaries are those entities over which the Company has control and has the right and ability to obtain future economic benefits, and is exposed to the related risks. Control is the continuing power to determine the strategic operating, investing and financing policies of the other entity without the co-operation of others, and may be achieved through voting rights, contractual rights, potential voting rights or a combination thereof.

Use of estimates

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the net realizable value of inventories, the useful life of long-lived assets, the potential impairment of goodwill and indefinite-life intangible assets, income taxes, the fair value of certain financial instruments and liabilities under legal contingencies. Actual results could differ from these estimates.

Financial instruments

The Company's financial instruments recognized in the balance sheet consists of accounts receivable, short-term borrowings, accounts payable and accrued liabilities, and amounts due to Variperm Energy Services Partnership, a shareholder of the Company. Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at amortized cost, and tested for impairment when there are indications of possible impairment. A previously recognized impairment loss may be reversed to a maximum of the original impairment. The amount of the write-down and any subsequent reversal is recognized in income in the period realized. Transaction costs on the acquisition, sale, or issue of financial instruments which are subsequently measured at fair value, are expensed when incurred. Transaction costs on the acquisition, sale or issue of all other financial instruments are added to or netted with the cost and are recognized straight-line over the expected life of the instrument.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit in banks, cash on hand and borrowings of a short-term nature through revolving bank facilities.

1. Accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and market. Work in progress cost consists of direct material and labour. Direct material cost is determined on a first-in, first-out basis. Market is defined as net realizable value.

Property and equipment

Property and equipment are recorded at cost. Repairs and maintenance expenditures that do not extend the useful life or improve the efficiency of the asset are expensed. Depreciation is provided by the Company at rates determined to depreciate the cost of the assets over their estimated useful lives as follows:

Equipment	10 years straight line
Rental tools	20 years straight line
Automative	5 years straight line
Office equipment	5 years straight line
Leasehold improvements	Over the term of the lease

Intangible assets

Intangible assets are trade names and are recorded at cost, which have an indefinite life and therefore are not amortized.

Goodwill

The excess cost of assets acquired over the fair value of the identifiable assets acquired is recorded as goodwill. The value of goodwill of individual reporting units is assessed when events occur which indicate that there may have been impairment in the value. Goodwill is assessed by comparing the fair value of a reporting unit to the carrying value of its net assets. Where carrying value exceeds fair value, the carrying value is written down to equal fair value. Fair value of a reporting unit is determined by reference to discounted cash flow estimates, or other methods such as reference to recent market transactions involving similar assets.

Long-lived assets

When events indicate that a decrease in the net recoverable value of long-lived assets, which include property and equipment and intangible assets, may have occurred, management assesses the carrying value for indications of impairment. Impairment is tested by comparing the carrying value of the asset to its net recoverable value, the carrying value is written down to equal net recoverable value. The net recoverable value is determined by reference to cash flow estimates. There is no impairment for the period ended September 30, 2023 or year ended December 31, 2022.

Income taxes

The Company uses the future tax method of accounting for income taxes. Under this method, temporary differences arising between the tax basis of an asset or liabilities and its carrying amount on the balance sheet are used to calculate the future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

1. Accounting policies (continued)

Revenue recognition

Revenue from slotting, seaming, wire-wrap, punch screen, flow control and machining is recognized when the service or product is complete and control is transferred to the customer where contractual arrangements permit, otherwise recognition occurs when products are shipped. All revenues are recognized only when evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured.

Any advance payment that the Company receives for products that are to be delivered in the future is deferred on the balance sheet until such time that the product is completed and shipped.

Stock-based compensation

The Company has a stock-based compensation plan described in Note 9. The fair value method of accounting is applied for awards and options awarded to directors, officers, employees and providers of service. Compensation is recorded based on the estimated fair value of the option on the grant date. Consideration paid on the exercise of options is recorded as contributed capital. Forfeitures are accounted for as an adjustment to expense when incurred.

Foreign currency translation

The consolidated financial statements of the Company are reported in Canadian dollars. One of the Company's subsidiaries uses the US dollar as their measurement currency which is translated into Canadian dollars on consolidation using the temporal method. The subsidiary is considered to be a fully integrated foreign operation. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Non-monetary items are translated at the exchange rate prevailing on the transaction date. Income and expenses are translated at the average exchange rate prevailing during the period in which the transactions take place. Unrealized gains and losses arising from foreign currency translation are included in the consolidated statements of earnings and retained earnings.

Employee benefit plan

The Company has a defined contribution RRSP plan that all employees can participate in. Employer contributions to the plan are expensed as employees earn the entitlement and contributions are made. Under the plan, the Company matches individual contributions up to a specified percentage of employee's compensation. The total expense under the defined contribution plan was $367,032 ($259,024 in 2022).

2. Prepaid expenses and deposits

	September 30, 2023 $	December 31, 2022 $
Prepaid - insurance	82,669	490,864
Prepaid - other	192,405	111,292
Deposits	2,026,671	5,770,116
	2,301,745	6,372,272

3. Inventories

	September 30, 2023 $	December 31, 2022 $
Direct materials	17,868,607	18,603,716
Work in progress	455,958	573,199
	18,324,565	19,176,915

4. Property and equipment

	Cost $	Accumulated depreciation $	September 30, 2023 Net book value $
Equipment	40,062,563	16,254,417	23,808,146
Rental tools	3,442,000	-	3,442,000
Automotive	1,792,638	952,162	840,476
Office equipment	478,423	417,323	61,100
Leasehold improvements	1,753,301	1,670,779	82,522
Assets under construction	222,853	-	222,853
	47,751,778	19,294,681	28,457,097

4. Property and equipment (continued)

	Cost $	Accumulated depreciation $	December 31, 2022 Net book value $
Equipment	39,858,097	13,829,782	26,028,315
Rental tools	3,442,000	-	3,442,000
Automotive	1,451,652	978,178	473,474
Office equipment	474,984	385,247	89,737
Leasehold improvements	1,670,544	1,647,646	22,898
Assets under construction	65,544	-	65,544
	46,962,821	16,840,853	30,121,968

Assets under construction include equipment purchased but not yet installed or put into operation at period end.

5. Intangible assets

	Cost $	Accumulated impairment $	September 30, 2023 Net book value $
Trade names	1,577,000	566,000	1,011,000

	Cost $	Accumulated impairment $	December 31, 2022 Net book value $
Trade names	1,577,000	566,000	1,011,000

6. Short-term borrowings

The Company has available an operating loan facility authorized to $30,000,000 CAD or $23,814,589 USD, in the form of a demand revolving loan which bears interest at prime plus 0.60% and US base rate plus 0.60% respectively. The prime rate ranged from 6.45% to 7.2% in 2023 and 2.45% to 6.45% in 2022. The US base rate ranged from 7.5% to 8.5% in 2023 and 3.25% to 7.5% in 2022. The amounts drawn are in CAD and USD and are repayable in that currency. The facility matures on September 30, 2024. The Company was in compliance with all covenants and conditions throughout September 30, 2023 and December 31, 2022.

7. Future income taxes

At period-end, the future tax liability relates to higher accounting carrying values for property and equipment than tax values. The difference is due to different rates of depreciation allowed for tax than are used for accounting.

8. Share capital

Authorized

Unlimited Common Shares, issuable in series.

Issued

	#	$
Class A common shares		
January 1, 2022	3,150,001	23,759,519
Return of capital	—	(17,271,906)
December 31, 2022	3,150,001	6,487,613
Return of capital	—	(2,523,523)
September 30, 2023	3,150,001	3,964,090
Class B common shares		
January 1, 2022	2,683,334	28,775,399
Return of capital	—	(14,713,106)
December 31, 2022	2,683,334	14,062,293
Return of capital	—	(4,596,552)
September 30, 2023	2,683,334	9,465,741
Class C common shares		
January 1, 2022	—	—
Issued through stock awards	4,375	46,900
December 31, 2022	4,375	46,900
Issued through stock awards	4,375	46,900
September 30, 2023	8,750	93,800
Total	5,842,085	13,523,631

Any distributions, either by way of dividend or return of capital, are recorded when declared and approved by the Board of Directors. During the 2023 period, a dividend of $2,872,430 ($nil in 2022) was paid on the class A common shares.

The Company has established a stock option plan for directors, officers and key employees. The Board of Directors may periodically designate which directors, officers and employees of the Company are to be granted options. The terms and conditions are determined by the Board of Directors and are issued with the exercise price being equal to estimated fair value of the Company's units at the time of issue, expire 10 years from the issue date and vest over 4 years.

Details of the option agreements outstanding are as follows:

Price range $	Outstanding #	Average life remaining	Weighted average strike price $	Vested #	Weighted average strike price of vested options $
7.63 - 10.00	299,500	5.90 years	9.64	242,594	9.71

During the period, no options were granted to employees (44,500 in 2022) and no (nil in 2022) options were forfeited. Compensation costs of $149,204 ($249,500 in 2022) determined using the fair value method were charged to net earnings in the current period. Assumptions under the fair value method for the period were a risk free rate between 1.10% and 2.18%, expected life of the options of 10 years, a 0% forfeiture rate, a volatility rate of 46% - 59% and no expected dividends. The Company recognizes compensation costs on a straight-line basis.

8. Share capital (continued)

Changes to contributed surplus relating to these costs are as follows:

	$
January 1,2022	1,100,241
Stock-based compensation costs for options - 2022	249,500
December 31, 2022	1,349,741
Stock-based compensation costs for options - 2023	149,204
September 30, 2023	**1,498,945**

On September 1, 2021 the Company granted two employees stock awards. A total of 17,500 Class C common shares were awarded to these employees, which will vest over four years. On each anniversary of the agreement, providing that the employees still work for the Company, 4,375 shares will be issued. During the 2023 period, 4,375 (4,375 in 2022) of these stock awards were issued with a value of $46,900 ($46,900 in 2022). Dividends on these stock awards paid during the 2023 period were $7,494 ($14,989 in 2022).

Included in the stock based compensation expense on the face of the income statement is the expense for both the stock options of $149,204 ($249,500 in 2022), and the stock awards of $46,900 ($46,900 in 2022).

9. Commitments and contingencies

1. The Company has various operating lease commitments with minimum payments of:
   $563,457 for 2023 balance of year, $2,065,503 in 2024, $1,497,979 in 2025, $656,705 in 2026, and $20,000 in 2027.
2. The Company, through performance of its services and product sales obligations, is sometimes named as a defendant in litigation. The Company maintains a level of insurance coverage deemed appropriate by management and for matters for which insurance coverage can be maintained. The Company has no outstanding claims having a potentially material adverse effect on the Company as a whole.

10. Risk management activities

The Company is exposed to financial risks that are managed as follows:

Credit risk

Accounts receivable include balances from a large number of customers. The Company assesses the credit worthiness of its customers on an on-going basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risk associated with these amounts as normal for the industry. Primarily all of the Company’s trade receivables are from customers in or related to the oil and gas industry. At period end, one customer (four in 2022) accounted for 23% (55% in 2022) of trade accounts receivable. Allowance for doubtful accounts as at September 30, 2023 is $nil ($nil at December 31, 2022).

10. Risk management activities (continued)

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the Company's cash flow, financial position and earnings. The risk relates primarily to the Company's operating facility at floating rates of interest. Management monitors interest rate trends and will fix rates or enter into hedging transactions as deemed necessary. No derivative financial instruments for hedging purposes are outstanding at period end. At period end, the operating facility was undrawn.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of the available credit facilities. The available credit facility provides flexibility in the short-term to meet operational needs and bridge long-term financing.

Currency risk

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has currency risk relating to purchases and sales of product in foreign currencies. Management monitors the prevailing exchange rates and has the ability to enter into derivative contracts to attempt to mitigate currency risk if deemed appropriate. At period end the Company has no forward contracts in place.

Market risk

The Company's primary customer base is involved in the oil and gas sector in Western Canada and as such the Company's revenues are exposed to fluctuations in prices for natural gas, crude oil and natural gas liquids. Commodity prices are affected by many factors including supply, demand and the Canadian and U.S. dollar exchange rate.

Insurance

The Company purchases discretionary insurance to cover property damage, business interruption and liability risk of loss exposure.

11. Related parties

The Company rents property from Nurco Holdings Ltd. which is owned by James Nurcombe (Company's Founder and Chairman). These transactions were made in the normal course of business and have been recorded at the exchange amounts. The amount paid for rent was $360,473 for the period ended September 30, 2023 and $480,630 for the year ended December 31, 2022.

Amounts due to Variperm Energy Services Inc., a shareholder of the Company, are non-interest bearing with no fixed terms of repayment.

12. Reconciliation to United States generally accepted accounting principles

These consolidated financial statements for nine-month periods ended September 30, 2023 and 2022 have been prepared in accordance with ASPE which differs in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). These consolidated financial statements are reported in Canadian dollars and the effects of price level changes and foreign currency translations are not considered in this reconciliation.

The following is a summary of material adjustments to net earnings for the periods ended September 30, 2023 and 2022 and shareholders' equity as of September 30, 2023 and December 31, 2022, necessary to reconcile those to net earnings and shareholders' equity determined in accordance with U.S. GAAP.

Reconciliation of net earnings under ASPE to U.S. GAAP

	September 30, 2023 (9 months) $	September 30, 2022 (9 months) $
Net earnings as reported under ASPE	**38,361,379**	24,761,581
Operating lease expense	**(1,511,792)**	(1,469,784)
Amortization of leased assets	**1,583,267**	1,574,540
Accretion of lease liabilities	**22,465**	28,091
Net earnings under U.S. GAAP	**38,455,319**	24,894,428

Reconciliation of shareholders' equity under ASPE to U.S. GAAP

	September 30, 2023 $	December 31, 2022 $
Shareholders' equity as reported under ASPE	**90,540,696**	61,983,212
Operating retained earnings	**231,477**	104,756
Operating lease assets	**4,217,399**	5,800,665
Operating lease liabilities	**(4,311,339)**	(5,927,386)
Shareholders' equity under U.S. GAAP	**90,678,233**	61,961,247

Operating leases

In these consolidated financial statements, lease rentals related to operating leases were recognized in net earnings over the lease term on a straight-line basis. No assets or liabilities were recognized on the balance sheet.

Under U.S. GAAP, assets and liabilities are recognized on the balance sheet for the rights and obligations created by operating leases and the operating lease expense is recognized on a straight-line basis over the term of the lease.

12. Reconciliation to United States generally accepted accounting principles (continued)

Consolidated statements of cash flows

In respect of the adjustments above, the differences between cash flows reported in the consolidated statements of cash flows in accordance with ASPE versus that under U.S. GAAP is a reduction of operating cash flows and an increase in financing cash flows in the amount of $93,940 for the nine-month period ended September 30, 2023, and $132,847 for the nine-month period ended September 30, 2022.

Aside from the above, there are no material differences between cash flows reported in the consolidated statements of cash flows under ASPE and the consolidated statements of cash flows prepared in accordance with U.S. GAAP.

13. Subsequent events

On November 1, 2023 a purchase agreement was entered into to sell all the shares of the Company to a company whose shares are traded on the New York Stock Exchange. The transaction closed on January 4, 2024.

Subsequent to September 30, 2023, the directors of the Company approved a distribution of $26,000,000, consisting of $9,465,641 of return of capital and $16,534,359 of dividends to shareholders.

Exhibit 99.3

Unaudited Pro Forma Condensed Combined Financial Information

Introduction

On November 1, 2023, Forum Energy Technologies, Inc., a Delaware corporation ("Forum") and Forum Canada ULC, an Alberta corporation and a wholly owned subsidiary of Forum (the "Purchaser"), entered into a Stock Purchase Agreement (the "Purchase Agreement") with (i) Variperm Holdings Ltd., an Alberta corporation ("Variperm"), (ii) Variperm Energy Services Partnership, an Alberta general partnership ("VES Partnership"), (iii) Jamie Olson, a resident of Alberta ("Olson"), (iv) Elise Robertson, a resident of Alberta ("Robertson"), (v) Slotting RemainCo Limited Partnership, an Alberta limited partnership ("RemainCo" and together with VES Partnership, Olson and Robertson, the "Sellers"), and (vi) VES Partnership in its capacity as the representative of the Sellers. Pursuant to the Purchase Agreement, the Purchaser purchased from the Sellers all of the issued and outstanding common shares of Variperm (the "Transaction") on January 4, 2024 (the "Closing Date") and Variperm became a wholly owned subsidiary of the Purchaser.

The base purchase price for the Transaction was (i) 2.0 million shares of common stock, par value $0.01 per share, of Forum (the "Stock Consideration") and (ii) an amount of cash equal to $150.3 million (the "Cash Consideration"), subject to customary purchase price adjustments for cash, indebtedness, transaction expenses and working capital as set forth in the Purchase Agreement (collectively, the "Purchase Price"). The Cash Consideration was funded from cash on hand, borrowings under the ABL facility (as defined herein), and the Seller Term Loan (as defined herein) (collectively, the "Debt Financing").

The unaudited pro forma condensed combined financial information has been prepared by Forum in accordance with Article 11 of Regulation S-X, Pro Forma Financial Information. The following unaudited pro forma condensed combined financial information as of and for the nine months ended September 30, 2023 and for the year ended December 31, 2022, is derived from:

- the historical audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2022, included in Forum's Annual Report on Form 10-K for the year ended December 31, 2022;
- the historical unaudited condensed consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2023, included in Forum's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023;
- the historical audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2022 of Variperm, incorporated as Exhibit 99.1 herein Forum's Current Report on Form 8-K/A; and
- the historical unaudited consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2023 of Variperm, incorporated as Exhibit 99.2 herein Forum's Current Report on Form 8-K/A.

The historical financial statements of Forum and Variperm have been adjusted in the accompanying unaudited pro forma condensed combined financial information to give pro forma effect to events which are necessary to account for the Transaction and the Debt Financing, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The unaudited pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable under the circumstances.

The Transaction is accounted for as a business combination using the acquisition method with Forum assumed as the accounting acquirer in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"). Under this method of accounting, the total consideration will be allocated to Variperm's assets acquired and liabilities assumed based upon their estimated fair values at the Closing Date. The process of valuing the net assets of Variperm at the Closing Date, as well as evaluating accounting policies for conformity, is preliminary. Any differences between the fair value of the consideration transferred and the fair value of the assets acquired, and liabilities assumed was recorded as goodwill. Accordingly, the purchase price allocation reflected in this unaudited pro forma condensed combined financial information is preliminary and represents Forum's current best estimate of fair value and is subject to revision.

As a result of the foregoing, the unaudited pro forma condensed combined financial information is based on the preliminary information available and management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed. The actual purchase accounting assessment may vary based on final analyses of the valuation of assets to be acquired and liabilities to be assumed.

The unaudited pro forma condensed combined financial information and related notes are provided for illustrative purposes only and do not purport to represent what the combined company's actual results of operations or financial position would have been had the Transaction and the Debt Financing been completed on the dates indicated, nor are they necessarily indicative of the combined company's future results of operations or financial position for any future period. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein.

The following unaudited pro forma condensed combined financial information gives effect to the Transaction and the Debt Financing, which includes adjustments for the following:

- Certain reclassifications and U.S. GAAP adjustments to conform Variperm's historical financial statement presentation to Forum's presentation and accounting policies.
- Application of the acquisition method of accounting under the provisions of ASC 805 and to reflect estimated consideration of approximately $194.6 million.
- Proceeds and uses of the drawdown from the Credit Agreement Amendment (as defined herein) and Seller Term Loan (as defined herein) entered in connection with the Transaction; and
- Non-recurring transaction costs in connection with the Transaction.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2023
(in Thousands)

	Forum Energy Technologies, Inc. (Historical) - USD	Variperm Holdings Ltd. - CAD (See Note 3)	Variperm Holdings Ltd. - USD	Transaction Adjustments - USD (See Note 4)	Notes	Financing Adjustments - USD (See Note 4)	Notes	Pro Forma Combined for Transaction and Financing Adjustments - USD
Assets								
Current assets								
Cash and cash equivalents	37,151	25,233	18,574	(150,348)	A	150,000	I	52,467
				-		(2,910)	I	
Accounts receivable—trade, net of allowances	157,820	24,668	18,158	-		-		175,978
Inventories, net	302,304	18,325	13,489	-		-		315,793
Prepaid expenses and other current assets	24,670	2,302	1,695	-		-		26,365
Accrued revenue	771	-	-	-		-		771
Costs and estimated profits in excess of billings	8,440	-	-	-		-		8,440
Total current assets	531,156	70,528	51,916	(150,348)		147,090		579,814
Property and equipment, net of accumulated depreciation	61,397	28,457	20,947	3,679	B	-		86,023
Operating lease assets	56,363	4,217	3,104	(324)	H	-		59,143
Deferred financing costs, net	927	-	-	-		-		927
Intangible assets, net	173,394	1,011	744	78,256	C	-		252,394
Goodwill	-	8,975	6,606	46,379	D	-		52,985
Deferred tax assets, net	368	-	-	-		-		368
Other long-term assets	5,266	-	-	-		-		5,266
Total assets	**828,871**	**113,188**	**83,317**	**(22,358)**		**147,090**		**1,036,920**
Liabilities and equity								
Current liabilities								
Current portion of long-term debt	1,076	-	-	-		2,500	I	3,576
Accounts payable trade	124,146	5,104	3,756	-		-		127,902
Income taxes payable	-	4,939	3,636	-		-		3,636
Accrued liabilities	64,184	5,193	3,823	7,951	E	-		75,958
Deferred revenue	14,140	90	66	-		-		14,206
Billings in excess of costs and profits recognized	4,739	-	-	-		-		4,739
Total current liabilities	208,285	15,326	11,281	7,951		2,500		230,017

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2023
(in Thousands)

	Forum Energy Technologies, Inc. (Historical) – USD	Variperm Holdings Ltd. – CAD (See Note 3)	Variperm Holdings Ltd. - USD	Transaction Adjustments - USD (See Note 4)	Notes	Financing Adjustments - USD (See Note 4)	Notes	Pro Forma Combined for Transaction and Financing Adjustments - USD
Long-term debt, net of current portion	128,537	-	-	-		147,500	I	273,127
						(2,910)	I	
Deferred tax liabilities, net	904	4,802	3,535	18,771	F	-		23,210
Operating lease liabilities	62,569	2,613	1,923	-		-		64,492
Other long-term liabilities	11,456	-	-	-		-		11,456
Total liabilities	**411,751**	**22,741**	**16,739**	**26,722**		**147,090**		**602,302**
Commitments and contingencies								
Equity								
Common stock, $ 0.01 par value	109	-	-	20	A	-		129
Additional paid-in capital	1,368,062	13,524	9,955	44,200	A	-		1,412,262
				(10,024)	D	-		
				69	G	-		
Treasury stock at cost	(142,057)	-	-	-		-		(142,057)
Retained earnings/(deficit)	(682,691)	75,424	55,520	(55,451)	D	-		(709,413)
				(7,951)	E	-		
				(18,771)	F	-		
				(69)	G	-		
Contributed surplus/(deficit)	-	1,499	1,103	(1,103)	D	-		-
Accumulated other comprehensive loss	(126,303)	-	-	-		-		(126,303)
Total equity	**417,120**	**90,447**	**66,578**	**(49,080)**		**-**		**434,618**
Total liabilities and equity	**828,871**	**113,188**	**83,317**	**(22,358)**		**147,090**		**1,036,920**

See accompanying notes to unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2023
(in Thousands, except share and per share data)

	Forum Energy Technologies, Inc. (Historical) - USD	Variperm Holdings Ltd. – CAD (See Note 3)	Variperm Holdings Ltd. - USD	Transaction Adjustments - USD (See Note 5)	Notes	Financing Adjustments - USD (See Note 5)	Notes	Pro Forma Combined for Transaction and Financing Adjustments - USD
Revenue	553,659	131,744	97,899	-		-		651,558
Cost of sales	399,229	66,596	49,487	75	AA	-		448,791
Gross profit	**154,430**	**65,148**	**48,412**	**(75)**		**-**		**202,767**
Operating expenses								
Selling, general and administrative expenses	135,364	14,917	11,085	8	AA	-		152,334
				5,675	BB	-		
				323	DD			
				(121)	EE	-		
Gain on sale-leaseback transactions	-	-	-	-		-		-
Loss/(Gain) on disposal of assets and other	137	(8)	(6)	-		-		131
Total operating expenses	135,501	14,909	11,079	5,885		-		152,465
Operating income (loss)	**18,929**	**50,239**	**37,333**	**(5,960)**		**-**		**50,302**
Other expense (income)	-	-	-	-		-		-
Interest expense	13,742	267	198	-		12,812	GG	27,351
				-		599	GG	
Foreign exchange losses (gains) and other, net	1,129	(141)	(105)	-		-		1,024
Total other expense (income)	14,871	126	93	-		13,411		28,375
Income (loss) before income taxes	**4,058**	**50,113**	**37,240**	**(5,960)**		**(13,411)**		**21,927**
Income tax expense	6,154	11,752	8,733	(1,371)	FF	(3,084)	HH	10,432
Net income (loss)	**(2,096)**	**38,361**	**28,507**	**(4,589)**		**(10,327)**		**11,495**
Weighted average shares outstanding								
Basic	10,208,000		-	-		-		12,208,000
Diluted	10,208,000		-	-		-		12,247,000
Earnings (loss) per share								
Basic	$ (0.21)		-	-		-		$ 0.94
Diluted	$ (0.21)		-	-		-		$ 0.94

See accompanying notes to unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2022
(in Thousands, except share and per share data)

	Forum Energy Technologies, Inc. (Historical) - USD	Variperm Holdings Ltd. - CAD (See Note 3)	Variperm Holdings Ltd. - USD	Transaction Adjustments - USD (See Note 5)	Notes	Financing Adjustments - USD (See Note 5)	Notes	Pro Forma Combined for Transaction and Financing Adjustments - USD
Revenue	699,913	153,185	117,769	-		-		817,682
Cost of sales	511,387	85,421	65,672	215	AA	-		577,274
Gross profit	**188,526**	**67,764**	**52,097**	**(215)**		**-**		**240,408**
Operating expenses	-	-	-	-		-		-
Selling, general and administrative expenses	179,471	18,507	14,228	24	AA	-		209,579
				7,567	BB	-		
				7,951	CC	-		
				500	DD			
				(162)	EE			
Gain on sale-leaseback transactions	(7,000)	-	-	-		-		(7,000)
Loss/(Gain) on disposal of assets and other	(1,271)	551	424	-		-		(847)
Total operating expenses	171,200	19,058	14,652	15,880		-		201,732
Operating income (loss)	**17,326**	**48,706**	**37,445**	**(16,095)**		**-**		**38,676**
Other expense (income)	-	-	-	-		-		-
Interest expense	31,525	346	266	-		17,606	GG	50,161
				-		764	GG	
Foreign exchange losses (gains) and other, net	(24,548)	(156)	(120)	-		-		(24,668)
Total other expense (income)	6,977	190	146	-		18,370		25,493
Income (loss) before income taxes	**10,349**	**48,516**	**37,299**	**(16,095)**		**(18,370)**		**13,183**
Income tax expense	6,637	11,566	8,892	(3,702)	FF	(4,225)	HH	7,602
Net income (loss)	**3,712**	**36,950**	**28,407**	**(12,393)**		**(14,145)**		**5,581**
Weighted average shares outstanding								
Basic	5,747,000		-	-		-		7,747,000
Diluted	5,951,000		-	-		-		7,990,000
Earnings (loss) per share								
Basic	$ 0.65		-	-		-		$ 0.72
Diluted	$ 0.62		-	-		-		$ 0.70

See accompanying notes to unaudited pro forma condensed combined financial information.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1. Basis of Presentation

The unaudited pro forma condensed combined financial information and related notes are prepared in accordance with Article 11 of Regulation S-X, *Pro Forma Financial Information*.

Forum's historical financial statements were prepared in accordance with U.S. GAAP and presented in U.S. dollars ("USD"). Variperm's financial statements were prepared in accordance with Accounting Standards for Private Enterprises in Canada ("ASPE") and presented in Canadian dollars ("CAD"). The financial information of Variperm has been translated from CAD to USD including certain reclassifications and U.S. GAAP adjustments to conform Variperm's historical financial statement presentation to Forum's financial statement presentation.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC 805, with Forum assumed as the accounting acquirer and based on the historical consolidated financial statements of Forum and Variperm. Under ASC 805, assets acquired, and liabilities assumed in a business combination are recognized and measured at their assumed Closing Date fair value, while transaction costs associated with a business combination are expensed as incurred. The excess of Transaction consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill.

The Unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Transaction and the Debt Financing had occurred on September 30, 2023, and the Unaudited Pro Forma Condensed Combined Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2023, and the year ended December 31, 2022, give effect to the Transaction and the Debt Financing as if they occurred on January 1, 2022.

The unaudited pro forma condensed combined financial information does not reflect any anticipated synergies or dis-synergies, operating efficiencies or cost savings that may result from the Transaction and integration costs that may be incurred. The pro forma adjustments represent Forum's best estimates and are based upon currently available information and certain assumptions that Forum believes are reasonable under the circumstances. There are no material transactions between Forum and Variperm during the periods presented.

For purposes of preparing the pro forma financial information, the historical financial information of Variperm and related pro forma adjustments was translated from CAD to USD using the following historical exchange rates:

Closing exchange rate as of September 30, 2023	0.7361
Average exchange rate for the nine-months ended September 30, 2023	0.7431
Average exchange rate for the year ended December 31, 2022	0.7688

These exchange rates may differ from future exchange rates which would have an impact on the pro forma financial information and would also impact purchase accounting.

Note 2. Description of the Debt Financing

Seller Term Loan

Forum entered into the Second Lien Seller Term Loan Credit Agreement (the "Seller Term Loan") by and among Forum, as borrower, the Sellers and certain of the option holders (as defined in the Purchase Agreement), as lenders (the "Lenders"), and VES Partnership, as administrative and collateral agent for each of the Lenders. Pursuant to the Seller Term Loan, Forum borrowed $60.0 million aggregate principal amount of term loans (the "Term Loans"), which mature in December 2026. The Term Loans bear interest at the rate of (i) 11.0% per year for the period commencing on the Closing Date through the first anniversary of the Closing Date, (ii) 17.0% per annum for the period commencing on the first anniversary of the Closing Date through the second anniversary of the Closing Date and (iii) 17.5% per annum for the period commencing on the second anniversary of the Closing Date through the maturity date. Forum incurred approximately $1.5 million in fees in connection with the Seller Term Loan.

Credit Agreement Amendment

Additionally, in connection with the Transaction, Forum entered into an amendment (the "Credit Agreement Amendment") to the Third Amended and Restated Credit Agreement, dated as of October 30, 2017 (as amended, restated and supplemented or otherwise modified, the "Credit Agreement"), among Forum, as borrower, the other borrowers party thereto, the guarantors party thereto, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other parties named therein. Pursuant to the Credit Agreement Amendment, the Credit Agreement (i) was modified to, among other things, (a) permit the incurrence of new secured notes in an amount not to exceed $200.0 million and (b) update the CDOR provisions with Term CORRA and (ii) was modified as of the Closing Date, to, among other things, (a) extend the maturity date of the Credit Agreement to September 8, 2028, (b) permit the Transaction, (c) permit the incurrence of the Seller Term Loan in an amount not to exceed $60.0 million, in connection with the consummation of the Transaction, and (d) increase the aggregate revolving commitments from $179.0 million to $250.0 million. The financing commitments under the Credit Agreement (the "ABL facility") are subject to various customary conditions set forth therein. The unaudited pro forma condensed combined financial information reflects that Forum borrowed $90.0 million under the Credit Agreement in connection with the Transaction. Forum incurred approximately $1.4 million in fees in connection with the Credit Agreement Amendment.

Note 3. Reclassification and U.S. GAAP Adjustments

During the preparation of this unaudited pro forma condensed combined financial information, management performed a preliminary review of Variperm's financial information to identify differences in accounting policies compared to those of Forum's and differences in financial statement presentation compared to the presentation of Forum. At the time of preparing the unaudited pro forma condensed combined financial information, other than the adjustments described herein, Forum is not aware of any other material differences. However, Forum will continue to perform its detailed review of Variperm's accounting policies, including compliance with U.S. GAAP standards. Upon completion of that review, differences may be identified between the accounting policies of the two companies that when confirmed could have a material impact on the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2023
(in Thousands)

Forum Energy Technologies, Inc.	Variperm Holdings Ltd.	Historical - CAD	Re- classification Adjustments	Notes	U.S. GAAP Adjustments	Notes	Variperm Holdi Ltd. - CAD
Assets							
Current assets							
Cash and cash equivalents	Cash	25,233					25,
Accounts receivable—trade, net of allowances	Accounts receivable	24,668					24,
Inventories, net	Inventories	18,325					18,
Prepaid expenses and other current assets	Prepaid expenses and deposits	2,302					2,
Accrued revenue		-					
Costs and estimated profits in excess of billings		-					
Total current assets		**70,528**	**-**				**70,**
Property and equipment, net of accumulated depreciation	Property and equipment	28,457					28,
Operating lease assets		-			4,217	(b)	4,

Deferred financing costs, net		-			
Intangible assets, net	Intangible assets	1,011			1,
	Goodwill	8,975			8,
Deferred tax assets, net		-			
Other long-term assets		-			
Total assets		**108,971**	**-**	**4,217**	**113,**
Liabilities and equity					
Current liabilities					
Current portion of long-term debt		-			
Accounts payable trade	Accounts payable	5,104			5,
	Income taxes payable	4,939			4,
Accrued liabilities	Current portion of long-term lease liability	3,495		1,698 (b)	5,
Deferred revenue	Deferred revenue	90			
Billings in excess of costs and profits recognized		-			
Total current liabilities		**13,628**	**-**	**1,698**	**15,**
Long-term debt, net of current portion		-			
	Future income taxes	4,802	(4,802) (a)		
Deferred tax liabilities, net		-	4,802 (a)		4,
Operating lease liabilities	Operating lease liabilities	-		2,613 (b)	2,
Other long-term liabilities		-			
Total liabilities		**18,430**	**-**	**4,311**	**22,**
Equity					
Common stock, $ 0.01 par value		-			
Additional paid-in capital	Share capital	13,524			13,
Treasury stock at cost		-			
Retained earnings/(deficit)	Retained earnings	75,518		(94)	75,
	Contributed surplus	1,499			1,
Accumulated other comprehensive loss		-			
Total equity		**90,541**	**-**	**(94)**	**90,**
Total liabilities and equity		**108,971**	**-**	**4,217**	**113,**

(a) Reclassification of future income taxes to Deferred tax liabilities, net.
(b) Adjustment for recognition of Operating lease assets and lease liabilities in accordance with U.S. GAAP.

Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the nine months ended September 30, 2023
(in Thousands, except per share amounts)

Forum Energy Technologies, Inc.	Variperm Holdings Ltd.	Historical - CAD	Reclassification Adjustments	Notes	Variperm Holdings Ltd. - CAD
Revenue	Revenue		131,744	(a)	131,744
	Product	127,607	(127,607)	(a)	-
	Service	4,137	(4,137)	(a)	-
Cost of sales	Direct costs	63,791	2,805	(b)	66,596
	Depreciation of property and equipment	3,117	(3,117)	(b)	-
Gross profit		**64,836**	**312**		**65,148**
Operating expenses					
Selling, general and administrative expenses	General and administrative expenses	14,409	196	(c)	14,917
			312	(b)	
Gain on sale-leaseback transactions		-			-
Loss/(Gain) on disposal of assets and other	Gain on disposal of property and equipment	(8)			(8)
Total operating expenses		14,401	508		14,909
Operating income (loss)		**50,435**	**(196)**		**50,239**
Other expense (income)					
Interest expense	Interest and fees	267			267
	Stock-based compensation	196	(196)	(c)	-
	Other (income)/ expense	-			-
Foreign exchange losses (gains) and other, net	Foreign exchange	(141)			(141)
Income (loss) before income taxes		**50,113**	**-**		**50,113**
Income tax expense	Income taxes	11,752			11,752
Net income (loss)		**38,361**	**-**		**38,361**

(a) Reclassification of revenue bifurcations between Product and Service to Revenue.
(b) Reclassification of Depreciation of property and equipment to Cost of sales and Selling, general and administrative expenses.
(c) Reclassification of Stock-based compensation to Selling, general and administrative expenses

Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the year ended December 31, 2022
(in Thousands, except per share amounts)

Forum Energy Technologies, Inc.	Variperm Holdings Ltd.	Historical - CAD	Reclassification Adjustments	Notes	Variperm Holdings Ltd. -CAD
Revenue	Revenue		153,185	(a)	153,185
	Product	145,797	(145,797)	(a)	-
	Service	7,388	(7,388)	(a)	-
Cost of sales	Direct costs	81,955	3,466	(b)	85,421
	Depreciation of property and equipment	3,851	(3,851)	(b)	-
Gross profit		**67,379**	**385**		**67,764**
Operating expenses					
Selling, general and administrative expenses	General and administrative expenses	17,825	296	(c)	18,506
			385	(b)	
Gain on sale-leaseback transactions					-
Loss/(Gain) on disposal of assets and other	Loss on disposal of property and equipment	551			551
Total operating expenses		18,376	681		19,057
Operating income (loss)		**49,003**	**(296)**		**48,707**
Other expense (income)					
Interest expense	Interest and fees	346			346
	Stock-based compensation	296	(296)	(c)	-
Foreign exchange losses (gains) and other, net	Foreign exchange	(156)			(156)
Income (loss) before income taxes		**48,517**	**-**		**48,517**
Income tax expense	Income taxes	11,567			11,567
Net income (loss)		**36,950**	**-**		**36,950**

(a) Reclassification of revenue bifurcations between Product and Service to Revenue.
(b) Reclassification of Depreciation of property and equipment to Cost of sales and Selling, general and administrative expenses.
(c) Reclassification of Stock-based compensation to Selling, general and administrative expenses.

Note 4. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

Transaction Adjustments

The Transaction is accounted for using the acquisition method of accounting in accordance with ASC 805, which requires, among other things, that the assets acquired, and liabilities assumed be recognized at their Closing Date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired, if any, recorded as goodwill.

(A) The accounting for the Transaction is based on currently available information and is considered preliminary. The final accounting for the Transaction may differ materially from that presented in this unaudited pro forma condensed combined financial information. The adjustment reflects the impact of the Cash Consideration, the Stock Consideration and all transaction expenses. Refer to the following table for the computation of the preliminary estimated fair value of consideration transferred:

(in thousands, except share count and per share data)		
Forum shares issued (1)		2,000,000
Forum common stock price (2)	$	22.11
Equity portion of consideration		44,220
Cash consideration (3)		150,348
Fair value of consideration transferred	**$**	**194,568**

(1) Forum shares issued for Variperm's common stock outstanding as defined in the Purchase Agreement.
(2) Forum common stock price per share as of January 4, 2024.
(3) Cash consideration includes settlement of Variperm's options that vested and were settled as part of the Transaction.

The following table summarizes the preliminary accounting for the Transaction:

(in thousands)		**Fair value***
Cash & cash equivalents	$	18,574
Accounts receivable—trade		18,158
Inventories		13,489
Prepaid expenses and other current assets		1,695
Property and equipment		24,626
Operating lease assets		2,780
Intangible assets		79,000
Total Assets		**158,322**
Accounts payable – trade		3,756
Income taxes payable		3,636
Accrued liabilities		3,823
Deferred revenue		66
Operating lease liabilities		1,923
Deferred tax liabilities		3,535
Net assets acquired		**141,583**
Goodwill		52,985
Fair value of consideration transferred	**$**	**194,568**

**Adjusted for rounding difference*

The determination of the fair value of the identifiable assets of Variperm and the allocation of the estimated consideration to these identifiable assets and liabilities is preliminary and is pending finalization of various estimates, inputs and analyses. The final purchase price allocation will be determined when Forum has completed the detailed valuations and necessary calculations. The final Transaction consideration allocation may be materially different than that reflected in the preliminary estimated Transaction consideration allocation presented herein. Any increase or decrease in fair values of the net assets as compared with the unaudited condensed combined pro forma financial information may change the amount of the total Transaction consideration allocated to goodwill and other assets and liabilities and may impact the combined company statements of comprehensive income (loss) due to adjustments in the depreciation and amortization of the adjusted assets.

(B) Reflects the preliminary estimated fair value adjustment to property and equipment acquired in the Transaction. The fair value of property and equipment is preliminary and subject to change.

The general categories of the acquired identified tangible assets are expected to be the following:

(in thousands)	Useful Life (Average)		Fair value
Leasehold improvements	18	$	694
Computer equipment	4		1,512
Machinery & equipment	8		22,262
Construction in progress			158
Total property and equipment acquired		**$**	**24,626**

(C) Reflects the preliminary estimated asset fair value adjustment to the identifiable intangible assets acquired, primarily consisting of customer relationships, backlog and tradenames. The fair value of intangible assets is preliminary and subject to change.

The general categories of the acquired identified intangible assets are expected to be the following:

(in thousands)	Useful Life (Average)		Fair value
Customer relationships	15	$	70,000
Backlog	2		5,000
Trade names	10		4,000
Total identifiable intangible assets		**$**	**79,000**

(D) Reflects the elimination of Variperm's historical goodwill and equity and elimination of shares issued by Variperm on accelerated vesting of equity awards upon closing of the Transaction.

	Notes		Fair value
Purchase consideration	A	$	194,568
Historical book value of Variperm equity			
Share capital			10,024
Retained earnings			55,451
Contributed surplus			1,103
Elimination of historical goodwill			(6,606)
Estimated fair value adjustment on property and equipment	B		3,679
Estimated fair adjustment on operating lease asset	H		(324)
Elimination of other intangible assets	C		78,256
Preliminary estimate of fair value of identifiable net assets acquired			141,583
Goodwill			52,985
Historical goodwill			(6,606)
Net adjustments		**$**	**46,379**

(E) Reflects one-time transaction-related costs of approximately $8.0 million incurred prior to, or concurrent with, the closing of the Transaction including bank fees, legal fees, consulting fees, and other transaction expenses by Forum.

(F) Reflects estimated deferred taxes related to the purchase price allocation and income tax impact effect related to the pro forma adjustments. Tax-related adjustments are based upon a blended statutory tax rate of approximately 23% which represents the adjustment to the deferred tax liability balances associated with the incremental differences in the book and tax basis created from the preliminary purchase price allocation, primarily resulting from the preliminary fair value of intangible assets and property, plant and equipment. The effective tax rate of Forum following the Transaction could be significantly different (either higher or lower) depending on post-acquisition activities, including the geographical mix of income.

(G) Represents the adjustment for equity awards that automatically vest and are settled in common shares by Variperm at the time of the closing of the Transaction.

(H) Reflects adjustment to the operating lease asset on account of unfavourable lease arrangements acquired as part of the Transaction.

Financing Adjustments

(I) Reflects the preliminary adjustment to cash in connection with the Seller Term Loan and the ABL facility as follows:

(in thousands)	**As of September 30, 2023**
Proceeds from the Seller Term Loan and ABL facility (1)	$ 150,000
Payment of financing costs (2)	(1,500)
New deferred debt issuance costs for Credit Agreement Amendment (3)	(1,410)
Pro forma adjustment	**$ 147,090**

(1) Forum used proceeds from the Debt Financing to pay cash consideration to the Sellers.
(2) Represents the payment of capitalized financing costs incurred related to the Seller Term Loan. The debt issuance costs are included within long-term debt.
(3) Represents additional debt issuance costs incurred for the Credit Agreement Amendment.

Note 5. Adjustments to Unaudited Pro Forma Condensed Combined Statements of Comprehensive Income (Loss)

Transaction Adjustments

(AA) Represents a net increase in depreciation expense on a straight-line basis of $0.1 million and $0.2 million based on the preliminary step-up in fair value of the property and equipment and the related assigned estimated useful life for the nine months ended September 30, 2023 and year ended December 31, 2022, respectively.

(BB) Represents the pro forma adjustment to record amortization expense of $5.7 million and $7.6 million, for the nine months ended September 30, 2023 and year ended December 31, 2022, respectively, based on the fair value of identified intangible assets.

(In thousands)	**Useful Life (Average)**	**Fair Value**	**Amortization Expense for the Nine Months Ended September 30, 2023**	**Amortization Expense for the Year December 31, 2022**
Customer relationships	15	70,000	3,500	4,667
Backlog	2	5,000	1,875	2,500
Trade names	10	4,000	300	400
Total identifiable intangible assets		**79,000**	**5,675**	**7,567**

(CC) Reflects estimated nonrecurring transaction-related expenses of $8.0 million incurred by Forum. These nonrecurring expenses are not anticipated to affect the Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss) beyond twelve months after the Closing Date.

(DD) Represents the adjustment to record the share-based compensation expense related to equity awards that automatically vested and were settled in common shares by Variperm at the Closing Date and restricted stock units provided to Variperm's employees as an inducement to continue to provide service to Forum following the acquisition.

(EE) Reflects adjustment for amortization of unfavourable lease terms for operating leases acquired as part of the Transaction.

(FF) Reflects estimated income tax impact effect related to the pro forma transaction accounting adjustments. Tax-related adjustments are based upon a blended statutory tax rate of approximately 23% is assumed for the amortization of intangible assets and other pro forma adjustments. The applicable blended statutory tax rates are based on the jurisdictions in which the assets are located and are not necessarily indicative of the effective tax rate of Forum following the Transaction, which could be significantly different depending on post-acquisition activities, including the geographical mix of income.

Financing Adjustments

(GG) Reflects the adjustment to the estimated interest expense to be incurred by Forum as a result of the Seller Term Loan and the ABL facility as follows:

(in thousands)	For the Nine Months Ended September 30, 2023	For the Year Ended December 31, 2022
Interest expense on the Seller Term Loan	$ 7,223	$ 10,154
Interest expense on the ABL facility (1)	5,589	7,452
Amortization of debt issuance costs related to the Seller Term Loan	387	482
Amortization of deferred issuance fees on Credit Agreement Amendment (2)	212	282
Pro forma adjustment	**$ 13,411**	**$ 18,370**

(1) Represents the estimated interest expense on the ABL facility. An increase/ decrease of 1/8th percent in the interest rate results in an increase or decrease in interest expense, net of $0.2 million and $0.2 million for the nine months ended September 30, 2023 and for the year ended December 31, 2022, respectively.

(2) Represents the amortization of deferred issuance on the Credit Agreement Amendment.

(HH) Reflects estimated income tax impact effect related to the pro forma financing adjustments. Tax-related adjustments are based upon a blended statutory tax rate of approximately 23% which is assumed for the amortization of intangible assets and other pro forma adjustments. The applicable blended statutory tax rates are based on the jurisdictions in which the assets are located and are not necessarily indicative of the effective tax rate of Forum following the Transaction, which could be significantly different depending on post-acquisition activities, including the geographical mix of income.

Note 6. Earnings (Loss) Per Share

The following tables set forth the computation of pro forma basic and diluted earnings per share post transaction and financing adjustments for the nine months September 30, 2023 and for the year ended December 31, 2022.

(in thousands, except share and per share data)	**For the Nine Months Ended September 30, 2023**	**For the Year Ended December 31, 2022**
Numerator:		
Net income attributable to common stockholders	$ 11,495	$ 5,581
Denominator:		
Weighted average common shares outstanding:		
Basic (1)	12,208,000	7,747,000
Diluted (2)	12,247,000	7,990,000
Pro forma net income per share:		
Basic:	$ 0.94	$ 0.72
Diluted:	$ 0.94	$ 0.70

(1) Basic weighted average shares outstanding includes 2.0 million shares of common stock issued as the Stock Consideration of the purchase price.

(2) Diluted weighted average shares outstanding includes 2.0 million shares of common stock issued as the Stock Consideration of the purchase price and the dilutive effect of stock options and restricted stock.