
U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period

Commission File Number 001-36378

PROFIRE ENERGY, INC.

(Name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

20-0019425

(I.R.S. Employer Identification No.)

321 South 1250 West Suite 1

Lindon, UT 84042

(Registrant's principal executive offices)

(801) 796-5127

(Registrant's telephone number, including area code)

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

Common Stock, \$0.001 par value

(Title of each class)

NASDAQ

(Name of each exchange on which registered)

Securities registered pursuant to section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated Filer ☐

Accelerated Filer ☐

Non-accelerated Filer ☒

Smaller Reporting Company ☒

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issues financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) ☐ Yes ☒ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which our common stock was last sold as of the last business day of our most recently completed second fiscal quarter was approximately \$51,803,316.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	PFIE	NASDAQ

As of March 7, 2023, the registrant had 52,376,104 shares of common stock, par value \$0.001, issued and 47,337,974 shares outstanding.

Documents Incorporated by Reference: Portions of the Profire Energy, Inc. Definitive Proxy Statement for the 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

PROFIRE ENERGY, INC.
FORM 10-K
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Explanatory Note

Unless otherwise indicated by the context, any reference herein to the "Company", "Profire", "we", "our" or "us" means Profire Energy, Inc., a Nevada corporation, and its corporate subsidiaries and predecessors. Unless otherwise indicated by the context, all dollar amounts stated in this report on Form 10-K are in U.S. dollars.

Cautionary Note Regarding Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are based on Management's beliefs and assumptions and on information currently available to Management. For this purpose, any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including, but not limited to, statements relating to our future actions, intentions, plans, strategies, objectives, results of operations, cash flows and the adequacy of or need to seek additional capital resources and liquidity. Without limiting the foregoing, words such as "may," "should," "expect," "project," "plan," "anticipate," "believe," "estimate," "intend," "budget," "forecast," "predict," "potential," "continue," "should," "could," "will" or comparable terminology or the negative of such terms are intended to identify forward-looking statements; however, the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-looking statements by their nature involve known and unknown risks and uncertainties and other factors that may cause actual results and outcomes to differ materially depending on a variety of factors, many of which are not within our control. Such factors include, but are not limited to, economic conditions generally and in the oil and gas industry in which we and our customers participate; competition within our industry; legislative requirements or changes which could render our products or services less competitive or obsolete; our failure to successfully develop new products and/or services or to anticipate current or prospective customers' needs; price increases; limits to employee capabilities; delays, reductions, or cancellations of our contracts with customers, suppliers or other parties; sufficiency of working capital, capital resources and liquidity; conflicts of interest between our significant investors and our other stakeholders; volatility of our operating results and share price and other factors detailed herein and in our other filings with the United States Securities and Exchange Commission (the "SEC" or "Commission"). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in Item 1A. Risk Factors, included elsewhere in this report.

Forward-looking statements are based on our assessment of current industry, financial and economic information, all of which are dynamic factors subject to rapid and abrupt changes. Our actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements and we hereby qualify all our forward-looking statements by these cautionary statements.

Forward-looking statements in this report are based only on information currently available to us and speak only as of the date on which they are made. We undertake no obligation to amend this report or publicly revise these forward-looking statements (other than as required by law) to reflect subsequent events or circumstances, whether as the result of new information, future events or otherwise.

The following discussion should be read in conjunction with our financial statements and the related notes contained elsewhere in this report and in our other filings with the Commission.

PART I

Item 1. Business

Overview

We are a technology company providing solutions that enhance the efficiency, safety, and reliability of industrial combustion appliances while mitigating potential environmental impacts related to the operation of these devices. Our legacy business is primarily focused in the upstream, midstream, and downstream transmission segments of the oil and gas industry. However, in recent years, we have completed many installations of our burner-management solutions in other industries that we believe will be applicable as we expand our addressable market over time. We specialize in the engineering and design of burner and combustion management systems and solutions used on a variety of natural and forced draft applications. We sell our products and services primarily throughout North America. Our experienced team of sales and service professionals are strategically positioned across the United States and Canada providing support and service for our products.

Principal Products and Services

Across the energy industry, there are numerous demands for heat generation and control. Applications such as combustors, enclosed flares, gas production units, treaters, glycol and amine reboilers, indirect line-heaters, heated tanks, and process heaters require heat to support the production and or processing function. This heat is generated through the process of combustion, which must be controlled, managed, and supervised. Combustion and the resulting generation of heat are integral to the process of separating, treating, storing, incinerating, and transporting oil and gas. Factors such as specific gravity, the presence of hydrates, temperature and hydrogen sulfide content contribute to the need for heat generation in oil and gas production and processing applications. Our burner-management systems ignite, monitor, and manage pilot and burner systems that are utilized in this process. Our technology affords remote operation, reducing the need for employee interaction with the appliance's burner for purposes such as re-ignition or temperature monitoring. In addition, our burner-management systems can help reduce emissions by safely reigniting a failed flame, thereby improving efficiencies and up-time. Our extensive service and combustion experience provides customers with solutions that are consistent with industry trends and regulatory requirements to mitigate environmental impacts and reduce emissions through optimized burner operation.

Oil and gas companies, including upstream, midstream, downstream, pipeline, and gathering operators, utilize burner-management systems to achieve increased safety, greater operational efficiencies, and improved compliance with industry regulations. Without a burner-management system, a field employee must discover and reignite an extinguished burner flame, then restart the application manually. Therefore, without a proper burner-management system, all application monitoring must be accomplished in-person, directly on-site. This requirement for on-site monitoring, in an operational environment with limited field personnel, can result in the potential interruption of production for long periods of time and increased risks associated with reigniting a flame, which can lead to site hazards, including explosions and the possibility of venting gas into the atmosphere. In addition, without a burner-management system, burners often operate for longer durations, frequently with lower efficiency, resulting in increased equipment fatigue and greater expense related to fuel consumption.

We continue to assess regulatory requirements applicable to our customers. We believe our burner-management systems and services offer solutions for customers to meet compliance standards where applicable. In addition to product sales, we dispatch specialized service technicians to provide maintenance and installation support throughout the United States and Canada.

We initially developed our first burner-management controller in 2005. Since that time, our systems have become widely adopted throughout the United States and Western Canada. Profire burner-management systems have been designed to comply with widely accepted safety and industrial codes and standards in North America, including those prescribed and certified by the Canadian Standards Association (CSA), Underwriters Laboratories (UL), and Safety Integrity Level (SIL) standards.

Our systems and solutions have been widely adopted by exploration and production companies (E&P), midstream operators, pipeline operators, as well as downstream transmission and utility providers. Our customers include, Antero, ATCO, Chevron, CNRL, Concho Resources, Devon Energy, Dominion Energy, EQT, Kinder Morgan, National Grid, Ovintiv, Oxy, Range Resources, Williams, XTO, and others. Our systems have also been sold and installed in other parts of the world including many countries in South America, Europe, Africa, the Middle East, and Asia. Though firmly established and primarily focused on North American oil and gas markets, we continue to invest in expansion efforts in developing sales in diversified industries where our combustion technology can be utilized.

Environmental, Social and Governance Focus

As guiding principles and core to our strategy, our products and solutions are developed with a focus on safety, environmental impacts, reliability, and efficiency. Protecting human life, protecting the environment, and protecting our customers' investments are essential to our business objectives. Our products play a crucial role in supporting our customers' existing and future initiatives regarding improving workplace safety and environmental impacts.

Our burner-management technology is designed to monitor, operate, and manage a wide array of complex industrial heat-applications. Providing our customers with safety-approved and certified technology, purposefully designed and built to meet regulatory requirements and process needs, is a critical component of our customers' safety protocols and initiatives.

Proper burner and combustion management control, coupled with peripheral solutions, increase site and location safety while reducing emissions. Profire technology and solutions are integrated into a variety of applications to significantly reduce the release of methane and volatile organic compounds into the environment.

Profire burner-management controls and complementary solutions provide users with the ability to monitor field equipment remotely. This reduces truck rolls and the need for field personnel to travel to and manually inspect burner malfunctions in remote sites and locations. By dramatically reducing the number and frequency of physical trips to site, our automated solutions help our customers improve safety, reduce emissions, and decrease operating costs.

Operator safety is at the heart of our burner-management solution technology. Integration of our solutions and products helps our customers increase the likelihood that their employees return home safe each day. Adding greater physical distance between humans and the combustion process, as well as ensuring gas supplies are properly shut off when no flame is present, are two of the critical elements of how our burner-management solutions help protect human life.

Principal Markets and Distribution Methods

Our principal market is the oil and gas industry of the United States and Western Canada, specifically, the Permian, Marcellus, Niobrara, Bakken, STACK, SCOOP and Eagle Ford US basins as well as the Duvernay and Montney and other formations located in Canada. We place a strong emphasis on developing and fostering direct relationships with end users on many fronts including environmental, health and safety, automation, engineering, and field operations leaders and team members.

Due to the nature of our legacy business, we collaborate with and sell to many Original Equipment Manufacturers (OEMs) who build production, processing, and heating equipment as well as other strategic partners that deliver Instrumentation and Electrical (I&E) services in the industry. These channels provide us with a relatively easy-to-scale augmentation to our sales and service teams.

Leveraging our core technology, platforms and combustion expertise, we have started to achieve success and complete projects in new diversified markets. Through direct sales, new OEM and strategic re-sell relationships, we have found opportunities to diversify our market footprint and expand into industries that reside outside of our traditional oil and gas segments. Some industries of focus include biogas, biomass, power generation, agriculture, heat treat and metal manufacturing, mining, hydrogen production and petrochemical.

Competition

Profire has several competitors including ACL, Combustex, SureFire, and Platinum. These companies offer similar products and services to Profire, but at a smaller scale. While price is a significant method of competition within the oil and gas industry, we believe the most important competitive factors are performance, quality, reliability, durability, product support and service expertise. We believe a quality-focused approach will support us in remaining competitive.

Through our develop of products with enhanced capabilities, we have begun to compete with companies such as Honeywell Thermal, Emerson, Fireye, and Siemens in connection with larger, more complex applications. As we continue to expand further into downstream oil and gas applications and outside of traditional oil and gas markets, we expect this competition to intensify.

Sources and Availability of Raw Materials

We operate under release date purchase orders with the majority of our suppliers, including our international-based supply chain. This allows for our procurement team to work closely with our suppliers to navigate market fluctuations and the changing needs of our customers. In the past, we have not experienced any sudden or dramatic increase in the prices of the major parts or components needed for our systems. However, as industry activity levels fluctuate and global economic pressures change, we have experienced upward pressure on the prices of system components, which may persist for some time.

Some of the components that we resell, such as some of our valve products, are available from a limited number of suppliers. If our access to such products becomes constricted, we could experience a material adverse impact on our results of operations or financial condition. Many of the component parts we use are relatively low-priced and historically have been readily available through multiple suppliers and manufacturers; however, we have seen sudden and dramatic increases in the price as well as decreases in supply of some of these components. The persistence of these pressures could have a material adverse effect on our results of operations or financial condition. We have been proactively working with additional contract manufacturers and vendors to reduce these supply chain risks and have been combating the prices increases with increased prices on the products we sell to our customers.

We utilize third-party contract manufacturers, to assemble our burner-management system controllers, along with other proprietary products. We believe this has provided us with improved manufacturing efficiencies. Additionally, the use of third-party fabricators enables us to concentrate our capital on liquidity maintenance, research and development projects, and other strategies that align with our core competencies instead of investments in manufacturing equipment. Under the direction of our product engineers, the manufacturers are able to procure all electronic parts, specialty cases and components, and from those components assemble the complete system. Using specialty equipment and processes provided by us, our control systems are tested on-site by the manufacturer, and if the finished product is acceptable, it is shipped to us for distribution. We subsequently perform our own quality-control testing and ensure the programming for each system is ready for the anticipated environment of the customer. Shipments to us from our manufacturers are usually limited to a few hundred units at a time, so that in the event any one shipment is lost or damaged, inventory levels are not seriously impacted. The entire manufacturing process is typically completed within 90 to 120 days of the manufacturer receiving our purchase order and having all the necessary components on-hand. Due to global supply chain challenges over the past two years, we have experienced significant increases to some of the long lead time components used in our systems.

Our burner-management system manufacturers are located in Alberta, Canada.

We believe we have adequate alternative manufacturing sources available if we lose the services of our current manufacturers. While such a loss might result in a temporary short-term disruption, we do not expect it would result in a materially adverse impact on our ability to meet demand for our products or results of operations, financial condition and cash flows for a significant period of time. We periodically evaluate alternative manufacturing options to ensure our current fabricators are competitive in price, manufacturing quality and fulfillment speed, and to ensure we have the ability to scale our production levels based on customer demand and market conditions.

Dependence upon Major Customers

During the fiscal years ended December 31, 2022 and December 31, 2021, no single customer accounted for more than 10% of our total revenues. Nonetheless, the loss of a major customer could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Patents, Trademarks and Other Intellectual Property

We have filed or acquired several patent applications for various product innovations. We intend to continue to assess the strategic and financial value of each potential patent as we develop various intellectual properties.

While our patents and patent applications as a group are important, we do not consider any patent or applications to be of such importance that the loss or expiration thereof would have a material adverse effect on our business.

Need for Governmental Approval of our Principal Products or Services

We are required to obtain certain safety certifications/ratings for our combustion-management systems before they are released to the market. We have received the appropriate certifications including CSA, Intertek, and UL certifications for our burner-management systems.

Although sales of our products and services have not been dependent on industry regulations, we believe industry regulations have enhanced our sales environment in certain geographies. We believe that increased regulation in the areas of lower emissions and higher safety standards for our customers—especially when coupled with consistent enforcement—may influence potential customers to purchase our products or services and could even increase quantities purchased by existing customers.

Effects of Existing or Probable Governmental Regulation on our Business

We believe that our products and services can help our customers achieve and maintain regulatory compliance and in some instances, exceed industry standards, regarding emissions, safe burner ignition methods, data logging, or other safety or environmental compliance requirements or standards that may impact our customers and markets. Examples of such regulations include:

- B149.3-10, which has evolved in recent years and is effective for Alberta, Canada, governs the safety precautions that must be met concerning the ignition of the pilot and the main burner in Alberta. It requires a programmable control to be used if the controller complies with certain certification requirements promulgated by the CSA.
- Regulation 7 of the Air Quality Control Commission regulations in Colorado requires that combustion devices be equipped with an auto-igniter which will automatically attempt to relight the pilot flame in the combustion chamber of a control device. The auto-igniter requirement is to reduce the risk of volatile organic compound emissions.
- R307-503, as passed by the Utah Department of Air Quality, mandates that all open and enclosed flares have an auto-igniter designed to automatically attempt to relight the pilot flame of a flare in order to combust volatile organic compound emissions.
- Order 25417, in North Dakota, requires producers to condition crude oil before transportation and prove oil temperature is above 110 degrees Fahrenheit, to burn off toxic gases from the oil.

Our burner-management systems help companies comply with these regulations and other clean air and emissions reduction initiatives and requirements. On behalf of our customers, we monitor regulatory requirements that impact their businesses and industries. We are currently monitoring the impact of the Methane Waste Prevention Act of 2021, the Clean Energy and Sustainability Accelerator Act, EPA New Source Performance Standards as part of 40 CFR Subpart OOOO and OOOOa, and others. We believe our burner-management systems and ancillary products can help customers meet the more stringent standards being proposed. We have assigned sales and service professionals to specific geographic areas to ensure we have a strong presence in the states and provinces with specific safety and emissions regulations.

We are focused on providing products and services that exceed existing regulatory and industry safety standards. We believe demand for our products may increase as regulators and our customers continue to tighten safety and efficiency standards in the industry and as our customers demand technological solutions. In addition to satisfying regulatory and safety requirements, we believe our customers continue to recognize the operational efficiencies that can be realized through the use of our burner-management systems and related products. However, significant changes in the regulatory environment could materially impact our results of operations and financial condition in either positive or negative ways depending on the nature of the change.

Research and Development

We place strong emphasis on product-oriented research and development relating to the development of new or improved products and systems. During the fiscal years ended December 31, 2022 and December 31, 2021, we spent \$1,432,000 and \$1,120,080, respectively, on research and development programs.

Cost and Effects of Compliance with Federal, State and Local Environmental Laws

Our business is affected by local, provincial, state, federal and foreign laws and other regulations relating to the gas and electric safety standards and codes presently existing in the oil and gas industry, as well as laws and regulations relating to worker safety and environmental protection.

During the fiscal years ended December 31, 2022 and December 31, 2021, respectively, we did not incur material direct costs to comply with applicable environmental laws. There can be no assurance, however, that this will continue to be the case in the future as environmental laws and regulations relating to the oil and natural gas industry are routinely subject to change.

Corporate Structure

We were incorporated on May 5, 2003 in the State of Nevada. We have four wholly-owned subsidiaries: Profire Combustion, Inc., an Alberta, Canada corporation; Prochem, ULC, an Alberta, Canada unlimited liability corporation; Profire Holdings, LLC, a Utah limited liability company; and Midflow Services, an Ohio limited liability company.

Employees

As of December 31, 2022, we had a total of 107 employees, 103 of whom were full-time employees.

Executive Officers of the Registrant

Name	Age	Positions Held
Brenton W. Hatch	72	Chairman of the Board (July 2022 to present) Special Advisor & Chairman (July 2021 to June 2022) Executive Chairman (Jul 2020 to Jun 2021)
Ryan Oviatt	49	Co-Chief Executive Officer and Co-President (2020 to present) Chief Financial Officer (2015 to present)
Cameron Tidball	46	Co-Chief Executive Officer and Co-President (2020 to present) Chief Business Development Officer (2018-2020)
Patrick Fisher	45	Vice President of Product Development (2019 to present)

Effective October 31, 2021, our Vice President of Operations, Jay Fugal, resigned from his position with the Company to pursue an opportunity as CEO of another company. Profire completed some internal reorganizations following Jay's resignation but did not appoint an Executive Officer as a replacement.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* (the “Exchange Act”), are available free of charge on our website at www.profireenergy.com as soon as reasonably practicable after we file such information electronically with, or furnish it to, the U.S. Securities and Exchange Commission (the “SEC”).

Item 1A. Risk Factors

The statements in this section describe the known material risks to our business and should be considered carefully.

Risks Relating to Our Business

Dependence on contract manufacturing and outsourcing other portions of our supply chain may adversely affect our ability to bring products to market and damage our reputation.

We outsource our manufacturing processes and other functions and continue to evaluate additional outsourcing in order to maintain efficient operations. If our contract manufacturers or other outsourcers fail to perform their obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and our reputation could suffer. For example, during a market upturn, our contract manufacturers may be unable to meet our demand requirements, which may prevent us from fulfilling our customers' orders on a timely basis. The ability of these manufacturers to perform is largely outside of our control. Additionally, changing or replacing our contract manufacturers or other outsourcers could cause disruptions or delays.

The global COVID-19 pandemic has and could continue to adversely affect us, and it could have a material adverse impact on our business, financial condition, liquidity, results of operations and prospects.

Since the beginning of 2020, the COVID-19 pandemic has spread across the globe and disrupted economies around the world, including the oil and gas industry in which we operate. Federal, state and local government-imposed quarantines, shelter-in-place mandates, sweeping restrictions on travel, and other public health and safety measures, could materially reduced global demand for crude oil. Although many of these restrictions have been loosened or lifted around the world, the extent to which the global COVID-19 pandemic will continue to affect our business, financial condition, liquidity, results of operations, prospects, and the demand for our products will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration or any recurrence of the outbreak and responsive measures, additional or modified government actions, new information which may emerge concerning the severity of the global COVID-19 pandemic and the effectiveness of actions taken to contain the coronavirus or treat its impact now or in the future, among others.

Some impacts of the global COVID-19 pandemic that could have an adverse effect on our business, financial condition, liquidity and results of operations, include:

- significant changes in prices for oil production, resulting from world-wide swings in demand and resulting over or under supply of existing production;
- further decreases in the demand for oil production, resulting from significantly decreased levels of global, regional and local travel as a result of new or additional federal, state and local government-imposed quarantines, including shelter-in-place mandates, enacted to slow the spread of the virus and any new variant;
- increased likelihood that our customers will make rapid changes to capital expenditures due to oil prices fluctuations, swings in demand for oil production and other factors that could impact production;
- increased potential that our customers may seek to invoke force majeure provisions as a result of significantly adverse market conditions to avoid the performance of contractual obligations;
- increased costs and staffing requirements related to facility modifications, social distancing measures or other best practices implemented in connection with federal, state or local government, and voluntarily imposed quarantines or other regulations or guidelines concerning physical gatherings; and
- increased legal and operational costs related to compliance with significant changes in federal, state, and local laws and regulations.

To the extent the global COVID-19 pandemic continues to adversely affect the global economy, and/or adversely affects our business, financial condition, liquidity, results of operations and prospects it may also have the effect of increasing the likelihood and/or magnitude of other risks described above.

Changes in the level of capital-spending by our customers could materially and adversely impact our business and financial condition.

Our principal customers are oil and natural gas exploration and production companies that operate in the upstream and midstream space and the original equipment manufacturers, or OEM's, that supply the exploration and production companies with the required production and processing equipment. Thus, the results of our operations and financial condition depend on the level of capital spending by our customers. The energy industry's level of capital spending is significantly influenced by the prevailing commodity prices of natural gas and crude oil because the amount of crude oil and natural gas that our customers can economically produce also depends on the prevailing prices for those commodities. Volatility in commodity prices may make our customers reluctant to invest in the oil and gas industry where our products would be used. Although our products may enhance the operational efficiency of producing wells, other operational decisions and behaviors by producers could lead to reductions or delays in the capital spending of our customers and therefore reduce the demand for our products and services, which could materially and adversely impact our results of operations, financial condition and cash flow.

The energy industry's level of capital spending may also be affected by government regulations or other efforts designed to mitigate climate change or reduce greenhouse gas emissions. Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer and customer use of substitutes to oil and gas may result in increased costs and lower profits for our customers, and reduced demand for their products. These factors may also cause our customers to allocate more capital spending to other areas or other types of energy production.

We depend on our customers' willingness to make operating and capital expenditures to transport, refine and produce oil and natural gas. Industry conditions are influenced by numerous factors over which we have no control, such as:

- the level of oil and gas production;
- the demand for oil and gas related products;
- domestic and worldwide economic conditions;
- political instability in the Middle East and other oil-producing regions;
- the actions of the Organization of Petroleum Exporting Countries (OPEC);
- political and economic instability, including wars and acts of terrorism, political unrest, boycotts, curtailments of trade, tariffs and sanctions, and other business restrictions;
- the price of foreign imports of oil and gas, including liquefied natural gas;
- natural disasters or weather conditions, such as hurricanes;
- technological advances affecting energy consumption;

- the level of oil and gas inventories globally;
- the cost of producing oil and gas;
- the price and availability of alternative fuels and energy sources;
- increasing attention and expectations relating to climate change and reduction of greenhouse gas emissions;
- merger and divestiture activity among oil and gas producers; and
- governmental regulations, including those related to climate change.

These and other industry conditions could influence our customers' willingness to make operating and capital expenditures to transport, refine and produce oil and natural gas. If our customers reduce or eliminate such operating and capital expenditures, it may adversely affect our business and financial condition.

Changes in foreign exchange rates in countries where our business operates could have a material adverse impact on our business and financial condition.

A portion of our consolidated revenue and consolidated operating income is in Canadian dollars. As a result, we are subject to significant risks, including:

- Canadian currency exchange risks resulting from changes in Canadian currency exchange rates and the execution of controls in this area; and
- limitations on our ability to reinvest earnings from operations in the United States to fund our operations in Canada.

If the volatility in the CAD/USD exchange rate causes a devaluation in either currency, it could have a material adverse impact on our business and financial condition.

The competitive nature of the oilfield services industry could lead to an increase of direct competitors.

As our segment within the oil and gas exploration and production industry grows and matures it is reasonable to expect additional companies may seek to enter this market. New entrants to our industry may be more highly capitalized, better recognized or better situated to take advantage of market opportunities. If we are unable to adequately compete against current and future competitors, or if the competition results in price reductions or decreased demand for our products, our business, financial condition and results of operations may be materially and adversely affected.

We may not realize all of the anticipated benefits of our acquisitions, joint ventures or divestitures, or these benefits may take longer to realize than expected.

Our future business strategies may include growth through the acquisitions of other businesses. We may not be able to identify attractive acquisition opportunities or successfully acquire those opportunities that are identified. Even if we are successful in integrating future acquisitions into existing operations, we may not derive the benefits, such as administrative or operational synergy or earnings, that were expected from such acquisitions, which may result in the commitment of capital resources without the expected returns on capital. Additionally, the competition for acquisition opportunities may increase which in turn would increase our cost of making acquisitions.

In pursuing our business strategy, from time to time we evaluate targets for potential acquisitions. We conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete transactions and manage post-closing matters such as the integration of acquired businesses. However, we may incur unanticipated costs or expenses following a completed acquisition, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities.

The risks associated with our past or future acquisitions also include the following:

- the business culture of the acquired business may not match well with our culture;
- we may fail to retain, motivate and integrate key management and other employees of the acquired business;
- we may experience problems in retaining customers and integrating customer bases;
- we may experience complexities associated with managing the combined businesses; and

- consolidating multiple physical locations.

The anticipated benefits of acquisitions may not be realized, if at all, and we may incur significant time and costs beyond those anticipated with the integration of new acquisitions to the existing business. If we are unable to accomplish the integration and management of the combined business successfully, or achieve a substantial portion of the anticipated benefits of these acquisitions within the time frames anticipated by Management, it could have a material adverse effect on our business and financial condition.

Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues, and diversion of Management's time and attention. They may also delay the realization of the benefits we anticipate when we enter into a transaction. Failure to implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our business and financial condition.

Our operations involve operating hazards, which, if not insured or indemnified against, could harm our results of operations and financial condition.

Our operations are subject to hazards inherent in our technology's use in oilfield service operations, oilfield development and oil production activities, including fire, explosions, blowouts, spills and damage or loss from natural disasters, each of which could result in substantial damage to the oil-producing formations and oil wells, production facilities, other property, equipment and the environment, or in personal injury or loss of life. These hazards could also result in the suspension of purchasing, or in claims by employees, customers or third parties which could have a material adverse effect on our financial condition.

Some of these risks are either not insurable or insurance is available only at rates that we consider uneconomical. Although we will maintain liability insurance in an amount that we consider consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits. We may not always be successful in obtaining contractual indemnification from our customers, and customers who provide contractual indemnification protection may not maintain adequate insurance or otherwise have the financial resources necessary to support their indemnification obligations. Our insurance or indemnification arrangements may not adequately protect us against liability or loss from all the hazards of our operations. The occurrence of a significant event that we have not fully insured or indemnified against, or the failure of a customer to meet its indemnification obligations to us, could materially and adversely affect our results of operations and financial condition.

Changes to governmental regulation of the oil and gas industry could materially and adversely affect our business.

If the laws and regulations governing oil and natural gas exploration and production were to become less stringent, we could experience a decline in the demand for our products, which we expect would materially and adversely impact our results of operations and financial condition. These regulations are subject to change and new regulations may curtail or eliminate customer activities in certain areas where we currently operate. Furthermore, our operations are affected by local, provincial, state, federal, and foreign laws and other regulations relating to oil, gas and electric standards. Such standards can be related to safety, environmental protection, or other regulatory dimensions for the oil and gas industry. Less stringent standards could adversely impact our business and financial conditions.

Increased legislation, regulation and other government actions related to climate change and greenhouse gas emissions could also increase costs for our customers and reduce demand for their products, which could cause a reduction in demand for our products and adversely affect our business and financial condition.

Our international operations subject us to certain operating risks, which could adversely impact our results of operations and financial condition.

Our international operations involve additional risks not associated with our domestic operations. We intend to continue our expansion into international oil and gas producing areas. The effect on our international operations from the risks we describe will not be the same in all countries and jurisdictions. Risks associated with our operations outside of the United States include risks of:

- multiple, conflicting, and changing laws and regulations, export and import restrictions, and employment laws;

- regulatory requirements, and other government approvals, permits, and licenses;
- adverse tax consequences;
- political and economic instability, including wars and acts of terrorism, political unrest, boycotts, curtailments of trade, tariffs and sanctions, and other business restrictions;
- expropriation, confiscation, or nationalization of assets;
- renegotiation or nullification of existing contracts;
- difficulties and costs in recruiting and retaining individuals skilled in international business operations;
- foreign exchange restrictions;
- foreign currency fluctuations;
- foreign taxation;
- the inability to repatriate earnings or capital;
- changing foreign and domestic monetary policies;
- cultural and communication challenges;
- regional economic downturns;
- foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction that may harm our ability to compete; and
- failure to comply with anti-corruption and anti-bribery laws, including the U.S. Foreign Corrupt Practices Act.

Our business could result in liability for litigation, personal injury and property damage claims assessments.

Most of our products are used in hazardous production applications and involve exposure to inherent risks, including explosions and fires, where an accident or a failure of a product could result in liability for personal injury, loss of life, property damage, pollution or other environmental hazards or loss of production. Litigation may arise from a catastrophic occurrence at a location where our equipment and services are used. This litigation could result in large claims for damages, including consequential damages, and could impair the market's acceptance of our products. The frequency and severity of such incidents could affect our operating costs, insurability and relationships with customers, employees and regulators. These occurrences could result in substantial costs and diversion of Management's attention and resources, which could have an adverse effect on our business.

Our business may be subject to product liability claims or product recalls, which could be expensive and could result in diversion of Management's attention.

As an installer and servicer of oilfield combustion management technologies and related products, we face an inherent business risk of exposure to product liability claims in the event that our products, or the equipment into which our products are incorporated, could malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our technology, products or services caused or contributed to the accidents. Product liability claims could result in significant losses as a result of expenses incurred in defending claims or the awarding of damages. In addition, we may be required to participate in recalls involving our products if any of our products prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices, or in an effort to maintain good customer relationships. Our product liability insurance may not be sufficient to cover all product liability claims, such claims may exceed our insurance coverage limits, or such insurance may not continue to be available on commercially reasonable terms, if at all. Any product liability claim brought against us could have a material adverse effect on our reputation and business.

Uninsured or underinsured claims or litigation or an increase in our insurance premiums could adversely impact our results of operations.

Although we maintain insurance protection for certain risks in our business and operations, we are not fully insured against all possible risks, nor are all such risks insurable. It is possible an unexpected judgment could be rendered against us for which we could be uninsured or underinsured and damages could be beyond the amounts we currently have reserved or anticipate incurring. Significant increases in the cost of insurance and more restrictive coverage may have an adverse impact on our results of operations. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable or our insurance coverage may not be adequate to cover future claims and assessments that may arise.

Our assets and operations, as well as the assets and operations of our customers, could be adversely affected by weather and other natural phenomena.

Our assets and operations could be adversely affected by natural phenomena, such as tornadoes, hurricanes, earthquakes, wildfire, floods, and landslides. A significant disruption in our operations or the operations of our customers due to weather or other natural phenomena could adversely affect our business and financial condition.

Liability to customers under warranties may materially and adversely affect our earnings.

We provide warranties as to the proper operation and conformance to specifications of the products we sell. Failure of our products to operate properly or to meet specifications may increase our costs by requiring additional engineering resources and services, replacement of parts and equipment, or monetary reimbursement to a customer. In the past we have received warranty claims and we expect to continue to receive them in the future. To the extent that we incur substantial warranty claims in any period, our reputation, our ability to obtain future business, and our earnings could be adversely affected.

Some of our products use equipment and materials that are available from a limited number of suppliers.

We purchase equipment provided by a limited number of manufacturers. During periods of high demand, these manufacturers may not be able to meet our requests for timely delivery, resulting in delayed deliveries of equipment and higher prices for equipment. There are a limited number of suppliers for certain materials used in burner-management systems, our largest product line. Although these materials are generally available, supply disruptions may occur due to factors beyond our control. Such disruptions, delayed deliveries, and higher prices could limit our ability to meet our customers' needs, or could increase the related costs, thus possibly reducing our revenues and profits.

We are exposed to risks of delay, cancellation, and nonpayment by customers in the ordinary course of our business activities.

We are exposed to risks of loss in the event of delay, cancellation, and nonpayment by our customers. Our customers are subject to their own operating and regulatory risks and may be highly leveraged. Any delay and any increases in the cancellation of contracts or nonpayment by our customers and/or counterparties could adversely affect our results of operations and financial condition. In addition, the same factors that may lead to a reduction in our potential customers' spending may also increase our exposure to the risks of nonpayment and nonperformance by our existing customers. A significant reduction in our customers' liquidity may result in a decrease in their ability to pay or otherwise perform their obligations to us. Any increase in nonpayment or nonperformance by our customers, either as a result of recent changes in financial and economic conditions or otherwise, could have an adverse impact on our operating results and adversely affect our liquidity.

Our ability to successfully commercialize our technology and products may be materially adversely affected if we are unable to obtain and maintain effective intellectual property rights for our technologies and planned products, or if the scope of the intellectual property protection is not sufficiently broad.

Our success may depend, in part, on our ability to obtain and maintain patent and other intellectual property protection with respect to our proprietary technology and products. In recent years, patent rights have been the subject of significant litigation. As a result, the issuance, scope, validity, enforceability and commercial value of patent rights is highly uncertain. Pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the same, especially in jurisdictions in which we hope to secure protection, may diminish the value of patents or narrow the scope of patent protection. Publications of discoveries in the scientific literature often lag behind actual discoveries, and patent applications, in the United States and other jurisdictions. As a result, such discoveries are typically not published until 18 months after filing, or in some cases not at all. Therefore, we may not have been the first to make the inventions claimed in our patents or pending patent applications, or we may not have been the first to file for patent protection of such inventions.

Even if the patent applications we rely on are issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and patents may

be challenged in the courts or patent offices in the United States and internationally. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop, or prevent us from stopping, others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, or otherwise provide us with a competitive advantage.

While we are not currently engaged in any material intellectual property litigation, in the future we may commence lawsuits against others if we believe they have infringed our rights. We may not be successful in any such litigation. Our involvement in any intellectual property litigation could require the expenditure of substantial time and other resources, may adversely affect the development of sales of our products or intellectual property, our capital resources, or may divert the efforts of our technical and management personnel, and could have a material adverse effect on our business, results of operations, and financial condition.

We may not be able to protect or enforce our intellectual property rights throughout the world.

Filing, prosecuting and defending our patents throughout the world would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we have not obtained patent protection, to develop their own products, and may export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as in the United States. Competitors' products may compete with our products in jurisdictions where we do not have any issued patents, and our intellectual property rights may not be effective or sufficient to prevent them from competing. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries may not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of any patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce any patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected, harming our business and competitive position.

Some of our proprietary intellectual property is not protected by patents or copyrights, and, despite our precautions, it may be possible for third parties to obtain and use such intellectual property without authorization. We rely upon confidential proprietary information, including trade secrets, unpatented know-how, technology, software, and other proprietary information, to develop and maintain our competitive position. Any disclosure to, or misappropriation by, third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in the market. We seek to protect our confidential proprietary information, in part, by confidentiality agreements with our employees and our collaborators and consultants. We also have agreements with our employees and selected consultants that obligate them to assign their inventions to us.

These agreements are designed to protect our proprietary information; however, our trade secrets and other confidential information could be disclosed or competitors could otherwise gain access to our trade secrets, or that technology relevant to our business could be independently developed by a person that is not a party to such agreements. Furthermore, if the employees, consultants or collaborators that are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets through such breaches or violations. Further, our trade secrets could be disclosed, misappropriated or otherwise become known or be independently discovered by our competitors. In addition, intellectual property laws in foreign countries may not protect trade secrets and confidential information to the same extent as the laws of the United States. If we are unable to prevent disclosure of the intellectual property related to our technologies to third parties, we may not be able to establish or maintain a competitive advantage in our market, which would harm our ability to protect our rights and have a material adverse effect on our business.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability and the ability of our distributors, contract manufacturers, and suppliers to manufacture, market, and sell our products, and to use our proprietary technologies without infringing, misappropriating, or otherwise violating the proprietary rights or intellectual property of third parties. While we are not aware of any issued or

pending patent applications that could restrict our ability to operate, we may in the future become party to, or be threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing or future intellectual property rights. If we are found to infringe a third party's intellectual property rights, we may be temporarily or permanently prohibited from commercializing our products that are held to be infringing. We might, if possible, also be forced to redesign our products so that we no longer infringe the third-party intellectual property rights, or we could be required to obtain a license from such third party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle pending or threatened litigation. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us, and we could be required to pay significant royalties and other fees. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our products or force us to cease some of our business operations, which could materially harm our business.

Even if we are successful in defending against intellectual property claims, litigation or other legal proceedings relating to such claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. Such litigation or proceedings could substantially decrease our operating profits and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. As a result of their substantially greater financial resources, some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can. Uncertainties resulting from the initiation and continuation of litigation or other intellectual property-related proceedings could have a material adverse effect on our ability to compete in the marketplace.

If we do not develop and commercialize new competitive products, our revenue may decline.

To remain competitive in the market for combustion and other emissions control technologies, we must continue to develop and commercialize new products. If we are not able to develop commercially competitive products in a timely manner in response to industry demands, our business and revenues will be adversely affected. Our future ability to develop new products depends on our ability to:

- design and commercially produce products that meet the needs of our existing and new customers;
- attract and retain talented research-and-development management and personnel;
- successfully market new products; and
- protect our proprietary designs from our competitors.

We may encounter resource constraints or technical or other difficulties that could delay introduction of new products and services. Our competitors may introduce new products before we do and achieve a competitive advantage.

Additionally, the time and expense invested in product development may not result in commercial products or revenues. Our inability to enhance existing products in a timely manner or to develop and introduce new products that incorporate new technologies, conform to stringent regulatory standards and performance requirements, and achieve market acceptance in a timely manner, could negatively impact our competitive position. New product development or modification is costly, involves significant research, development, time and expense, and may not necessarily result in the successful commercialization of any new products. Moreover, we may experience operating losses after new products are introduced and commercialized because of high start-up costs, unexpected manufacturing costs or problems, or lack of demand.

New technologies could render our existing products obsolete.

New developments in technology may negatively affect the development or sale of some or all of our products or make our products obsolete. Our success depends upon our ability to design, develop and market new or modified technologies and related products.

Our business and financial condition could be negatively impacted if we lose the services of certain members of senior management.

Our development to date has largely depended, and in the future will continue to largely depend, on the efforts of our senior management. We currently do not have key-person insurance on any of our senior management team. Thus, the loss of any

member of our senior management could impair our ability to execute our business plan and could therefore have a material adverse effect on our business, results of operations, and financial condition.

Failing to attract and retain skilled employees could impair our growth potential and profitability.

Our ability to remain productive and profitable depends substantially on our ability to attract and retain skilled employees. Our ability to scale our operations depends on our ability to increase our labor force. The demand for skilled oilfield employees is high and the supply is limited. As a result of the volatility of the oilfield services and technology industry, our ability to offer competitive wages and retain skilled employees may be diminished.

A portion of our total compensation program for key personnel has historically included awards of options to buy our common stock or other equity-based awards. If the price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract key personnel. In addition, if we are unable to continue to provide attractive equity compensation awards or other compensation incentives for any reason, we may be unable to retain and motivate existing personnel and recruit new personnel.

If we are unable to expand in existing or into new markets, our ability to grow our business as profitably as planned could be materially and adversely affected.

We may not be able to expand our market share in our existing markets or successfully enter new or contiguous markets especially in light of industry volatility. In addition, such expansion could adversely affect our profitability and results of operations. If we are unable to enter into new markets, our business could be materially and adversely affected.

If we are unable to manage growth effectively, our business, results of operations, and financial condition could be materially and adversely affected.

Our ability to successfully expand to new markets, or expand our penetration in existing markets, depends on a number of factors including:

- our ability to market our products and services to new customers;
- our ability to provide large-scale support and training materials for a growing customer base;
- our ability to hire, train and assimilate new employees;
- the adequacy of our financial resources; and
- our ability to correctly identify and exploit new geographical markets and to successfully compete in those markets.

We may not be able to achieve our planned expansion and our products may not gain access to new markets or be accepted in new marketplaces. We may not achieve greater market penetration in existing markets and we may not achieve planned operating results, or results comparable to those we experience in existing markets, in the new markets we enter.

Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations.

Information technology is critically important to our business operations. We use information technology to manage all business processes including manufacturing, financial, logistics, sales, marketing, and administrative functions. These processes collect, interpret and distribute business data and communicate internally and externally with employees, suppliers, customers, and others.

We invest in industry standard security technology to protect our data and business processes against risk of data security breach and cyber-attack. Our data security management program includes identity, trust, vulnerability, and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry accepted methods and remediate significant findings. Additionally, we certify our major technology suppliers and any outsourced services through accepted security certification standards.

While we believe that our security technology and processes provide adequate measures of protection against security breaches and reduce cybersecurity risks, disruptions in, or failures of, information technology systems are possible and could have a negative impact on our operations or business reputation. Failure of our systems, including failures due to cyber-

attacks that would prevent the ability of systems to function as intended, could cause transaction errors, loss of customers and sales, and could have negative consequences to our business, our employees, and those with whom we do business.

Risks Relating to our Common Stock

The market price of our common stock has been and may continue to be volatile and you may have difficulty reselling any shares of our common stock.

The market price of our common stock has been volatile and fluctuates widely in price in response to various factors which are beyond our control. The price of our common stock is not necessarily indicative of our operating performance or long-term business prospects. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Factors such as the following could cause the market price of our common stock to fluctuate substantially:

- the underlying price of the commodities in the oil and gas industry;
- announcements of capital budget changes by a major customer;
- the introduction of new products by our competitors;
- announcements of technology advances by us or our competitors;
- current events affecting the political and economic environment in the United States or Canada;
- foreign currency fluctuations;
- conditions or industry trends, including demand for our products, services and technological advances;
- changes to financial estimates by us or by any securities analysts who might cover our stock;
- changes in our key personnel;
- government regulation of our industry;
- seasonal, economic, or financial conditions;
- our quarterly operating and financial results; or
- litigation or public concern about the safety of our products.

The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly. In particular, the market price of our common stock may be influenced by variations in oil and gas prices, because demand for our products and services is closely related to commodity prices. The stock market in general experiences, from time to time, extreme price and volume fluctuations. Periodic and/or continuous market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Price volatility may be worse if the trading volume of our common stock is low.

A small number of existing stockholders own a significant amount of our common stock, which could limit your ability to influence the outcome of any stockholder vote.

As of December 31, 2022, our executive officers, directors, and certain beneficial owners owned approximately 24% of our common stock. As a result, our insiders have sufficient voting power to significantly influence the outcome of many matters requiring stockholder approval. These matters may include:

- the composition of our Board of Directors, which has the authority to direct our business, appoint and remove our officers, and declare dividends;
- approving or rejecting a merger, consolidation, or other business combination;
- raising future capital; and
- amending our articles of incorporation and bylaws.

This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs, or other purchases of our common stock that might otherwise give our other stockholders the opportunity to realize a premium over the then-prevailing market price of our common stock. This concentration of ownership may also adversely affect our share price. The interests of these existing stockholders may differ from the interests of our other stockholders.

While we have no existing agreements or plans for mergers or other corporate transactions that would require a stockholder vote at this time, this concentration of ownership may delay, prevent or deter a change in control, or deprive investors of a possible premium for owned common stock as part of a sale of our Company.

Our existing stockholders could experience dilution if we elect to raise equity capital to meet our liquidity needs or to finance strategic transactions.

As part of our growth strategy, we may desire to raise capital, issue stock to employees pursuant to our 2014 Equity Incentive Plan or utilize our common stock to effect strategic business transactions. If we issue equity securities in connection with any of these actions, such issuance will result in dilution to our existing stockholders.

Future sales of our common stock, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well.

If any significant number of outstanding shares of our common stock are sold, such sales could have a depressive effect on the market price of our stock. Sales of substantial amounts of shares in the public market, or the perception that such sales could occur, could depress prevailing market prices for the shares. Such sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price which we deem appropriate.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, and current and potential stockholders may lose confidence in our financial reporting.

We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal control over financial reporting and to disclose any changes in internal control over financial reporting. In Item 9A of this report, we disclose that with respect to the standards of Section 404 of the Sarbanes-Oxley Act of 2002, the internal controls-standard to which we are subject, we concluded that our internal control over financial reporting was effective as of December 31, 2022. For additional information on this item, please see Item 9A. Controls and Procedures.

Although we concluded that our internal controls over financial reporting were effective as of December 31, 2022, we cannot be certain that our internal control practices will ensure that we will have or maintain adequate internal control over our financial reporting in future periods. Any failure to have or maintain such internal controls could adversely impact our ability to report our financial results accurately and on a timely basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations.

We may be subject to stockholder litigation, thereby diverting our resources, which could materially adversely affect our profitability and results of operations.

The market for our common stock is volatile, and we expect it will continue to be volatile for the indefinite future. Plaintiffs often initiate securities class action litigation against a company following periods of volatility in the market price for its securities. In addition, stockholders may bring actions against companies relating to past transactions or other matters. Any such actions could give rise to substantial damages and thereby materially adversely affect our consolidated financial position, liquidity, or results of operations. Even if an action is not resolved against us, the uncertainty and expense associated with stockholder actions could materially adversely affect our business, prospects, and financial condition. Litigation can be costly, time-consuming and disruptive to business operations. The defense of lawsuits could also result in diversion of Management's time and attention away from business operations, which could harm our business.

We could issue "blank check" preferred stock without stockholder approval with the effect of diluting existing stockholders and impairing their voting rights, and provisions in our charter documents and under Nevada corporate law could discourage a takeover that stockholders may consider favorable.

Our articles of incorporation authorize the issuance of up to 10,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. Our Board of Directors is empowered, without stockholder approval, to authorize the issuance of a series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute the interest of, or impair the voting power of, our common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a

change in control. Any aspect of the foregoing, alone or together, could delay or prevent unsolicited takeovers and changes in control or changes in our management.

We do not anticipate paying cash dividends for the foreseeable future, and therefore investors should not buy our stock if they wish to receive cash dividends.

We have never declared or paid any cash dividends or distributions on our common stock. We currently intend to retain our future earnings to support operations and to finance expansion and, therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any payment of cash dividends in the future will be dependent on the amount of funds legally available, our earnings, financial condition, capital requirements, and other factors that our Board of Directors may deem relevant. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Anti-takeover effects of certain provisions of Nevada state law hinder a potential takeover of our company.

Although we are not currently subject to Nevada's control share law, we could become subject to Nevada's control share law in the future. A corporation is subject to Nevada's control share law if it has more than 200 stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and it does business in Nevada or through an affiliated corporation. The law focuses on the acquisition of a "controlling interest" which means the ownership of outstanding voting shares sufficient, but for the control share law, to enable the acquiring person to exercise the following proportions of the voting power of the corporation in the election of directors: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more. The ability to exercise such voting power may be direct or indirect, as well as individual or in association with others.

The effect of the control share law is that the acquiring person, and those acting in association with it, obtains only such voting rights in the control shares as are conferred by a resolution of the stockholders of the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to strip voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non-voting shares. The acquiring person is free to sell its shares to others. If the buyers of those shares themselves do not acquire a controlling interest, their shares do not become governed by the control share law. If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, any stockholder of record, other than an acquiring person, who has not voted in favor of approval of voting rights is entitled to demand fair value for such stockholder's shares. Nevada's control share law may have the effect of discouraging takeovers of the corporation.

In addition to the control share law, Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and "interested stockholders" for two years after the "interested stockholder" first becomes an "interested stockholder," unless the corporation's Board of Directors approves the combination in advance. For purposes of Nevada law, an "interested stockholder" is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The definition of the term "business combination" is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation's assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders. The effect of Nevada's business combination law is to potentially discourage parties interested in taking control of our Company from doing so if it cannot obtain the approval of our Board of Directors.

We may not be able to maintain compliance with the Nasdaq Capital Market's continued listing requirements.

Our common stock is listed on the Nasdaq Capital Market. There are a number of continued listing requirements that we must satisfy in order to maintain our listing on the Nasdaq Capital Market. Although we intend to comply with all of the continued listing requirements, it is possible we may fail to do so. If we fail to maintain compliance with all applicable continued listing requirements for the Nasdaq Capital Market and they determine to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, our ability to obtain financing, repay any future debt we could incur, and fund our operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The following table lists the location and description of each of our facilities, the current lease expiration date (when applicable), and the facility's principal use, and approximate square footage:

Location	Lease Expiration	Use	Square Footage
Lindon, Utah	Owned	Corporate HQ & Warehouse Assembly	50,500
Acheson, Alberta	Owned	Office & Warehouse Assembly	25,500
Victoria, Texas	July 31, 2023	Office & Warehouse Assembly	3,250
Homer City, Pennsylvania	May 20, 2024	Office & Warehouse Storage	2,100
Millersburg, Ohio	Month-to-Month	Office & Warehouse Assembly	1,600

Item 3. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in matters may arise from time to time that may harm our business. As of December 31, 2022, Management is not aware of any pending legal, judicial or administrative proceedings to which the Company or any of its subsidiaries is a party or of which any properties of the Company or its subsidiaries is the subject that we believe could have a material impact on our operations or financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Registrant's Common Equity and Holders

The Company's common stock is traded on the NASDAQ Capital Market under the symbol "PFIE." As of March 7, 2023, there were approximately 81 shareholders of record for our common stock. The number of record shareholders was determined from the records of our stock transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, registered clearing houses or agencies, banks, or other fiduciaries.

Dividends

The Company has not declared or paid any dividends in the past two years and does not intend to do so in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The table below displays information relating to equity compensation:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,808,099	\$ 0.34	694,795
Equity compensation plans not approved by security holders	—	—	—
Total	1,808,099	\$ 0.34	694,795

Issuer Purchases of Equity Securities

Pursuant to the board of directors' approval of a share repurchase program allowing the Company to repurchase up to \$2,000,000 worth of the Company's common stock from time to time through September 30, 2022, the Company entered into a 10b5-1 Plan in September 2021. After an initial 30-day cooling off period the Company began purchasing shares of common stock pursuant to the terms of the 10b5-1 Plan in October 2021. As of June 2022, the Company had spent the full allotment under the program.

Period	(a) Total Number of Shares Purchased	(b) Weighted Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans
January	144,742	\$ 1.12	144,742	\$ 1,066,572
February	82,540	\$ 1.16	82,540	\$ 970,961
March	282,349	\$ 1.29	282,349	\$ 606,467
April	146,959	\$ 1.32	146,959	\$ 412,281
May	138,083	\$ 1.36	138,083	\$ 225,130
June	166,548	\$ 1.35	166,548	\$ —
Total	961,221		961,221	

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a complete understanding, this Management's Discussion and Analysis should be read in conjunction with the *Financial Statements* and *Notes to the Financial Statements* contained in this annual report on Form 10-K.

Results of Operations

Revenues, Cost of Goods Sold, and Gross Profit

The table below presents information regarding revenues, cost of goods sold, and gross profit.

	For the Year Ended December 31, 2022	% of Revenue	For the Year Ended December 31, 2021	% of Revenue	\$ Change	% Change
Total Revenues	45,936,643	100 %	26,356,176	100 %	\$ 19,580,467	74 %
Total Cost of Goods Sold	24,285,253	53 %	14,955,161	57 %	\$ 9,330,092	62 %
Gross Profit	21,651,390	47 %	11,401,015	43 %	\$ 10,250,375	90 %

Total revenues increased by 74% which was primarily driven by improved customer demand associated with industry recoveries from the COVID-19 pandemic, a significant rise in oil prices, and an increase in rig counts and resulting completion activity and progress in the Company's revenue diversification efforts. The average oil price in 2022 was \$94.90 per barrel compared to \$68.14 per barrel in 2021, representing an increase of 39%. The 2022 weekly average of the onshore rig count for North America was 885, up 49% from a weekly average of 595 rigs in 2021. The average Henry Hub natural gas price increased by 66% during this same time period. Customer demand increased during 2022, in response to these industry trends. Revenues in 2022 also benefited from strong, ongoing progress in our strategic growth and diversification initiatives that are targeted at expansion into new industries and new areas within the oil and gas industry.

Total cost of goods sold increased, in large part, due to the increase in revenues. As a percentage of revenue, cost of goods sold decreased during 2022 due to changes in product mix and product related services as well as due to the fixed cost leverage provided by higher revenues. With our current operating cost structure, we have been able to grow revenue faster than the fixed costs of operating our business. Despite this, we continue to experience inflationary pressures for both direct and indirect costs. We continue to work with our suppliers in an effort to control our inventory costs and limit the impacts of inflation. As a result of these changes, total gross profit increased by \$10,250,375 during 2022 compared to 2021, and increased as a percent of total revenue.

Operating Expenses

The table below presents information on operating expenses:

	For the Year Ended December 31, 2022	% of Revenue	For the Year Ended December 31, 2021	% of Revenue	\$ Change	% Change
General and administrative expenses	14,396,763	31 %	11,533,496	44 %	\$ 2,863,267	25 %
Research and development	1,432,000	3 %	1,120,080	4 %	\$ 311,920	28 %
Depreciation and amortization expense (inclusive of amounts in COGS)	1,101,044	2 %	1,255,647	5 %	\$ (154,603)	(12)%

General and administrative expenses increased by \$2,863,267 or 25% during 2022 compared to 2021 but decreased as a percentage of revenue because the growth rate of fixed costs was lower than the growth rate of revenues during the period. The increase in 2022 was driven primarily by inflationary pressures on employee costs and supply chain challenges.

Research and development expenses increased by \$311,920 or 28% during 2022 compared to 2021 and decreased slightly as a percentage of revenue. These increases were largely a result of higher employee costs. We continue to prioritize research and development projects to ensure that we remain a leader in technology and automation in the industries we serve. We intend to continue our research and development efforts during 2023 in order to further diversify and enhance our product offerings.

Depreciation and amortization expense (inclusive of amounts in COGS) decreased by \$154,603 or 12% in 2022 compared to 2021 due in part to the sale of our Greeley, Colorado warehouse and several vehicles during 2022. The decrease is consistent with the decrease in property and equipment in 2022 compared to 2021.

Liquidity and Capital Resources

Management is committed to maintaining strong liquidity in an effort to be conservative and be able to respond quickly to changes in industry or economic conditions. The Company currently has no long-term debt, and does not have any immediate plans that would require long-term financing. While management believes sources of financing are available if needed, we cannot be certain that financing would be available to us on favorable terms, or at all. We currently do not expect any material changes to our capital resource mix during the next year.

We acquired land for a new office building and research and development facility in Canada in June of 2018. In the first quarter of 2020, we completed the construction of this new building in Acheson, Canada. Excluding the cost of the land, the total cost of the building was approximately \$4,600,000 USD. We completed the sale of the old office building in Canada in January 2021 and received overall cash proceeds from the sale of \$1,154,714 CAD.

The table below presents information on cash and investments:

	December 31, 2022	December 31, 2021	\$ Change	% Change
Cash and cash equivalents	7,384,578	8,188,270	\$ (803,692)	(10)%
Short-term investments	1,154,284	1,013,683	\$ 140,601	14 %
Long-term investments	7,503,419	8,259,809	\$ (756,390)	(9)%
Total	<u>16,042,281</u>	<u>17,461,762</u>	<u>(1,419,481)</u>	(8)%

The Company invests its available cash in investment grade securities. All of the investments either mature within one year or historically can be sold quickly in response to liquidity needs, if necessary.

The table below presents information regarding cash flows:

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021	\$ Change	% Change
Net Cash Provided by Operating Activities	\$ 516,077	\$ 648,927	\$ (132,850)	(20)%
Net Cash Provided by (Used in) Investing Activities	\$ 10,657	\$ (817,503)	\$ 828,160	101 %
Net Cash Used in Financing Activities	\$ (1,375,011)	\$ (836,139)	\$ (538,872)	64 %
Effect of exchange rate on Cash	\$ 44,585	\$ 44,673	\$ (88)	— %
Net Decrease in Cash	<u>\$ (803,692)</u>	<u>\$ (960,042)</u>	<u>\$ 156,350</u>	16 %

Our liquidity position is impacted by operating, investing and financing activities. During the year ended December 31, 2022, we generated \$516,077 of positive cash flow from operating activities. Most of this was generated through cash operating activities excluding non-cash expenses. The various movements in working capital items resulted in a sizable decrease in working capital during the year. The primary drivers of the working capital change were increases in accounts receivable and inventory due to increased revenues and customer demand. During the year ended December 31, 2022, we generated \$10,657 of cash in investing activities, primarily due to cash proceeds from the sale of property and equipment and investments, offset by purchases of property and equipment. Investing activity trends consist of changes in the mix of our investment portfolio, and purchases or sales of fixed assets. During the year ended December 31, 2022, we used \$1,375,011 of cash in financing

activities, primarily related to the purchase of treasury stock. Financing activity trends consist of transactions related to equity awards and purchases or sales of treasury stock.

The global COVID-19 pandemic significantly impacted our business in 2021 and, to a lesser degree, 2022. The extent to which the global COVID-19 pandemic will continue to affect our liquidity position will depend on future developments, which are highly uncertain and cannot be predicted with confidence. As of December 31, 2022, we hold \$16,042,281 of cash and investments that form our core excess liquidity which could be utilized, if required, due to the issues described above.

Off-Balance Sheet Arrangements

We have not engaged in any off-balance sheet arrangements, nor do we plan to engage in any in the foreseeable future.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

This section is not required.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Profire Energy, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Profire Energy, Inc. (“the Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2022 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above 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 each of the years in the two-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ Sadler, Gibb & Associates, LLC

We have served as the Company’s auditor since 2011.

Salt Lake City, UT
March 8, 2023

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	As of	
	December 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,384,578	\$ 8,188,270
Short-term investments (note 2)	1,154,284	1,013,683
Accounts receivable, net	10,886,145	6,262,799
Inventories, net (note 3)	10,293,980	7,185,248
Prepaid expenses and other current assets (note 4)	2,314,639	1,025,276
Income tax receivable	—	560,445
Total Current Assets	32,033,626	24,235,721
LONG-TERM ASSETS		
Net deferred tax asset	—	163,254
Long-term investments (note 2)	7,503,419	8,259,809
Financing right-of-use asset	120,239	65,280
Property and equipment, net (note 5)	10,423,964	11,185,539
Intangible assets, net (note 6)	1,268,907	1,549,138
Goodwill (note 6)	2,579,381	2,579,381
Total Long-Term Assets	21,895,910	23,802,401
TOTAL ASSETS	\$ 53,929,536	\$ 48,038,122
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,955,506	\$ 1,822,559
Accrued liabilities (note 7)	3,573,994	1,872,348
Current financing lease liability (note 8)	53,646	30,214
Income taxes payable	205,169	—
Total Current Liabilities	6,788,315	3,725,121
LONG-TERM LIABILITIES		
Net deferred income tax liability	488,858	136,106
Long-term financing lease liability (note 8)	67,883	35,912
TOTAL LIABILITIES	7,345,056	3,897,139
STOCKHOLDERS' EQUITY (note 9)		
Preferred stock: \$0.001 par value, 10,000,000 shares authorized: no shares issued or outstanding	—	—
Common stock: \$0.001 par value, 100,000,000 shares authorized: 52,143,901 issued and 47,105,771 outstanding at December 31, 2022, and 51,720,142 issued and 47,643,233 outstanding at December 31, 2021	52,144	51,720
Treasury stock, at cost	(7,336,323)	(6,107,593)
Additional paid-in capital	31,737,843	30,819,394
Accumulated other comprehensive loss	(3,294,873)	(2,100,467)
Retained earnings	25,425,689	21,477,929
TOTAL STOCKHOLDERS' EQUITY	46,584,480	44,140,983
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 53,929,536	\$ 48,038,122

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
REVENUES (note 10)		
Sales of goods, net	\$ 42,318,263	\$ 23,690,994
Sales of services, net	3,618,380	2,665,182
Total Revenues	45,936,643	26,356,176
COST OF SALES		
Cost of goods sold-product	21,425,176	12,825,906
Cost of goods sold-services	2,860,077	2,129,255
Total Cost of Goods Sold	24,285,253	14,955,161
GROSS PROFIT	21,651,390	11,401,015
OPERATING EXPENSES		
General and administrative	14,396,763	11,533,496
Research and development	1,432,000	1,120,080
Depreciation and amortization	628,019	762,439
Total Operating Expenses	16,456,782	13,416,015
INCOME (LOSS) FROM OPERATIONS	5,194,608	(2,015,000)
OTHER INCOME (EXPENSE)		
Gain on sale of fixed assets	318,075	192,183
Other income (expense)	(3,626)	8,715
Interest income	177,125	133,201
Total Other Income	491,574	334,099
INCOME (LOSS) BEFORE INCOME TAXES	5,686,182	(1,680,901)
INCOME TAX BENEFIT (EXPENSE) (Note 12)	(1,738,422)	629,358
NET INCOME (LOSS)	<u>\$ 3,947,760</u>	<u>\$ (1,051,543)</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation gain (loss)	\$ (670,167)	\$ 54,006
Unrealized losses on investments	(524,239)	(5,549)
Total Other Comprehensive Income (Loss)	(1,194,406)	48,457
COMPREHENSIVE INCOME (LOSS)	<u>\$ 2,753,354</u>	<u>\$ (1,003,086)</u>
BASIC EARNINGS (LOSS) PER SHARE (note 13)	<u>\$ 0.08</u>	<u>\$ (0.02)</u>
FULLY DILUTED EARNINGS (LOSS) PER SHARE (note 13)	<u>\$ 0.08</u>	<u>\$ (0.02)</u>
BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	47,161,101	48,070,581
FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	48,447,342	48,070,581

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2020	47,972,583	\$ 51,385	\$ 30,293,472	\$ (2,148,924)	\$ (5,353,019)	\$ 22,529,472	\$ 45,372,386
Stock based compensation	—	—	567,077	—	—	—	567,077
Stock issued in exercise of stock options	7,000	7	6,046	—	—	—	6,053
Stock issued in settlement of RSUs and accrued bonuses	328,181	328	(328)	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	(46,873)	—	—	—	(46,873)
Foreign currency translation	—	—	—	54,006	—	—	54,006
Unrealized gains on investments	—	—	—	(5,549)	—	—	(5,549)
Net Income For the Year Ended December 31, 2021	—	—	—	—	—	(1,051,543)	(1,051,543)
Balance, December 31, 2021	47,643,233	\$ 51,720	\$ 30,819,394	\$ (2,100,467)	\$ (6,107,593)	\$ 21,477,929	\$ 44,140,983
Stock based compensation	—	—	814,769	—	—	—	814,769
Stock issued in exercise of stock options	38,200	38	34,361	—	—	—	34,399
Stock issued in settlement of RSUs and accrued bonuses	385,559	386	212,402	—	—	—	212,788
Tax withholdings paid related to stock based compensation	—	—	(143,083)	—	—	—	(143,083)
Treasury stock repurchased	(961,221)	—	—	—	(1,228,730)	—	(1,228,730)
Foreign currency translation	—	—	—	(670,167)	—	—	(670,167)
Unrealized losses on investments	—	—	—	(524,239)	—	—	(524,239)
Net Income For the Year Ended December 31, 2022	—	—	—	—	—	3,947,760	3,947,760
Balance, December 31, 2022	47,105,771	\$ 52,144	\$ 31,737,843	\$ (3,294,873)	\$ (7,336,323)	\$ 25,425,689	\$ 46,584,480

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
OPERATING ACTIVITIES		
Net income (loss)	\$ 3,947,760	\$ (1,051,543)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	1,101,044	1,255,647
Gain on sale of fixed assets	(318,075)	(192,183)
Bad debt expense	77,704	15,979
Stock awards issued for services	814,769	567,077
Changes in operating assets and liabilities:		
Accounts receivable	(4,745,871)	(2,595,483)
Income taxes receivable/payable	765,650	(101,990)
Inventories	(3,240,049)	1,247,004
Prepaid expenses and other current assets	(1,337,076)	705,575
Deferred tax asset/liability	512,274	(524,791)
Accounts payable and accrued liabilities	2,937,947	1,323,635
Net Cash Provided by Operating Activities	<u>516,077</u>	<u>648,927</u>
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	520,068	177,851
Sale (purchase) of investments	91,601	(826,827)
Purchase of property and equipment	<u>(601,012)</u>	<u>(168,527)</u>
Net Cash Provided by (Used in) Investing Activities	10,657	(817,503)
FINANCING ACTIVITIES		
Value of equity awards surrendered by employees for tax liability	(145,930)	(46,873)
Cash received in exercise of stock options	33,863	6,053
Purchase of treasury stock	(1,228,730)	(754,574)
Principal paid towards lease liability	<u>(34,214)</u>	<u>(40,745)</u>
Net Cash Used in Financing Activities	<u>(1,375,011)</u>	<u>(836,139)</u>
Effect of exchange rate changes on cash	<u>44,585</u>	<u>44,673</u>
NET DECREASE IN CASH	(803,692)	(960,042)
CASH AT BEGINNING OF PERIOD	<u>8,188,270</u>	<u>9,148,312</u>
CASH AT END OF PERIOD	<u><u>\$ 7,384,578</u></u>	<u><u>\$ 8,188,270</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	\$ 17,726	\$ 3,205
Income taxes	\$ 847,712	\$ 17,150
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Common stock issued in settlement of accrued bonuses	\$ 212,788	\$ —

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2022 and December 31, 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Line of Business

This Organization and Summary of Significant Accounting Policies of Profire Energy, Inc. and subsidiary (the "Company") is presented to assist in understanding the Company's consolidated financial statements. The Company's accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP").

The Company specializes in the engineering and design of burner-management systems and solutions used on a variety of oilfield and other industrial natural-draft and forced-air combustion applications. We sell our products and services primarily throughout North America and Canada.

Recent Accounting Pronouncements

Accounting Standards Update No. 2021-10 —Government Assistance (Topic 832) —Disclosures by Business Entities about Government Assistance This update was issued to increase the transparency of government assistance by requiring entities to disclose the type of government assistance received, how the assistance was accounted for, and the effect of the assistance on the entity's financial statements. The amendments in this update are effective for annual periods beginning after December 15, 2021 and can be applied either prospectively or retrospectively. We evaluated the impact of this new guidance and determined that we will adopt the provisions of ASU 2021-10 as of December 15, 2021 on a retrospective basis. See Note 17 for additional information.

The Company has evaluated all other recent accounting pronouncements and determined that the adoption of other pronouncements applicable to the Company has not had, nor is expected to have, a material impact on the Company's financial position, results of operations, or cash flows.

Use of Estimates

The preparation of financial statements in accordance with US GAAP 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 reportable amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include our wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated.

Foreign Currency and Comprehensive Income

The functional currencies of the Company and its subsidiaries in the United States and Canada are the U.S. Dollar ("USD") and the Canadian Dollar ("CAD"), respectively. The financial statements of the subsidiary Profire Combustion, Inc. were translated to USD using year-end exchange rates for the balance sheet, and average exchange rates for the statements of operations. Equity transactions were translated using historical rates. The period-end exchange rates of 0.7370 and 0.7859 were used to convert the Company's December 31, 2022 and December 31, 2021 balance sheets, respectively, and the statements of operations used weighted average rates of 0.7679 and 0.7845 for the years ended December 31, 2022 and December 31, 2021, respectively. All amounts in the financial statements and footnotes are presumed to be stated in USD, unless otherwise identified. Foreign currency translation gains or losses as a result of fluctuations in the exchange rates are reflected in the Consolidated Statement of Income and Comprehensive Income (Loss), and the Consolidated Statements of Stockholders' Equity.

In addition to foreign currency translation gains and losses, the Company recognizes unrealized holding gains and losses on available-for-sale securities as part of comprehensive income, as discussed in the investments policy below.

Cash and Cash Equivalents

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2022 and December 31, 2021

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. Certificates of deposit held for investment that are not debt securities are included in "investments-other." Certificates of deposit with remaining maturities greater than one year are classified as "long term investments-other." Our cash and cash equivalents held in FDIC insured institutions can exceed the federally insured limit periodically and at the end of reporting periods. Our balances exceeded federally insured amounts by \$5,328,825 and \$6,077,964 as of December 31, 2022 and December 31, 2021, respectively.

Accounts Receivable

Receivables from the sale of goods and services are stated at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts. The allowance is calculated based on past collectability and customer relationships. The Company recorded an allowance for doubtful accounts of \$220,745 and \$153,909 as of December 31, 2022 and December 31, 2021, respectively. Uncollectible accounts are written off after all collection efforts have been exhausted and Credit Committee approval is granted. Bad debt expense recognized was \$77,704 and \$15,979 for the years ended December 31, 2022 and December 31, 2021, respectively.

Inventories

The Company's inventories are valued at the lower of cost (the purchase price, including additional fees) or market. Inventory costs are determined based on the average cost basis. A reserve for slow-moving and potentially obsolete inventories is recorded as of each balance sheet date and total inventories are presented net of that reserve.

Investments

Investments consist of available-for-sale debt securities and mutual funds invested in debt securities that the Company carries at fair value. Securities with original maturities of greater than three months at the date of purchase are classified as investments. Of these, bonds with maturities of less than one year, and mutual funds expected to be liquidated within one year from the balance sheet date, are classified as Short Term Investments. Bonds with maturities of greater than one year or mutual funds not expected to be liquidated within one year as of the balance sheet date are classified as Long Term Investments.

The Company accumulates unrealized gains and losses, net of tax, on the Company's available-for-sale securities in Accumulated Other Comprehensive Income (Loss) in the Shareholders' Equity section of its balance sheets. Such unrealized gains or losses do not increase or decrease net income for the applicable accounting period. The Company includes realized gains and losses on its available-for-sale securities in other income (expense), in its Statements of Operations. Dividend and interest income earned on all investments is included in earnings as other income.

Long-Lived Assets

The Company periodically reviews the carrying amount of long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the asset's carrying amount. In the event the carrying amount of such asset is not considered recoverable, the asset is adjusted to its fair value.

Goodwill

Goodwill represents the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition. Goodwill is reviewed for impairment annually on December 31, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. The Company does not amortize goodwill in accordance with Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 350, "Intangibles—Goodwill and Other" ("ASC 350"). Goodwill is tested for impairment at the reporting unit level. The reporting unit for goodwill testing purposes is the consolidated company as a whole.

Other Intangible Assets

The Company accounts for Other Intangible Assets under the guidance of ASC 350, "Intangibles—Goodwill and Other." Under such guidance, other intangible assets with definite lives are amortized over their estimated useful lives and tested

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annually for impairment or more frequently as circumstances warrant. Intangible assets with indefinite lives are tested annually for impairment.

Treasury Stock

Treasury stock repurchased and held by the Company is recorded as a separate line item on the Consolidated Balance Sheets. Treasury stock is held at cost until retired or reissued. Legal, brokerage, and other costs to acquire shares are not included in the cost of treasury stock. When treasury stock is reissued or retired, any gains are included as part of additional paid-in capital. Losses upon reissuance or retirement reduce additional paid-in capital to the extent that previous net gains from the same class of stock have been recognized and any losses above that are recognized as part of retained earnings.

Revenue Recognition

The Company's revenue recognition practices follow ASC 606, "Revenue from Contracts with Customers". Refer to Note 10 for further details.

Cost of Sales

The Company includes product costs (i.e., material, direct labor and overhead costs), shipping and handling expense, production-related depreciation expense and product license agreement expense in cost of sales.

Advertising Costs

The Company classifies expenses for advertising as general and administrative expenses and recognizes the expense when incurred. The Company incurred advertising costs of \$59,792 and \$51,212 during the years ended December 31, 2022 and December 31, 2021, respectively.

Stock-Based Compensation

The Company follows the provisions of ASC 718, "Share-Based Payments," which requires all share-based payments to employees to be recognized in the income statement based on their fair values. The Company uses the Black-Scholes pricing model for determining the fair value of stock options. The intrinsic value method is used to value restricted stock and restricted stock units. The Company has elected to recognize forfeitures as they occur.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Sales to the Company's four largest customers represented approximately 11% and 15% of total sales during the years ended December 31, 2022 and December 31, 2021, respectively.

Income Taxes

The Company is subject to US income taxes on a stand-alone basis. The Company and its subsidiary, Profire Combustion, Inc. file separate stand-alone tax returns in each jurisdiction in which they operate. Profire Combustion, Inc. is a corporation operating in Canada and is subject to Canadian income taxes on its stand-alone taxable income.

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes are provided for temporary differences on the basis of assets and liabilities as reported for financial statement and income tax purposes. Deferred income taxes reflect the tax effects of net operating loss and tax credit carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of certain deferred tax assets is dependent upon future earnings, if any. The Company makes estimates and judgments in determining the need for a provision for income taxes, including the estimation of our taxable income for each full fiscal year.

Shipping and Handling Fees and Costs

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The Company records all amounts billed to customers related to shipping and handling fees as revenue. The Company classifies expenses for shipping and handling costs as cost of goods sold.

Defined Contribution Retirement Plan

The Company matches employee contributions to our 401(k) plan up to 4% of their annual salary. The expense is recognized as part of general and administrative expenses on the income statement and was \$193,876 and \$174,281 for the years ended December 31, 2022 and December 31, 2021, respectively.

Property and Equipment

Property and equipment are stated at historical cost and depreciated over the useful life of the asset using the straight-line method. Useful lives are assigned to assets depending on their category. For details regarding property and equipment, refer to Note 5.

Research and Development

The Company's policy is to expense all costs associated with research and development ("R&D") that have no future alternative uses when those costs are incurred. Costs incurred to acquire assets currently used in R&D that do have future alternative uses are capitalized and the cost of depreciation is included in R&D expense.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Bond and mutual fund investments are presented at fair value as of the balance sheet date and accumulated gains or losses on those investments are reported in other comprehensive income. Refer to Note 2 for further details regarding instruments recorded at fair value.

Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is calculated by adjusting the weighted average number of shares of common stock outstanding for the dilutive effect, if any, of common stock equivalents. Common stock equivalents whose effect would be antidilutive are not included in diluted earnings per share. The Company uses the treasury stock method to determine the dilutive effect, which assumes that all common stock equivalents have been exercised at the beginning of the period and that the funds obtained from those exercises were used to repurchase shares of common stock of the Company at the average closing market price during the period. Refer to Note 13 for further details on the earning per share calculation.

NOTE 2 - FINANCIAL INSTRUMENTS AND INVESTMENTS

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements do not include transaction costs.

A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is divided into the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect

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estimated fair value. Management is of the opinion that the Company is not exposed to significant interest or credit risks arising from financial instruments and any declines in the value of investments are temporary in nature. Money market funds and certificates of deposits are shown at cost on the balance sheet and their adjusted cost approximates their fair value.

The following tables show the adjusted cost, unrealized gains (losses) and fair value of the Company's cash and cash equivalents and investments held as of December 31, 2022 and 2021:

December 31, 2022						
	Adjusted Cost	Pre-Tax Unrealized Gains/ (Losses)	Fair Value	Cash and Cash Equivalents	Short Term	Long Term
Level 1						
Money Market Funds	\$ 3,153,074	\$ —	\$ 3,153,074	\$ 3,153,074	\$ —	\$ —
Other Funds	1,889,552	(257,126)	1,632,426	—	—	1,632,426
	<u>5,042,626</u>	<u>(257,126)</u>	<u>4,785,500</u>	<u>3,153,074</u>	<u>—</u>	<u>1,632,426</u>
Level 2						
Corporate Bonds	1,277,675	(109,599)	1,168,076	—	—	1,168,076
Municipal Bonds	6,129,264	(272,063)	5,857,201	—	1,154,284	4,702,917
	<u>7,406,939</u>	<u>(381,662)</u>	<u>7,025,277</u>	<u>—</u>	<u>1,154,284</u>	<u>5,870,993</u>
Total	<u>\$ 12,449,565</u>	<u>\$ (638,788)</u>	<u>\$ 11,810,777</u>	<u>\$ 3,153,074</u>	<u>\$ 1,154,284</u>	<u>\$ 7,503,419</u>
December 31, 2021						
	Adjusted Cost	Pre-Tax Unrealized Gains/ (Losses)	Fair Value	Cash and Cash Equivalents	Short Term	Long Term
Level 1						
Money Market Funds	\$ 3,587,278	\$ —	\$ 3,587,278	\$ 3,587,278	\$ —	\$ —
Other Funds	1,889,552	93,123	1,982,675	—	—	1,982,675
	<u>5,476,830</u>	<u>93,123</u>	<u>5,569,953</u>	<u>3,587,278</u>	<u>—</u>	<u>1,982,675</u>
Level 2						
Corporate Bonds	1,396,435	(17,727)	1,378,708	—	101,004	1,277,704
Municipal Bonds	5,933,534	(21,425)	5,912,109	—	912,679	4,999,430
	<u>7,329,969</u>	<u>(39,152)</u>	<u>7,290,817</u>	<u>—</u>	<u>1,013,683</u>	<u>6,277,134</u>
Total	<u>\$ 12,806,799</u>	<u>\$ 53,971</u>	<u>\$ 12,860,770</u>	<u>\$ 3,587,278</u>	<u>\$ 1,013,683</u>	<u>\$ 8,259,809</u>

Pre-tax unrealized losses on investments incurred during the periods are presented below:

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Unrealized Holding Losses	\$ (692,759)	\$ (9,253)

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The maturities for bonds held by the Company as of December 31, 2022 are presented in the table below:

<u>Maturity</u>	<u>Fair Value</u>
Less Than One Year	\$ 1,154,284
1-2 years	2,045,641
2-5 years	3,825,352
5-10 years	—
Over 10 years	—
	<u>\$ 7,025,277</u>

NOTE 3 – INVENTORIES

Inventories consisted of the following at each balance sheet date:

	<u>As of</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 166,927	\$ 301,320
Finished goods	10,452,930	7,556,048
Work in process	—	—
Subtotal	10,619,857	7,857,368
Reserve for obsolescence	(325,877)	(672,120)
Total	<u>\$10,293,980</u>	<u>\$ 7,185,248</u>

NOTE 4 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following at each balance sheet date:

	<u>As of</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepaid inventory	784,420	530,725
Accrued Receivables	881,176	1,270
Prepaid insurance	240,785	228,849
Interest receivables	72,761	63,841
Tax credits	118,035	67
Other	217,462	200,524
	<u>\$ 2,314,639</u>	<u>\$ 1,025,276</u>

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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and estimated useful lives are presented in the table below:

	As of		Est. Useful Life
	December 31, 2022	December 31, 2021	
Furniture and fixtures	\$ 623,086	\$ 652,859	7 years
Computers	223,626	465,758	3 years
Software	—	246,963	2 years
Machinery and equipment	541,036	488,652	7 years
Leased Equipment	22,462	—	5 years
Vehicles	2,038,581	2,242,221	5 years
Land and buildings	11,240,356	11,692,779	30 years
Total property and equipment	14,689,147	15,789,232	
Accumulated depreciation	(4,265,183)	(4,603,693)	
Net property and equipment	<u>\$10,423,964</u>	<u>\$11,185,539</u>	

The table below shows total depreciation and amortization expense and how depreciation is allocated between cost of goods sold and operating expenses:

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Cost of goods sold - product depreciation	\$ 328,482	\$ 338,748
Cost of goods sold - service depreciation	144,543	154,460
Operating expense depreciation	388,618	500,142
Amortization expense	239,401	262,297
Total depreciation & amortization expense	<u>\$ 1,101,044</u>	<u>\$ 1,255,647</u>

NOTE 6 – INTANGIBLE ASSETS

Definite-lived intangible assets consist of developed technology, customer relationships, trade names and distribution agreements. The costs of developed technology, customer relationships and trade names are amortized over the respective useful life of each asset, ranging from 3-18 years. The costs of the distribution agreements are amortized over the remaining life of the agreements. Indefinite-lived intangible assets consist of goodwill. In accordance with ASC 350, goodwill is not amortized but tested for impairment annually or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. We test goodwill for impairment as of each balance sheet date. Intangible assets consisted of the following:

Definite-lived intangible assets

	As of	
	December 31, 2022	December 31, 2021
Definite-lived intangible assets	\$ 1,903,073	\$ 2,100,000
Less: Accumulated amortization	(634,166)	(550,862)
Definite-lived intangible assets, net	<u>\$ 1,268,907</u>	<u>\$ 1,549,138</u>

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During 2022, definite-lived intangible assets decreased primarily driven by amortization expense for the year.

Estimated amortization expense for the next five years related to the definite-lived intangible assets is displayed in the following table:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 164,805
2024	\$ 125,591
2025	\$ 80,899
2026	\$ 80,899
2027	\$ 80,899
Greater than 5 years	\$ 735,814

Indefinite-lived intangible assets

	<u>As of</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Goodwill	\$ 2,579,381	\$ 2,579,381

Goodwill is reviewed annually for impairment during the fourth quarter of the year, or whenever there are significant indicators of potential impairment. In 2022, the Company determined that the fair value of the reporting unit related to goodwill was not less than its carrying value. As such, the Company did not have any goodwill impairment for the year ended December 31, 2022.

NOTE 7 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at each balance sheet date:

	<u>As of</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Employee-related payables	\$ 2,404,848	\$ 1,621,131
Deferred Revenue	420,827	817
Inventory-related payables	\$ 285,109	\$ 67,027
Other tax-related payables	54,762	39,895
Warranty liabilities	\$ 74,103	\$ 49,624
Other	334,345	93,854
Total	<u>\$ 3,573,994</u>	<u>\$ 1,872,348</u>

NOTE 8 – LEASES

We have leases for office equipment and office space. The leases for office equipment are classified as financing leases and the typical term is 3 years. We have the option to extend most office equipment leases, but we do not intend to do so. Accordingly, no extensions have been recognized in the right-of-use asset or lease liability. The office equipment lease payments are not variable and the lease agreements do not include any non-lease components, residual value guarantees, or restrictions. There are no interest rates implicit in the office equipment lease agreements, so we have used our incremental borrowing rate to determine the discount rate to be applied to our financing leases. In 2021, we entered into a new lease agreement to replace some aging office equipment. The weighted average discount rate applied to our financing leases is 4.50% and the weighted average remaining lease term is 3.5 years.

The following table shows the components of financing lease cost:

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	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Financing Lease Cost		
Amortization of right-of-use assets	\$ 34,658	\$ 39,565
Interest on lease liabilities	3,147	1,676
Total financing lease cost	<u>\$ 37,805</u>	<u>\$ 41,241</u>

The Company leases one warehouse space with a two-year lease, which is recorded as an operating lease. The remainder of our office space leases are considered to be short-term, and we have elected not to recognize those on our balance sheet under the short-term recognition exemption. During the years ended December 31, 2022 and December 31, 2021, we recognized \$79,378 and \$69,808, respectively, of lease costs associated with office space leases.

Supplemental operating lease information as of December 31, 2022 is as follows:

Operating right of use assets	\$ 36,303
Current operating lease liabilities	25,385
Long-term operating lease liabilities	10,918
Weighted-average remaining lease term in years	1.5
Weighted-average discount rate	4.5 %

The following table reconciles future minimum lease payments to the discounted lease liability:

Years ending December 31	
2023	\$ 57,919
2024	40,886
2025	11,927
2026	11,927
2027	6,958
Thereafter	—
Total future minimum lease payments	\$ 129,617
Less: Amount representing interest	8,088
Present value of future payments	<u>\$ 121,529</u>
Current portion	\$ 53,646
Long-term portion	\$ 67,883

NOTE 9 – STOCKHOLDERS' EQUITY

As described in Note 1, treasury stock is recorded at cost until reissued or retired. As of December 31, 2022, and December 31, 2021, the Company held 5,038,130 and 4,076,909 shares in treasury at a total cost of \$7,336,323 and \$6,107,593, respectively. Pursuant to the board of directors approval of a share repurchase program allowing the Company to repurchase up to \$2,000,000 worth of the Company's common stock from time to time through September 30, 2022, the Company entered into a 10b5-1 Plan in September 2021. After an initial 30-day cooling off period the Company began purchasing shares of common stock pursuant to the terms of the 10b5-1 Plan in October 2021. The Company was not obligated to make any purchases and the program could have been suspended or discontinued at any time. During 2022 and 2021, we

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repurchased 961,221 and 664,531 shares of common stock, respectively. All purchases of treasury stock during 2022 and 2021 were made at market prices. As of the end of June 2022, the Company had spent the full allotment under the program.

On June 15, 2022, pursuant to the annual renewal of director compensation, the Board approved a grant of 178,623 RSUs to the Company's independent directors. Half of the RSUs vested immediately on the date of grant and the remaining 50% of the RSUs will vest on the first anniversary of the grant date or at the Company's next annual meeting of stockholders, whichever is earlier. The awards will result in total compensation expense of approximately \$234,000 to be recognized over the vesting period.

On April 6, 2022, the Compensation Committee of the Board (The "Compensation Committee") approved the 2022 Executive Incentive Plan (the "2022 EIP") for Ryan W. Oviatt, the Company's Co-CEO, Co-President, and CFO, Cameron M. Tidball, the Company's Co-CEO and Co-President, and Patrick D. Fisher, the Company's Vice President of Product Development. The 2022 EIP provides for the potential award of incentive compensation to the participants based on the Company's financial performance in fiscal 2022. If earned, the incentive compensation will be payable in cash and stock, and the stock portion of the incentive compensation is intended to constitute an award under the Company's 2014 Equity Incentive Plan, as amended (the "2014 Plan"). In addition to the 2022 EIP, the Board also approved as a long-term incentive plan the grants of restricted stock unit awards to Messrs. Oviatt, Tidball, and Fisher pursuant to the 2014 Plan (the "2022 LTIP").

2022 EIP

Under the terms of the 2022 EIP, each participating executive officer was assigned a target incentive compensation amount for fiscal 2022. The target incentive compensation amount for Mr. Oviatt is \$198,000, the target incentive compensation amount for Mr. Tidball is \$198,000, and the target incentive compensation for Mr. Fisher is \$64,750 CAD.

Participants were eligible to receive incentive compensation based upon reaching or exceeding performance goals established by the Compensation Committee for fiscal 2022. The performance goals in the 2022 EIP were based on the Company's total revenue, EBITDA, and a non-financial milestone relating to revenue source diversification to be determined by the Compensation Committee. Each of these performance goals were weighted one third in calculating incentive compensation amounts.

The incentive compensation amounts earned under the 2022 EIP, will be paid 50% in cash and 50% in shares of restricted stock under the 2014 Plan. In no event could the total award exceed 200% of the target incentive compensation amount for each participant, or exceed any limitations otherwise set forth in the 2014 Plan. The actual incentive compensation amounts were determined by the Compensation Committee upon completion of the fiscal 2022 financial statement audit and will be paid by March 15, 2023, subject to all applicable tax withholding.

2022 LTIP

The 2022 LTIP consists of total awards of up to 230,232 RSUs to Mr. Oviatt, up to 230,232 RSUs to Mr. Tidball, and up to 43,023 RSUs to Mr. Fisher, pursuant to two separate restricted stock unit award agreements (collectively, the "2022 LTIP Restricted Stock Unit Award Agreements") entered into between the Company and each participant. One such agreement covers the 33% of each award recipient's RSUs that are subject to time-based vesting, and the other such agreement covers the remaining 67% of such award recipient's RSUs that may vest based on performance metrics. Upon vesting, the award agreements entitle the award recipients to receive one share of the Company's common stock for each vested unit. The vesting period of the 2022 LTIP began on January 1, 2022 and terminates on December 31, 2024 (the "2022 LTIP Performance Vesting Date").

The RSUs subject to time-based vesting, including 76,744 RSUs to Mr. Oviatt, 76,744 RSUs for Mr. Tidball, and 14,341 RSUs to Mr. Fisher, will vest in three equal and annual installments beginning December 31, 2022 and ending on December 31, 2024 if the award recipients' employment continues with the Company through such dates.

The performance-vesting RSUs, including up to 153,488 RSUs for Mr. Oviatt, 153,488 RSUs for Mr. Tidball, and 28,682 RSUs to Mr. Fisher, may vest at the end of the three year performance period beginning January 1, 2022 based upon the following Company performance metrics:

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Performance Metric	Weight	Target	Above Target	Outstanding
Total Shareholder Return	1/3	89%	136%	183%
Relative Total Shareholder Return	1/3	Third Quartile	Second Quartile	First Quartile
EBITDA as a Percentage of Total Revenue	1/3	10%	15%	20%

One-third of such performance-vesting RSUs, consisting of 51,163 RSUs for Mr. Oviatt, 51,163 RSUs for Mr. Tidball, and 9,561 RSUs for Mr. Fisher, may vest for each of the three performance metrics identified in the table above. The number of RSUs that will vest for each performance metric on the 2022 LTIP Performance Vesting Date shall be determined as follows:

- a. if the “Target” level for such performance metric is not achieved, none of the RSUs relating to such performance metric will vest;
- b. if the “Target” level (but no higher level) for such performance metric is achieved, 50% of the RSUs relating to such performance metric will vest;
- c. if the “Above Target” level (but no higher level) for such performance metric is achieved, 75% of the RSUs relating to such performance metric will vest; and
- d. if the “Outstanding” level for such performance metric is achieved, 100% of the RSUs relating to such performance metric will vest.

The foregoing summary of the 2022 EIP and the 2022 LTIP Restricted Stock Unit Award Agreements is qualified in its entirety by the text of the 2022 EIP and each of the 2022 LTIP Restricted Stock Unit Award Agreements, which were filed as exhibits to Form 10-Q for the quarter ending March 31, 2022.

2021 EIP and LTIP

On May 28, 2021, the Compensation Committee approved the 2021 Executive Incentive Plan (the “2021 EIP”) for Brenton W. Hatch, the Company’s Executive Chairman, Ryan W. Oviatt, the Company’s Co-CEO, Co-President, and CFO, Cameron M. Tidball, the Company’s Co-CEO and Co-President, Jay G. Fugal, the Company’s then Vice President of Operations, and Patrick D. Fisher, the Company’s Vice President of Product Development. The 2021 EIP provided for the potential award of incentive compensation to the participants based on the Company’s financial performance in fiscal 2021. The incentive compensation was payable in cash and stock, and the stock portion of the incentive compensation constituted an award under the 2014 Plan.

Under the terms of the 2021 EIP, each participating executive officer was assigned a target incentive compensation amount for fiscal 2021. The target incentive compensation amount for Mr. Hatch was \$200,000, the target incentive compensation amount for Mr. Oviatt was \$150,000, the target incentive compensation amount for Mr. Tidball was \$150,000, the target incentive compensation for Mr. Fugal was \$54,000, and the target incentive compensation for Mr. Fisher was \$51,000 CAD.

Participants were eligible to receive incentive compensation based upon reaching or exceeding performance goals established by the Compensation Committee for fiscal 2021. The performance goals in the 2021 EIP were based on the Company’s total revenue, EBITDA, and a non-financial milestone relating to revenue source diversification. Each of these performance goals were weighted one third in calculating incentive compensation amounts.

The incentive compensation amounts earned under the 2021 EIP, were paid 50% in cash and 50% in shares of restricted stock under the 2014 Plan. In no event could the total award exceed 200% of the target incentive compensation amount for each participant, or exceed any limitations otherwise set forth in the 2014 Plan. The actual incentive compensation amounts were determined by the Compensation Committee upon the completion of the fiscal 2021 financial statement audit and paid by March 15, 2022, subject to all applicable tax withholding.

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In addition to the 2021 EIP, the Board also approved, as a long-term incentive plan, the grants of restricted stock unit awards to Messrs. Oviatt, Tidball, Fugal, and Fisher pursuant to the 2014 Plan (the “2021 LTIP”). The 2021 LTIP consists of total awards of up to 204,543 restricted stock units (“Units”) to Mr. Oviatt, up to 204,543 Units to Mr. Tidball, up to 85,908 Units to Mr. Fugal, and up to 47,973 Units to Mr. Fisher, pursuant to two separate restricted stock unit award agreements (collectively, the “Restricted Stock Unit Award Agreements”) between the Company and each participant. One agreement covers 33% of each award recipient’s Units that are subject to time-based vesting, and the other agreement covers the remaining 67% of such award recipient’s Units that may vest based on performance metrics. Upon vesting, the award agreements entitle the award recipients to receive one share of the Company’s common stock for each vested Unit. The vesting period of the 2021 LTIP began on January 1, 2021 and terminates on December 31, 2023 (the “Performance Vesting Date”).

The Units subject to time-based vesting, including 68,181 Units to Mr. Oviatt, 68,181 Units for Mr. Tidball, 28,636 Units to Mr. Fugal, and 15,991 Units to Mr. Fisher, will vest in three equal annual installments beginning December 31, 2021 and ending on December 31, 2023 if the award recipients’ employment continues with the Company through such dates.

The performance-vesting Units, including up to 136,362 Units for Mr. Oviatt, 136,362 Units for Mr. Tidball, 57,272 Units for Mr. Fugal, and 31,982 Units to Mr. Fisher, are eligible to vest over a three-year performance period beginning January 1, 2021 (the “Performance Period”) based upon the following Company performance metrics:

Performance Metric	Weight	Target	Above Target	Outstanding
Total Shareholder Return	1/3	135%	194%	253%
Relative Total Shareholder Return	1/3	Third Quartile	Second Quartile	First Quartile
EBITDA as a Percentage of Total Revenue	1/3	10%	15%	20%

One-third of such performance-vesting Units, consisting of 45,454 Units for Mr. Oviatt, 45,454 Units for Mr. Tidball, 19,091 Units for Mr. Fugal, and 10,661 Units for Mr. Fisher, are eligible to vest for each of the three performance metrics identified in the table above. The number of Units that will vest for each performance metric on the Performance Vesting Date shall be determined as follows:

- if the “Target” level for such performance metric is not achieved, none of the Units relating to such performance metric will vest;
- if the “Target” level (but no higher level) for such performance metric is achieved, 50% of the Units relating to such performance metric will vest;
- if the “Above Target” level (but no higher level) for such performance metric is achieved, 75% of the Units relating to such performance metric will vest; and
- if the “Outstanding” level for such performance metric is achieved, 100% of the Units relating to such performance metric will vest.

Mr. Fugal resigned, effective October 31, 2021, from his position as Vice President of Operations to pursue an opportunity as CEO of another company. Accordingly, Mr. Fugal is not be eligible to receive incentive compensation under the 2021 EIP, and his unvested restricted stock units were forfeited. Additionally, Mr. Fugal is not eligible for any awards that were not vested prior to October 31, 2021 for the 2019 and 2021 long-term incentive plans.

The foregoing summary of the 2021 EIP, the 2021 LTIP and the Restricted Stock Unit Award Agreements is qualified in its entirety by the text of the 2021 EIP and each of the Restricted Stock Unit Award Agreements, which the Company has filed as exhibits to its quarterly report on Form 10-Q for the quarter ended June 30, 2021.

2021 RSUs

On February 18, 2021, the Board, upon the recommendation of the Compensation Committee, approved a restricted stock award of 18,852 shares of common stock to each of Cameron M. Tidball and Ryan W. Oviatt. Messrs. Tidball and Oviatt entered into Restricted Stock Unit Award Agreements, the forms of which were approved pursuant to the 2014 Plan. These restricted stock awards, which vested immediately, were settled by the issuance of a total of 27,334 shares of common stock, net of tax withholding and resulted in \$45,999 of compensation expense.

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On June 16, 2021, pursuant to the annual renewal of director compensation, the Board approved a grant of 189,471 RSUs to the Company's independent directors. Half of the RSUs vested immediately on the date of grant and the remaining 50% of the RSUs vested on the first anniversary of the grant date or at the Company's next annual meeting of stockholders, whichever was earlier. The awards resulted in total compensation expense of approximately \$216,000 which was recognized over the vesting period.

Stock Options

No stock options were issued during the years ended December 31, 2022 or December 31, 2021.

NOTE 10 - REVENUE

Performance Obligations

Our performance obligations include providing product and servicing our product and other combustion equipment related to our product. We recognize product revenue performance obligations in most cases when the product is delivered to the customer. Occasionally, if we are shipping the product on a customer's account, we recognize revenue when the product has been shipped. At that point in time, the control of the product is transferred to the customer. When we perform service work, we apply the practical expedient that allows us to recognize service revenue when we have the right to invoice the customer for the work completed. We do not engage in transactions acting as an agent. The time needed to complete our performance obligations varies based on the size of the project; however, we typically satisfy our performance obligations within a few months of entering into the applicable sales or service contract.

Our customers have the right to return certain unused and unopened products within 90 days for a restocking fee. We provide a warranty on some of our products ranging from 90 days to 2 years, depending on the product. The amount accrued for expected returns and warranty claims was immaterial as of December 31, 2022.

Contract Balances

We have elected to use the practical expedient in ASC 340 (regarding recognition of the incremental costs of obtaining a contract) for costs related to contracts that are estimated to be completed within one year. All of our current sales contracts and service contracts are expected to be completed within one year, and as a result, we have not recognized a contract asset account. If we had chosen not to use this practical expedient, we would not expect a material difference in the contract balances. We do receive payments in advance of recognizing revenue on some contracts, but they do not result in any material contract liabilities. See Note 7 for additional information.

Significant Judgments

For most revenue contracts, we invoice the customer when the performance obligation is satisfied and payment is due 30 days later. Occasionally, other terms such as progress billings or longer terms are agreed to on a case-by-case basis. We do not have significant financing components, non-cash consideration, or variable consideration. We estimate the transaction price between performance obligations based on stand-alone product prices. We elected the practical expedient by which disclosures are not required regarding the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

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Disaggregation of Revenue

All revenue recognized in the income statement is considered to be revenue from contracts with customers. The table below shows revenue by category:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Electronics	\$ 16,278,452	\$ 9,076,345
Manufactured	2,980,480	1,213,218
Re-Sell	23,059,331	13,401,431
Service	3,618,380	2,665,182
Total Revenue	<u>\$ 45,936,643</u>	<u>\$ 26,356,176</u>

NOTE 11 – STOCK-BASED COMPENSATION

Periodically the Company issues stock-based awards to employees and independent directors. Vesting terms for outstanding grants vary by grant, ranging from immediate to ratably over 5 years. Typically, grants expire one year after the final vesting. The Board has authorized 4,812,000 shares to be granted for such awards under the 2014 Plan. Historically, the Company has only issued non-qualified stock options, restricted stock, and restricted stock units; however, the 2014 Plan does allow for other types of awards to be granted in the future. Most awards have been exercisable or convertible based solely on meeting service conditions; however, some grants to executives have been made convertible based on meeting both service and performance conditions. Upon exercise or conversion, the Company may issue new shares or reissue shares held in treasury, at the discretion of Management. The Company has elected to recognize forfeitures as they occur.

The Company uses the Black-Scholes method for measuring compensation cost of stock options and the intrinsic value method for measuring compensation cost of restricted stock and restricted stock units. Total compensation cost for share-based payments recognized in income was \$814,769 and \$567,077 during the years ended December 31, 2022 and December 31, 2021, respectively. As of December 31, 2022, the Company had \$533,462 in unamortized compensation expense with a weighted average of 1.36 years remaining. The Company received \$33,863 and \$6,053 in cash from the exercise of share options during the years ended December 31, 2022 and December 31, 2021, respectively. For the tax effect on total compensation expense and the exercise of options, see Note 12 for the income tax provision.

During the years ended December 31, 2022 and December 31, 2021, the intrinsic value of options exercised was \$19,113 and \$2,352, respectively. The total fair value of options, restricted stock, and restricted stock units vested during the years ended December 31, 2022 and December 31, 2021 was \$742,313 and \$537,063, respectively. During the years ended December 31, 2022 and December 31, 2021 the Company granted 1,011,436 and 770,142 awards, respectively, with weighted-average grant date fair values of \$1.28 and \$1.14, respectively.

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Information regarding outstanding options, restricted stock awards, and restricted stock units is summarized in the tables below:

Total Outstanding and Exercisable Awards December 31, 2022

Grant Price Low	Grant Price High	Awards Outstanding			Awards Exercisable		
		Quantity	Remaining Contractual Life (Years)	Exercise Price	Quantity	Remaining Contractual Life (Years)	Exercise Price
\$ —	\$ 0.39	1,048,199	2.50	\$ —	—		
\$ 0.40	\$ 0.80	469,000	1.64	\$ 0.79	310,000	1.64	\$ 0.79
\$ 0.81	\$ 0.84	290,900	1.41	\$ 0.83	193,934	1.41	\$ 0.83
		<u>1,808,099</u>	<u>2.10</u>	<u>\$ 0.35</u>	<u>503,934</u>	<u>1.56</u>	<u>\$ 0.80</u>

Total Outstanding and Exercisable Awards December 31, 2021

Grant Price Low	Grant Price High	Awards Outstanding			Awards Exercisable		
		Quantity	Remaining Contractual Life (Years)	Exercise Price	Quantity	Remaining Contractual Life (Years)	Exercise Price
\$ —	\$ 0.39	738,873	2.41	\$ —	—		
\$ 0.40	\$ 0.80	579,000	2.64	\$ 0.79	203,000	2.64	\$ 0.79
\$ 0.81	\$ 0.84	304,700	2.40	\$ 0.83	101,566	2.40	\$ 0.83
		<u>1,622,573</u>	<u>2.49</u>	<u>\$ 0.44</u>	<u>304,566</u>	<u>2.56</u>	<u>\$ 0.80</u>

Information regarding stock options for the year ended December 31, 2022 is summarized in the tables below:

Stock Options	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	865,700	\$ 0.80		0.37		\$ 223,670
Granted	—	\$ —		—		\$ —
Exercised/Released	(38,200)	\$ 0.79	\$ 1.29	0.37		\$ 19,113
Canceled/Forfeited	(67,600)	\$ 0.79		0.37		\$ 26,324
Expired	—	\$ —		0		\$ —
Outstanding, end of period	<u>759,900</u>	\$ 0.80		0.37	1.55	\$ 194,920
Vested and unvested exercisable, end of the period	503,934	\$ 0.80		0.37	1.55	\$ 129,213
Vested and expected to vest, end of the period	759,900	\$ 0.80		\$ 0.37	1.55	\$ 194,920

Stock Options	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	565,134	\$ 0.80	\$ 0.37	
Granted	—	\$ —	\$ —	
Canceled/Forfeited	(37,600)	\$ 0.79	\$ 0.37	
Expired	—			
Vested, outstanding shares	<u>(271,568)</u>	\$ 0.80	\$ 0.37	
Unvested Outstanding, end of period	<u>255,966</u>	\$ 0.80	\$ 0.37	0.58

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Information regarding restricted stock awards for the year ended December 31, 2022 is summarized in the tables below:

Restricted Stock Awards	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	—	\$ —		\$ —		\$ —
Granted	182,626	\$ —		\$ 1.24		\$ 226,456
Exercised/Released	(182,626)	\$ —	\$ 1.24	\$ 1.24		\$ 226,456
Outstanding, end of period	—	\$ —		\$ —	0	\$ —
Vested and exercisable, end of the period	—	\$ —		\$ —		\$ —
Vested and expected to vest, end of the period	—	\$ —		\$ —	0	\$ —

Restricted Stock Awards	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	—	\$ —	\$ —	
Granted	182,626	\$ —	\$ 1.24	
Vested, outstanding shares	(182,626)	\$ —	\$ 1.24	
Unvested Outstanding, end of period	—	\$ —	\$ —	0

Information regarding restricted stock units for the year ended December 31, 2022 is summarized in the tables below:

Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	258,206	\$ —		\$ 1.33		\$ 273,698
Granted	493,152	\$ —		\$ 1.28		\$ 632,404
Exercised/Released	(321,723)	\$ —	\$ 1.21	\$ 1.29		\$ 390,890
Cancelled/Forfeited	(21,800)	\$ —		\$ 1.28		\$ 27,551
Outstanding, end of period	407,835	\$ —		\$ 1.31	2.46	\$ 432,305
Vested and exercisable, end of the period	—					\$ —
Vested and expected to vest, end of the period	407,835	\$ —		\$ 1.31	2.46	\$ 432,305

Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	258,206	\$ —	\$ 1.33	
Granted	493,152	\$ —	\$ 1.28	
Cancelled/Forfeited	(21,800)	\$ —	\$ 1.28	
Vested, outstanding shares	(321,723)	\$ —	\$ 1.29	
Unvested Outstanding, end of period	407,835	\$ —	\$ 1.31	1.21

Information regarding performance based restricted stock units for the year ended December 31, 2022 is summarized in the tables below:

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Performance Based Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	480,667	\$ —		\$ 1.24		\$ 509,507
Granted	335,658	\$ —		\$ 1.29		\$ 432,999
Exercised/Released	—	\$ —	\$ —	\$ —		\$ —
Cancelled/Forfeited	(80,813)	\$ —		\$ 1.26		\$ 105,057
Expired	(95,148)	\$ —		\$ 1.57		\$ 100,857
Outstanding, end of period	<u>640,364</u>	\$ —		\$ 1.21	2.53	\$ 678,786
Vested and exercisable, end of the period	—	\$ —				\$ —
Vested and unvested exercisable, end of the period	—	\$ —				\$ —
Vested and expected to vest, end of the period	320,182	\$ —		\$ 1.21	2.53	\$ 339,393

Performance Based Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	480,667	\$ —	\$ 1.24	
Granted	335,658	\$ —	\$ 1.29	
Cancelled/Forfeited	(80,813)	\$ —	\$ 1.26	
Vested, outstanding shares	—	\$ —	\$ —	
Expired	(95,148)		\$ 1.57	
Unvested Outstanding, end of period	<u>640,364</u>	\$ —	\$ 1.21	1.70

NOTE 12 – PROVISION FOR INCOME TAXES

During the years ended December 31, 2022 and December 31, 2021, the Company did not expect to incur any interest or penalties related to income taxes. Accordingly, the Company had no accruals for interest and penalties at December 31, 2022, nor December 31, 2021. When our taxes for the year ended December 31, 2021 were finalized there was an immaterial amount of penalties and interest that was ultimately paid. We do not expect any material penalties or interest will result from the filing of our 2022 tax return. If the Company were to incur any such material charges, it would recognize interest related to underpayment of income taxes in interest expense and recognize any penalties in operating expenses.

The Company is current on its U.S. and Canadian income tax filings. Tax years that remain open for examination are 2020 through 2022 in the U.S. and 2015 through 2022 in Canada.

At December 31, 2022, and December 31, 2021, the Company had operating loss carryforwards at its Canadian subsidiary of \$2,071,363 CAD and \$4,351,044 CAD, respectively. A valuation allowance has been recorded for 100% of operating loss carry forward balance as of December 31, 2022 and a valuation allowance of approximately 80% of the operating loss carryforwards that existed as of December 31, 2021. As a result, no deferred tax asset was recorded on our balance sheet at December 31, 2022.

At December 31, 2022 and December 31, 2021, the Company had operating loss carryforwards at its US subsidiary of \$0 and \$1,575,071, respectively. In 2022, we completed an application for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Based on the amended payroll tax returns filed with the government, we qualified for approximately \$1,500,000 in payroll tax credit, offset by approximately \$204,000 in fees spent with our tax preparers to calculate the credit. To be conservative and allow for the risk of a reduced credit amount by the IRS, in 2022, we

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recorded a reduction in payroll tax expense of \$761,132. The full benefit is being claimed for tax purposes on the 2021 and an amended 2020 income tax return which flipped the company's prior tax loss in 2021 to a small taxable income position and will reduce the taxable losses in 2020. This means there is no longer an operating loss available to be carried forward. As of December 31, 2022, the Company now has \$0 operating loss carryforwards remaining to be used to offset future taxable income.

The Company did not have any deferred tax assets as of December 31, 2022. The deferred tax asset on the balance sheet as of December 31, 2021 did not have a valuation allowance associated with it. Realization of the deferred tax asset is dependent on generating sufficient taxable income to offset the tax items that will be deductible in the future. Although realization is not assured, Management believed it is more likely than not that all of the deferred tax asset would be realized. As noted above, the deferred tax asset from 2021 was removed in 2022 due to updated and amended tax filings completed during the 2022 year.

In 2020, the CARES Act was signed into law, which among other things, allowed net operating losses from the year 2020 to be carried back five years to claim refunds for taxes that were previously paid. Since our US Subsidiary had taxable income in prior years, during 2021, we filed an amendment to our 2015 and 2016 tax returns and utilized all of the net operating losses from the year ended December 31, 2020, which generated a tax refund of \$416,560 which was received in 2022. Additionally, during 2021, we filed an amended 2019 tax return to correct some filing information for Prochem ULC, a Canadian subsidiary owned by our US entity. As a result of this amended filing, we received a tax refund of \$131,805.

The Company invests in available-for-sale securities that are reported on the balance sheet at fair value, with the gains/losses reported net of tax as part of Other Comprehensive Income (OCI). The tax benefit allocated to OCI during the year ended December 31, 2022 and December 31, 2021 was \$167,868 and \$2,158, respectively.

The table below outlines the components of income tax expense (benefit):

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Current		
U.S. Federal	\$ 887,732	\$ (492,757)
State and local	176,700	25,374
Foreign	—	(179,939)
Total Current	1,064,432	(647,322)
Deferred		
U.S. Federal	435,603	15,831
State and local	85,670	2,133
Foreign	152,717	—
Total Deferred	673,990	17,964
Total Provision for (Benefit from) Income Taxes	1,738,422	(629,358)

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The table below reconciles our effective tax rate to the statutory tax rate:

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
U.S. Federal statutory tax rate	21.0 %	21.0 %
State and local statutory tax rate, net of federal effect	4.0 %	4.0 %
Depreciation expense	1.8 %	(2.9)%
Tax-exempt income	(0.9)%	2.9 %
Unrealized gains and losses on investments	(2.6)%	0.1 %
Stock-based compensation	0.1 %	— %
Goodwill and intangible asset amortization	0.6 %	5.2 %
Non-U.S. operations	3.3 %	9.2 %
Use of Net Operating Losses	5.8 %	— %
Other	(2.6)%	(2.1)%
Effective tax rate	<u>30.5 %</u>	<u>37.4 %</u>

The table below shows the components of deferred taxes:

	As of	
	December 31, 2022	December 31, 2021
Bad debt	\$ 37,814	\$ 21,903
Inventory reserve	48,572	130,776
Amortization	101,745	124,626
Unrealized loss on investments	154,987	—
UNICAP	75,110	—
U.S. net operating loss	—	401,023
Foreign net operating loss	—	163,254
Deferred tax asset	<u>\$ 418,228</u>	<u>\$ 841,582</u>
Unrealized gain on investments	\$ —	\$ 12,651
Depreciation	338,574	265,374
Goodwill	219,252	174,365
Stock compensation	349,260	362,044
Deferred tax liability	<u>\$ 907,086</u>	<u>\$ 814,434</u>
Net Deferred Tax Asset (Liability)	<u>\$ (488,858)</u>	<u>\$ 27,148</u>

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NOTE 13 – BASIC AND DILUTED EARNINGS PER SHARE

The following table is a reconciliation of the numerator and denominators used in the earnings per share calculation:

	2022			2021		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income (loss) available to common stockholders	\$ 3,947,760	47,161,101	\$ 0.08	\$(1,051,543)	48,070,581	\$ (0.02)
Effect of Dilutive Securities						
Stock options & RSUs	—	1,286,241		—	—	
Diluted EPS						
Net income (loss) available to common stockholders + assumed conversions	<u>\$ 3,947,760</u>	<u>48,447,342</u>	\$ 0.08	<u>\$(1,051,543)</u>	<u>48,070,581</u>	\$ (0.02)

Stock options and RSU's to purchase 1,622,573 shares of common stock at a weighted average exercise price of \$1.13 per share were outstanding during the year ended December 31, 2021, but were not included in the computation of diluted EPS because the effect would be anti-dilutive. These stock options and RSU's, which expire between December 2022 and December 2024, were still outstanding at December 31, 2021.

NOTE 14 – SEGMENT INFORMATION

The Company operates in the United States and Canada. Segment information for these geographic areas is as follows:

	For the Year Ended December 31,	
<u>Revenues</u>	2022	2021
Canada	\$ 8,439,532	\$ 5,362,466
United States	37,497,111	20,993,710
Total Consolidated	<u>\$ 45,936,643</u>	<u>\$ 26,356,176</u>

	For the Year Ended December 31,	
<u>Profit (Loss)</u>	2022	2021
Canada	\$ 754,004	\$ (2,056,972)
United States	3,193,756	1,005,429
Total Consolidated	<u>\$ 3,947,760</u>	<u>\$ (1,051,543)</u>

Long-lived assets, which are comprised of net property and equipment and financing right-of-use assets, for each geographical region were as follows at each balance sheet date:

	As of	
<u>Long-lived assets</u>	December 31, 2022	December 31, 2021
Canada	\$ 5,067,965	\$ 5,667,225
United States	5,476,238	5,583,594
Total Consolidated	<u>\$ 10,544,203</u>	<u>\$ 11,250,819</u>

NOTE 15 – QUARTERLY INFORMATION (UNAUDITED)

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Quarterly data for the periods below consisted of the following:

	For the Quarters Ending			
	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022
Total revenues	\$ 9,503,140	\$ 9,633,147	\$12,829,338	\$13,971,018
Gross profit	4,556,704	4,403,145	6,118,876	6,572,665
Income (Loss) from operations	688,994	94,807	2,117,893	2,292,914
Income tax benefit (expense)	(160,442)	(27,177)	(958,300)	(592,503)
Net income (loss)	627,161	284,829	1,210,748	1,825,022
Basic earnings (loss) per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.04
Diluted earnings (loss) per common share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.04

	For the Quarters Ending			
	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021
Total revenues	\$ 5,092,349	\$ 6,034,283	\$ 6,943,198	\$ 8,286,346
Gross profit	2,174,687	2,657,732	3,119,468	3,449,128
Income (loss) from operations	(804,225)	(594,437)	(318,289)	(298,049)
Income tax benefit	107,859	125,374	348,767	47,358
Net income (loss)	(601,500)	(397,166)	92,246	(145,123)
Basic earnings (loss) per common share	\$ (0.01)	\$ (0.01)	—	—
Diluted earnings (loss) per common share	\$ (0.01)	\$ (0.01)	—	—

Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts may not equal the total computed for the year.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

In March 2014 the Company entered into a consulting agreement with Terra Industrial with Alan Johnson as agent in order to replace a prior royalty agreement. The agreement is for the term of 10 years with fees of \$100,000 CAD or \$73,700 USD paid quarterly. The agreement expires in March of 2024.

The Company has operating leases for office space in Pennsylvania. Expense recognized for operating leases was \$79,378 and \$69,808 for the years ended December 31, 2022 and December 31, 2021, respectively. The future minimum lease payments for operating leases as of December 31, 2022, consisted of the following:

<u>Years ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 26,400
2024	11,000
2025	—
2026	—
2027	—
Thereafter	—
Total	\$ 37,400

NOTE 17 - GOVERNMENT ASSISTANCE

In Canada, our business qualified for wage subsidies under the Canada Emergency Wage Subsidy (CEWS) program. CEWS is a Canadian government funded program that ran from March 2020 to June 2020, and was subsequently extended through September 2021. Under CEWS if a Canadian business experienced a drop in qualifying revenue greater than a certain percentage, that business could be eligible for a wage subsidy of up to 75% of eligible employee remuneration. Through our Canadian subsidiary, we applied for CEWS in each allowable period from March 2020 – March 2021 and received total wage subsidies of \$0 CAD in 2022 and \$163,598 CAD in 2021. Under CEWS rules, we are not required to repay these funds and

PROFIRE ENERGY, INC. AND SUBSIDIARIES
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we do not have any contingencies or commitments related to this CEWS aid. We recorded these amounts within our income statement as credits against employee wages since these amounts represent wage subsidies.

Also in Canada, we have been able to participate in several grant programs that promote technology development and the hiring of technology professionals. We have participated in the Technation Career Ready Program, The Technology Alberta First Jobs Program, and the Venture for Canada Student Internship Program. During 2021 we qualified for \$24,659 CAD in wage subsidies from these programs, some of which was received in 2021 and the remaining amount was received in early 2022. We recorded these amounts within our income statement as credits against employee wages within our research and development department.

In the United States (US), we have not received any government assistance in 2022 or 2021.

NOTE 18 – SUBSEQUENT EVENTS

In accordance with ASC 855 "Subsequent Events," Company management reviewed all material events through the date this report was issued and the following subsequent events took place:

On March 6, 2023, the Company's Board of Directors approved a one-time bonus for company executives that was settled by issuing 192,964 shares of common stock for meeting targets pursuant to the previously announced "2022 Executive Incentive Plan", which was put in place under the Company's 2014 Equity Incentive Plan. These shares were fully vested as of March 6, 2023.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Co-Chief Executive Officers and our Chief Financial Officer, evaluated the design and effectiveness of our internal controls over financial reporting and disclosure controls and procedures (pursuant to Rule 13a-15(b-c) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of December 31, 2022. These controls are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Management, including our Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, Management concluded that our controls were effective as of December 31, 2022.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Because of these inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Co-Chief Executive Officers and Chief Financial Officer, the Company's management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commissions (2013).

Based upon this assessment, the Company's management concluded that our internal control over financial reporting was effective as of December 31, 2022.

Our financial statements included in this annual report on Form 10-K have been audited by Sadler, Gibb & Associates, LLC, independent registered public accounting firm, as indicated in the report included elsewhere herein.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal controls over financial reporting during the fiscal year ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation

Pursuant to Item 308(b) of Regulation S-K, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform Act), this report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. The Wall Street Reform Act exempts smaller reporting companies from the requirement to obtain an external audit on the effectiveness of internal financial reporting controls.

Limitations on the Effectiveness of Internal Controls

An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by Management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

This item is not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated herein by reference to our Definitive Proxy Statement for the Annual Meeting of Stockholders to be filed no later than 120 days after December 31, 2022 (the "Proxy Statement").

Item 11. Executive Compensation

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

Our independent registered public accounting firm is Sadler, Gibb & Associates, LLC, Salt Lake City, Utah, PCAOB ID No. 3627.

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Exhibits. The following exhibits are included as part of this report:

Exhibit 3.1	Articles of Incorporation ⁽¹⁾
Exhibit 3.2	Articles of Amendment to the Articles of Incorporation ⁽²⁾
Exhibit 3.3	Amended and Restated Bylaws ⁽³⁾
Exhibit 4.1	Description of Registrant's Securities ⁽²⁰⁾
Exhibit 10.1	Second Amended and Restated Employment Agreement of Brenton W. Hatch dated July 2, 2020 ⁺⁽¹³⁾
Exhibit 10.2	Second Amended and Restated Employment Agreement of Ryan Oviatt dated July 2, 2020 ⁺⁽¹⁴⁾
Exhibit 10.3	Form of Indemnification Agreement between the Registrant and its Directors ⁽⁴⁾
Exhibit 10.4	Profire Energy, Inc. 2014 Equity Incentive Plan ⁽¹²⁾
Exhibit 10.5	Profire Energy, Inc. 2014 Equity Incentive Plan Amendment ⁽⁵⁾
Exhibit 10.6	Form of Equity Grant Agreement, Nonqualified Stock Option ⁽⁶⁾
Exhibit 10.7	Form of Equity Grant Agreement, Restricted Stock ⁽⁷⁾
Exhibit 10.8	Form of Equity Grant Agreement, Restricted Stock Units ⁽⁸⁾
Exhibit 10.9	Retirement and Release Agreement with Harold Albert dated February 23, 2017 ⁽¹¹⁾
Exhibit 10.10	Consulting Agreement, dated March 24, 2014, between the Registrant on the one hand and Terra Industrial Corporation and Alan Johnson on the other ⁽¹⁰⁾
Exhibit 10.11	Restricted Stock Unit Agreement between Profire Energy and Ryan Oviatt dated March 2, 2018 ⁺⁽¹⁵⁾
Exhibit 10.12	Restricted Stock Unit Agreement between Profire Energy and Cameron Tidball dated March 30, 2018 ⁺⁽¹⁶⁾
Exhibit 10.13	Amended and Restated Employment Agreement of Cameron Tidball dated July 2, 2020 ⁺⁽¹⁹⁾
Exhibit 10.14	Restricted Stock Unit Award Agreement between Profire Energy and Ryan Oviatt dated April 29, 2019 ⁺⁽²²⁾
Exhibit 10.15	Restricted Stock Unit Award Agreement between Profire Energy and Ryan Oviatt dated April 29, 2019 ⁺
Exhibit 10.16	Restricted Stock Unit Award Agreement between Profire Energy and Cameron Tidball dated April 30, 2019 ⁺⁽²³⁾
Exhibit 10.17	Restricted Stock Unit Award Agreement between Profire Energy and Cameron Tidball dated April 30, 2019 ⁺
Exhibit 10.18	Membership Interest Purchase Agreement among Profire Energy, Dustin Baker and Brant Baker dated August 5, 2019 ⁽¹⁸⁾
Exhibit 10.19	Asset Purchase Agreement among Profire Combustion, Inc., Millstream Energy Products LTD., Lundstrom Holdings LTD. and Rob Lundstrom dated June 12, 2019 ⁽¹⁷⁾
Exhibit 14.1	Code of Ethics ⁽⁹⁾
Exhibit 21	Subsidiaries of Registrant ⁽²¹⁾
Exhibit 23.1	Consent of Sadler, Gibb & Associates, LLC, independent registered public accounting firm*
Exhibit 31.1	Certification of Co-Principal Executive Officer Pursuant to Rule 13a-14(a) Ryan W. Oviatt*
Exhibit 31.2	Certification of Co-Principal Executive Officer Pursuant to Rule 13a-14(a) Cameron M. Tidball*
Exhibit 31.3	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)*
Exhibit 32.1	Certification of Principal Executive Officers Pursuant to 18 U.S.C. Section 1350*
Exhibit 32.2	Certification of Ryan W. Oviatt, Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 *
Exhibit 101.INS	XBRL Instance Document**
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document**
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
Exhibit 101.DEF	XBRL Taxonomy Definition Linkbase Document**
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

+ Indicates Management contract, compensatory plan, or arrangement with the Company

** The XBRL related information in Exhibit 101 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of

1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

- (1) Incorporated by reference to Exhibit 3.01 to the Registration Statement of the Registrant on Form SB-2 filed with the Commission on September 24, 2004.
- (2) Incorporated by reference to Exhibit 3.1 to the Registrant's quarterly Report on Form 10-Q filed with the commission on February 13, 2009.
- (3) Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on December 23, 2013.
- (4) Incorporated by reference to Exhibit 10.7 to the Registrant's Form S-1 filed on December 24, 2013
- (5) Incorporated by reference to Appendix B to the Registrant's Revised Definitive Proxy Statement on Schedule 14A filed on May 1, 2017
- (6) Incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K filed on June 13, 2016
- (7) Incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K filed on June 13, 2016
- (8) Incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed with the Commission on June 13, 2016.
- (9) Incorporated by reference to Exhibit 14.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 12, 2014.
- (10) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 25, 2014
- (11) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 27, 2017
- (12) Incorporated by reference to Exhibit 10.9 to the Registrant's Transition Report on Form 10-K filed with the Commission on March 9, 2017.
- (13) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 7, 2020
- (14) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on July 7, 2020
- (15) Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on May 9, 2018
- (16) Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on May 9, 2018
- (17) Incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q filed on August 7, 2019
- (18) Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 6, 2019
- (19) Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on July 7, 2020
- (20) Incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed on March 11, 2020
- (21) Incorporated by reference to Exhibit 21 to the Registrant's Annual Report on Form 10-K filed on March 11, 2020
- (22) Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on August 7, 2019
- (23) Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on August 7, 2019

Item 16. Form 10-K Summary

The Company has chosen not to include an optional summary of the information required by this Form 10-K. For a reference to information in the Form 10-K, investors should refer to the Table of Contents to this Form 10-K.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

PROFIRE ENERGY, INC.

Date:	March 8, 2023	By:	<u>/s/Ryan W. Oviatt</u> Ryan W. Oviatt Co-Chief Executive Officer and Chief Financial Officer
Date:	March 8, 2023	By:	<u>/s/ Cameron M. Tidball</u> Cameron M. Tidball Co-Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Cameron M. Tidball</u> Cameron M. Tidball	Co-Chief Executive (Co-Principal Executive Officer)	March 8, 2023
<u>/s/ Ryan W. Oviatt</u> Ryan W. Oviatt	Co-Chief Executive Officer & Chief Financial Officer Director (Co-Principal Executive Officer and Principal Financial and Accounting Officer)	March 8, 2023
<u>/s/ Brenton W. Hatch</u> Brenton W. Hatch	Executive Chairman of the Board	March 8, 2023
<u>/s/Colleen Larkin Bell</u> Colleen Larkin Bell	Director	March 8, 2023
<u>/s/ Daren J. Shaw</u> Daren J. Shaw	Director	March 8, 2023
<u>/s/ Ronald R. Spoehel</u> Ronald R. Spoehel	Director	March 8, 2023