

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2022**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number **001-36378**

PROFIRE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)
321 South 1250 West, Suite 1
Lindon, Utah
(Address of principal executive offices)

20-0019425
(I.R.S. Employer Identification No.)

84042
(Zip Code)

(801) 796-5127
(Registrant's telephone number, including area code)

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 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, 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common, \$0.001 Par Value	PFIE	NASDAQ

As of November 1, 2022, the registrant had 52,078,283 shares of common stock issued and 47,040,153 shares of common stock outstanding, par value \$0.001.

PROFIRE ENERGY, INC.
FORM 10-Q
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PART I. FINANCIAL INFORMATION
Item 1 Financial Information
PROFIRE ENERGY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	As of	
	September 30, 2022	December 31, 2021
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,639,865	\$ 8,188,270
Short-term investments	867,658	1,013,683
Accounts receivable, net	8,933,905	6,262,799
Inventories, net (note 3)	10,205,207	7,185,248
Prepaid expenses and other current assets (note 4)	2,642,512	1,025,276
Income tax receivable	—	560,445
Total Current Assets	28,289,147	24,235,721
LONG-TERM ASSETS		
Net deferred tax asset	185,772	163,254
Long-term investments	7,944,181	8,259,809
Financing right-of-use asset	132,760	65,280
Property and equipment, net	10,374,126	11,185,539
Intangible assets, net	1,312,660	1,549,138
Goodwill	2,579,381	2,579,381
Total Long-Term Assets	22,528,880	23,802,401
TOTAL ASSETS	\$ 50,818,027	\$ 48,038,122
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,008,126	\$ 1,822,559
Accrued liabilities (note 5)	3,157,221	1,872,348
Current financing lease liability (note 6)	53,084	30,214
Income taxes payable	570,430	—
Total Current Liabilities	5,788,861	3,725,121
LONG-TERM LIABILITIES		
Net deferred income tax liability	480,105	136,106
Long-term financing lease liability (note 6)	80,684	35,912
TOTAL LIABILITIES	6,349,650	3,897,139
STOCKHOLDERS' EQUITY (note 7)		
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: 52,078,283 issued and 47,040,153 outstanding at September 30, 2022, and 51,720,142 issued and 47,643,233 outstanding at December 31, 2021	52,079	51,720
Treasury stock, at cost	(7,336,323)	(6,107,593)
Additional paid-in capital	31,570,226	30,819,394
Accumulated other comprehensive loss	(3,418,272)	(2,100,467)
Retained earnings	23,600,667	21,477,929
TOTAL STOCKHOLDERS' EQUITY	44,468,377	44,140,983
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 50,818,027	\$ 48,038,122

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
REVENUES (note 8)				
Sales of products, net	\$ 11,895,881	\$ 6,296,736	\$ 29,634,986	\$ 16,328,810
Sales of services, net	933,457	646,462	2,330,639	1,741,020
Total Revenues	<u>12,829,338</u>	<u>6,943,198</u>	<u>31,965,625</u>	<u>18,069,830</u>
COST OF SALES				
Cost of sales - product	5,960,311	3,217,655	14,873,075	8,666,168
Cost of sales - services	750,151	606,075	2,013,825	1,451,775
Total Cost of Sales	<u>6,710,462</u>	<u>3,823,730</u>	<u>16,886,900</u>	<u>10,117,943</u>
GROSS PROFIT	6,118,876	3,119,468	15,078,725	7,951,887
OPERATING EXPENSES				
General and administrative	3,413,048	2,980,945	10,591,986	8,319,353
Research and development	435,059	290,657	1,105,571	848,993
Depreciation and amortization	152,876	166,155	479,473	500,492
Total Operating Expenses	<u>4,000,983</u>	<u>3,437,757</u>	<u>12,177,030</u>	<u>9,668,838</u>
INCOME (LOSS) FROM OPERATIONS	2,117,893	(318,289)	2,901,695	(1,716,951)
OTHER INCOME (EXPENSE)				
Gain on sale of assets	12,887	31,685	323,570	144,078
Other income (expense)	(6,839)	(2,984)	(43,567)	1,755
Interest income	45,107	33,067	86,959	82,698
Total Other Income	<u>51,155</u>	<u>61,768</u>	<u>366,962</u>	<u>228,531</u>
INCOME (LOSS) BEFORE INCOME TAXES	2,169,048	(256,521)	3,268,657	(1,488,420)
INCOME TAX BENEFIT (EXPENSE)	(958,300)	348,767	(1,145,919)	582,000
NET INCOME (LOSS)	<u>\$ 1,210,748</u>	<u>\$ 92,246</u>	<u>\$ 2,122,738</u>	<u>\$ (906,420)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation gain (loss)	\$ (591,282)	\$ (263,908)	\$ (723,209)	\$ 39,183
Unrealized gains (losses) on investments	(172,802)	(20,811)	(594,596)	26,744
Total Other Comprehensive Income (Loss)	<u>(764,084)</u>	<u>(284,719)</u>	<u>(1,317,805)</u>	<u>65,927</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 446,664</u>	<u>\$ (192,473)</u>	<u>\$ 804,933</u>	<u>\$ (840,493)</u>
BASIC EARNINGS (LOSS) PER SHARE	\$ 0.03	\$ —	\$ 0.04	\$ (0.02)
FULLY DILUTED EARNINGS (LOSS) PER SHARE	<u>\$ 0.02</u>	<u>\$ —</u>	<u>\$ 0.04</u>	<u>\$ (0.02)</u>
BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	47,036,012	48,239,236	47,201,611	48,095,404
FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	<u>48,558,207</u>	<u>49,328,808</u>	<u>48,761,346</u>	<u>48,095,404</u>

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
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	—	—	138,503	—	—	—	138,503
Stock issued in settlement of RSUs and accrued bonuses	139,894	140	212,647	—	—	—	212,787
Tax withholdings paid related to stock based compensation	—	—	(91,098)	—	—	—	(91,098)
Treasury stock repurchased	(509,631)	—	—	—	(622,263)	—	(622,263)
Foreign currency translation	—	—	—	158,359	—	—	158,359
Unrealized losses on investments	—	—	—	(287,126)	—	—	(287,126)
Net income	—	—	—	—	—	627,161	627,161
Balance, March 31, 2022	47,273,496	\$ 51,860	\$ 31,079,446	\$ (2,229,234)	\$ (6,729,856)	\$ 22,105,090	\$ 44,277,306
Stock based compensation	—	—	274,390	—	—	—	274,390
Stock issued in exercise of stock options	27,200	\$ 28	\$ 21,554	—	—	—	\$ 21,582
Stock issued in settlement of RSUs	184,047	184	(184)	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	(3,524)	—	—	—	(3,524)
Treasury stock repurchased	(451,590)	\$ —	—	—	(606,467)	—	\$ (606,467)
Foreign currency translation	—	—	—	(290,292)	—	—	(290,292)
Unrealized losses on investments	—	—	—	(134,662)	—	—	(134,662)
Net income	—	—	—	—	—	284,829	284,829
Balance, June 30, 2022	47,033,153	\$ 52,072	\$ 31,371,682	\$ (2,654,188)	\$ (7,336,323)	\$ 22,389,919	\$ 43,823,162
Stock based compensation	—	—	193,056	—	—	—	193,056
Stock issued in exercise of stock options	7,000	7	5,488	—	—	—	5,495
Stock issued in settlement of RSUs	—	—	—	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	—	—	—	—	—
Treasury stock repurchased	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	(591,282)	—	—	(591,282)
Unrealized losses on investments	—	—	—	(172,802)	—	—	(172,802)
Net income	—	—	—	—	—	1,210,748	1,210,748
Balance, September 30, 2022	\$ 47,040,153	\$ 52,079	\$ 31,570,226	\$ (3,418,272)	\$ (7,336,323)	\$ 23,600,667	\$ 44,468,377

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Continued)
(Unaudited)

	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	—	—	125,043	—	—	—	125,043
Stock issued in settlement of RSUs	49,113	49	(49)	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	(26,629)	—	—	—	(26,629)
Foreign currency translation	—	—	—	139,606	—	—	139,606
Unrealized losses on investments	—	—	—	(7,974)	—	—	(7,974)
Net loss	—	—	—	—	—	(601,500)	(601,500)
Balance, March 31, 2021	48,021,696	\$ 51,434	\$ 30,391,837	\$ (2,017,292)	\$ (5,353,019)	\$ 21,927,972	\$ 45,000,932
Stock based compensation	—	—	207,084	—	—	—	207,084
Stock issued in exercise of stock options	—	—	—	—	—	—	—
Stock issued in settlement of RSUs	217,312	217	(217)	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	(16,200)	—	—	—	(16,200)
Treasury stock repurchased	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	163,485	—	—	163,485
Unrealized gains on investments	—	—	—	55,529	—	—	55,529
Net loss	—	—	—	—	—	(397,166)	(397,166)
Balance, June 30, 2021	48,239,008	\$ 51,651	\$ 30,582,504	\$ (1,798,278)	\$ (5,353,019)	\$ 21,530,806	\$ 45,013,664
Stock based compensation	—	—	142,754	—	—	—	142,754
Stock issued in exercise of stock options	3,000	3	2,670	—	—	—	2,673
Stock issued in settlement of RSUs	—	—	—	—	—	—	—
Stock issues in acquisition (note 9)	—	—	—	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	—	—	—	—	—
Treasury stock repurchased	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	(263,908)	—	—	(263,908)
Unrealized losses on investments	—	—	—	(20,811)	—	—	(20,811)
Net loss	—	—	—	—	—	92,246	92,246
Balance, September 30, 2021	\$ 48,242,008	\$ 51,654	\$ 30,727,928	\$ (2,082,997)	\$ (5,353,019)	\$ 21,623,052	\$ 44,966,618

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
OPERATING ACTIVITIES		
Net income (loss)	\$ 2,122,738	\$ (906,420)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	831,036	971,712
Gain on sale of property and equipment	(314,059)	(144,078)
Gain on sale of intangibles	(9,511)	—
Bad debt expense	40,948	2,622
Stock awards issued for services	605,955	474,881
Changes in operating assets and liabilities:		
Accounts receivable	(2,620,155)	(904,325)
Income taxes receivable/payable	1,130,931	(606,128)
Inventories	(3,190,546)	946,865
Prepaid expenses and other current assets	(1,668,442)	532,519
Deferred tax asset/liability	307,663	49,851
Accounts payable and accrued liabilities	1,566,810	540,322
Net Cash Provided by (Used in) Operating Activities	(1,196,632)	957,821
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	464,574	101,169
Proceeds from sale of intangibles	85,000	—
Purchase of investments	(133,371)	(881,588)
Purchase of property and equipment	(370,791)	(138,562)
Net Cash Provided by (Used in) Investing Activities	45,412	(918,981)
FINANCING ACTIVITIES		
Value of equity awards surrendered by employees for tax liability	(94,802)	(42,829)
Cash received in exercise of stock options	31,084	2,673
Purchase of treasury stock	(1,228,731)	—
Principal paid towards lease liability	(28,145)	(31,911)
Net Cash Used in Financing Activities	(1,320,594)	(72,067)
Effect of exchange rate changes on cash	(76,591)	14,331
NET DECREASE IN CASH	(2,548,405)	(18,896)
CASH AT BEGINNING OF PERIOD	8,188,270	9,148,312
CASH AT END OF PERIOD	\$ 5,639,865	\$ 9,129,416
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	\$ 2,331	\$ 2,689
Income taxes	\$ 21,000	\$ 17,150
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Common stock issued in settlement of accrued bonuses	\$ 212,787	\$ —

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements (Unaudited)
For the nine months ended September 30, 2022 and 2021

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

Except where the context otherwise requires, all references herein to the "Company," "Profire," "we," "us," "our," or similar words and phrases are to Profire Energy, Inc. and its wholly owned subsidiaries, taken together.

The accompanying consolidated financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments have been made (which include only normal recurring adjustments) which are necessary to present fairly the financial position, results of operations, stockholders' equity, and cash flows at September 30, 2022 and for all periods presented herein.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements contained in its annual report on Form 10-K for the year ended December 31, 2021 ("Form 10-K"). The results of operations for the three- and nine-month periods ended September 30, 2022 and 2021 are not necessarily indicative of the operating results for the full years.

NOTE 2 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Line of Business

This Organization and Summary of Significant Accounting Policies of the Company is presented to assist in understanding the Company's condensed consolidated financial statements. The Company's accounting policies conform to "US GAAP."

The Company provides burner-management products, solutions and services primarily for the oil and gas industry within the US and Canadian markets. The Company has begun expanding outside of these markets to other international locations and into other industries with combustion and burner management requirements.

Significant Accounting Policies

There have been no changes to the significant accounting policies of the Company from the information provided in Note 1 of the notes to the consolidated financial statements in the Company's most recent Form 10-K.

Recent Accounting Pronouncements

The Company has evaluated all recent accounting pronouncements and determined that the adoption of pronouncements applicable to the Company has not had or is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 3 – INVENTORIES

Inventories consisted of the following at each balance sheet date:

	As of	
	September 30, 2022	December 31, 2021
Raw materials	\$ 245,049	\$ 301,320
Finished goods	10,312,904	7,556,048
Subtotal	10,557,953	7,857,368
Reserve for obsolescence	(352,746)	(672,120)
Total	\$ 10,205,207	\$ 7,185,248

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the nine months ended September 30, 2022 and 2021

NOTE 4 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	As of	
	September 30, 2022	December 31, 2021
Prepaid inventory	\$ 997,885	\$ 530,725
Accrued receivables	767,110	—
Prepaid insurance	356,718	228,849
Interest receivables	60,248	63,841
Tax credits	161,385	—
Other	299,166	201,861
Total	\$ 2,642,512	\$ 1,025,276

NOTE 5 – ACCRUED LIABILITIES

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

	As of	
	September 30, 2022	December 31, 2021
Employee-related payables	\$ 1,785,874	\$ 1,621,131
Deferred revenue	328,744	817
Inventory-related payables	483,382	67,027
Tax-related payables	84,763	37,880
Warranty liabilities	45,407	49,624
Other	429,051	95,869
Total	\$ 3,157,221	\$ 1,872,348

NOTE 6 – 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 36 months. 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 for purposes of determining our lease liabilities. The weighted average discount rate applied to our financing leases is 4.50% and the weighted average remaining lease term is 3.6 years.

The following table shows the components of financing lease cost:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Financing Lease Cost				
Amortization of right-of-use assets	\$ 7,240	\$ 9,811	\$ 28,308	\$ 31,014
Interest on lease liabilities	1,078	337	2,331	2,690
Total financing lease cost	\$ 8,318	\$ 10,148	\$ 30,639	\$ 33,704

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the nine months ended September 30, 2022 and 2021

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. Operating lease expense recognized during the three- and nine months ended September 30, 2022 and September 30, 2021 was \$13,356 and \$50,270, and \$19,000 and \$35,263, respectively.

Supplemental operating lease information as of September 30, 2022 is as follows:

Operating right of use assets	\$	42,473
Current operating lease liabilities		25,101
Long-term operating lease liabilities		17,372
Weighted-average remaining lease term in years		1.8
Weighted-average discount rate		4.5 %

As of September 30, 2022, maturities of lease liabilities are as follows:

Years ending December 31,	Amount
2022	\$ 14,480
2023	57,919
2024	40,886
2025	11,927
2026	11,927
Thereafter	5,963
Total future minimum lease payments	\$ 143,102
Less: Amount representing interest	9,334
Present value of future payments	<u>\$ 133,768</u>
Current portion	\$ 53,084
Long-term portion	\$ 80,684

NOTE 7 – STOCKHOLDERS' EQUITY

As of September 30, 2022 and December 31, 2021, the Company held 5,038,130 and 4,076,909 shares of its common stock in treasury at a total cost of \$7,336,323 and \$6,107,593, respectively.

On September 15, 2021, the Board of Directors of the Company (the "Board") authorized 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. All purchases under this program were made at the discretion of management. The size and timing of purchases were dependent on price, market and business conditions and other factors. As of June 2022, the Company had spent the full allotment under the program.

As of September 30, 2022, the Company had 536,361 restricted stock units ("RSUs"), 735,512 performance-based RSUs, and 827,500 stock options outstanding with \$746,570 in remaining compensation expense to be recognized over the next 1.4 years. See further details below about certain subsets of these outstanding equity-based awards.

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.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the nine months ended September 30, 2022 and 2021

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 "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 Plan (the "2022 LTIP").

2022 EIP

Under the terms of the 2022 EIP, each participating executive officer has been 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 will be 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 are 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 will be weighted one third in calculating incentive compensation amounts.

The incentive compensation amounts earned under the 2022 EIP, if any, will be paid 50% in cash and 50% in shares of restricted stock under the Plan. In no event shall the total award exceed 200% of the target incentive compensation amount for each participant, or exceed any limitations otherwise set forth in the Plan. The actual incentive compensation amounts, if any, will be determined by the Compensation Committee upon the completion of fiscal 2022 and 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:

Performance Metric	Weight	Target	Above Target	Outstanding
Total Shareholder Return (based on the Company's closing price of its common stock at the end of the Performance Period relative to its closing price as of the last trading day in 2021)	1/3	89%	136%	183%
Relative Total Shareholder Return (based on the Company's ranked performance in closing stock price growth relative to a peer group of companies during the Performance Period)	1/3	Third Quartile	Second Quartile	First Quartile
EBITDA as a Percentage of Total Revenue	1/3	10%	15%	20%

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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 are 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 former Executive Chairman, Ryan W. Oviatt, Cameron M. Tidball, Jay G. Fugal, the Company’s former Vice President of Operations, and Patrick D. Fisher. 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 was intended to constitute an award under the Plan.

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.

On March 2, 2022, the Compensation Committee approved the incentive compensation amounts based on achieving certain targets pursuant to the 2021 EIP. The incentive compensation amounts earned under the 2021 EIP were paid 50% in cash and 50% in shares of restricted stock under the Plan. The incentive compensation amounts resulted in the Compensation Committee approving a one-time bonus for Company executives that was settled by issuing a total of 182,626 shares of common stock, or 120,097 shares net of tax withholding. These shares were fully vested as of March 2, 2022.

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 Plan (the “2021 LTIP”). The 2021 LTIP consists of total awards of up to 204,543 RSUs to Mr. Oviatt, up to 204,543 RSUs to Mr. Tidball, up to 85,908 RSUs to Mr. Fugal, and up to 47,973 RSUs to Mr. Fisher, pursuant to two separate restricted stock unit award agreements (collectively, the “2021 LTIP Restricted Stock Unit Award Agreements”) between the Company and each participant. One agreement covers the 33% of each award recipient’s RSUs that are subject to time-based vesting, and the other 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 RSU. The vesting period of the 2021 LTIP began on January 1, 2021 and terminates on December 31, 2023 (the “2021 LTIP Performance Vesting Date”).

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

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

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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 RSUs, consisting of 45,454 RSUs for Mr. Oviatt, 45,454 RSUs for Mr. Tidball, 19,091 RSUs for Mr. Fugal, and 10,661 RSUs for Mr. Fisher, are eligible to 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 2021 LTIP Performance Vesting Date shall be determined as follows:

- if the “Target” level for such performance metric is not achieved, none of the RSUs relating to such performance metric will vest;
- 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;
- 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
- if the “Outstanding” level for such performance metric is achieved, 100% of the RSUs 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 did not receive incentive compensation under the 2021 EIP and will not receive incentive compensation under the 2021 LTIP, and his unvested RSUs have been forfeited.

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 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 Award Agreements, the forms of which were approved pursuant to the 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.

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 as the Company's annual meeting of stockholders on June 15, 2022. The awards resulted in total compensation expense of approximately \$216,000 recognized over the vesting period.

NOTE 8 – REVENUE

Performance Obligations

Our performance obligations include providing product and servicing our product as well as other combustion related equipment. 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 contract 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. See [Note 5](#) for the amount accrued for expected returns and warranty claims as of September 30, 2022.

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Contract Balances

We have elected to use the practical expedient in ASC 340-40-25-4 (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. Occasionally, we collect milestone payments up front from customers on larger jobs. These payments are classified as deferred revenue until the deliverables have been met and revenue can be properly recognized in our financial statements. Each of the contracts related to these milestone payments is short-term in nature and we expect to recognize associated revenues within one year. As a result, we consider it appropriate to record deferred revenue for these transactions and do not have any other contract liability balances.

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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Electronics	\$ 4,415,011	\$ 2,327,854	\$ 11,456,616	\$ 6,196,529
Manufactured	974,081	346,952	1,998,981	908,592
Re-Sell	6,506,789	3,621,930	16,179,388	9,223,689
Service	933,457	646,462	2,330,639	1,741,020
Total Revenue	\$ 12,829,338	\$ 6,943,198	\$ 31,965,625	\$ 18,069,830

NOTE 9 – BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	For the Three Months Ended September 30,					
	2022			2021		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income available to common stockholders	\$ 1,210,748	47,036,012	\$ 0.03	\$ 92,246	48,239,236	\$ —
Effect of Dilutive Securities						
Stock options & RSUs	—	1,522,195		—	1,089,572	
Diluted EPS						
Net income available to common stockholders + assumed conversions	\$ 1,210,748	\$ 48,558,207	\$ 0.02	\$ 92,246	\$ 49,328,808	\$ —

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	For the Nine Months Ended September 30,					
	2022			2021		
	Loss (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Loss (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income (loss) available to common stockholders	\$ 2,122,738	47,201,611	\$ 0.04	\$ (906,420)	48,095,404	\$ (0.02)
Effect of Dilutive Securities						
Stock options & RSUs	—	1,559,735		—	—	
Diluted EPS						
Net income (loss) available to common stockholders + assumed conversions	<u>\$ 2,122,738</u>	<u>48,761,346</u>	\$ 0.04	<u>\$ (906,420)</u>	48,095,404	\$ (0.02)

Stock options and RSUs to purchase 1,773,776 shares of common stock at a weighted average price of \$1.13 per share were outstanding during the nine months ended September 30, 2021, but were not included in the computation of diluted EPS because the impact of these shares would be antidilutive. These RSUs, which expire between December 2022 and December 2024, were still outstanding at September 30, 2021.

NOTE 10 – SEGMENT INFORMATION

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

Sales	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Canada	\$ 2,160,495	\$ 1,825,056	\$ 6,044,077	\$ 3,688,878
United States	10,668,843	5,118,142	25,921,548	14,380,952
Total Consolidated	<u>\$ 12,829,338</u>	<u>\$ 6,943,198</u>	<u>\$ 31,965,625</u>	<u>\$ 18,069,830</u>

Profit (Loss)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Canada	\$ (353,245)	\$ (506,076)	\$ (1,307,250)	\$ (1,383,553)
United States	1,563,993	598,322	3,429,988	477,133
Total Consolidated	<u>\$ 1,210,748</u>	<u>\$ 92,246</u>	<u>\$ 2,122,738</u>	<u>\$ (906,420)</u>

Long-Lived Assets	As of	
	September 30, 2022	December 31, 2021
Canada	\$ 5,082,785	\$ 5,667,225
United States	5,424,101	5,583,594
Total Consolidated	<u>\$ 10,506,886</u>	<u>\$ 11,250,819</u>

NOTE 11 – SUBSEQUENT EVENTS

In accordance with ASC 855 "Subsequent Events," Company management reviewed all material events through the date this report was issued noting no items requiring disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity, and capital resources during the three- and nine-month periods ended September 30, 2022 and 2021. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes to the financial statements contained in this quarterly report on Form 10-Q and our annual report on Form 10-K for the year ended December 31, 2021.

Forward-Looking Statements

This quarterly report on Form 10-Q 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. 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 contracts we have previously entered into; sufficiency of working capital, capital resources and liquidity 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 current industry, financial, and economic information which we have assessed but which by its nature is dynamic and subject to rapid and possibly abrupt changes. Due to risks and uncertainties associated with our business, our actual results could differ materially from those stated or implied by such forward-looking statements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements and we hereby qualify all of 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 revise publicly 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.

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, we continue to gain traction in several diversified non-oil and gas markets as well. 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 as part of their production and or processing functions. 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 efficiently 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 increased efficiency.

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 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 on behalf of our customers. We believe that 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, 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 international markets and other industries with significant combustion requirements.

Environmental, Social and Governance Focus

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 key guiding principles. 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. 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 safely 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.

Results of Operations

Comparison quarter over quarter

The table below presents certain financial data comparing the most recent quarter to prior quarters:

	For the three months ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Total Revenues	\$ 12,829,338	\$ 9,633,148	\$ 9,503,140	\$ 8,286,345	\$ 6,943,198
Gross Profit Percentage	47.7 %	45.7 %	47.9 %	41.6 %	44.9 %
Operating Expenses	\$ 4,000,983	\$ 4,308,337	\$ 3,867,709	\$ 3,747,420	\$ 3,437,757
Income (loss) from Operations	\$ 2,117,893	\$ 94,806	\$ 688,995	\$ (298,291)	\$ (318,289)
Net Income (Loss)	\$ 1,210,748	\$ 284,829	\$ 627,160	\$ (145,364)	\$ 92,246
Operating Cash Flow	\$ (1,818,322)	\$ 1,814,039	\$ (1,192,349)	\$ (308,894)	\$ (598,001)

Revenues for the quarter ended September 30, 2022 increased by 85% or \$5,886,140 compared to the quarter ended September 30, 2021, which was 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. The average oil price during the three months ended September 30, 2022 was \$93.06 per barrel compared to \$70.58 per barrel for the same period of last year, representing an increase of approximately 32%. The average Henry Hub natural gas price increased by 84% during this same time period. Additionally, the third quarter of 2022 weekly average rig count for North America was 942 compared to 634 in the same period of last year, which represents an increase of 49%. Customer demand increased during the quarter ended September 30, 2022, in response to these industry trends. The quarter also benefited from strong, ongoing progress in our strategic growth initiatives that are targeted at expansion into new industries and new areas within the oil and gas industry.

Revenues for the quarter ended September 30, 2022 increased by 33% or \$3,196,190 compared to the quarter ended June 30, 2022, which was driven by improved customer demand, a rise in natural gas prices, and an increase in drilling and completion activity. The average Henry Hub natural gas price increased by 7% during the three months ended September 30, 2022. Additionally, the third quarter of 2022 weekly average rig count for North America increased by 16% compared to the prior quarter. Customer demand increased during the quarter ended September 30, 2022 in response to these industry trends.

Our gross profit margin for the third quarter of 2022 was up 2.8% from the same quarter of last year and up 2.0% from quarter ended June 30, 2022. The gross margin percentage was impacted by normal fluctuations in product mix and product related reserves. The gross margin of the third quarter of 2022 also benefited from greater fixed cost coverage from the significant increase in revenue over prior quarters. These improvements were partially offset by significant inflationary cost pressure including higher costs of freight, and shipping and direct labor.

Operating expenses for the quarter ended September 30, 2022 increased \$563,226 from the same quarter of last year, which primarily results from increases in headcount and cost inflation across the business. Operating expenses for the quarter ended September 30, 2022 decreased \$307,354 from the prior quarter ended June 30, 2022 primarily due to the recognition of an employee retention payroll tax credit, that became available to the Company through the CARES Act. The Company has filed amended payroll tax returns for this credit and expects to receive the refund within the next twelve months.

Due to the factors discussed above, we reported income from operations of \$2,117,893 for the quarter ended September 30, 2022 compared to a loss from operations of \$318,289 for the same quarter in 2021, and income from operations of \$94,806 in the quarter ended June 30, 2022.

Due to the combination of factors discussed above relating to revenues, gross profit margin and operating expenses, we reported net income of \$1,210,748 for the quarter ended September 30, 2022 compared to net income of \$92,246 for the same quarter in 2021 and net income of \$284,829 in the quarter ended June 30, 2022.

Operating cash flows decreased \$1,818,322 during the quarter ended September 30, 2022 compared to a decrease of \$598,001 during the same quarter of 2021 and an increase in operating cash flow of \$1,814,039 during the quarter ended June 30, 2022 due primarily to changes in working capital balances, including increases in customer accounts receivable and inventory.

Comparison of the nine months ended September 30, 2022 and 2021

The table below presents certain financial data comparing the nine months ended September 30, 2022 to the same period ended September 30, 2021:

	For the Nine Months Ended September 30,		\$ Change	% Change
	2022	2021		
Total Revenues	\$ 31,965,625	\$ 18,069,830	\$ 13,895,795	76.9 %
Gross Profit Percentage	47.2 %	44.0 %		3.2 %
Operating Expenses	\$ 12,177,030	\$ 9,668,838	\$ 2,508,192	25.9 %
Income (Loss) from Operations	\$ 2,901,695	\$ (1,716,951)	\$ 4,618,646	269.0 %
Net Income (Loss)	\$ 2,122,738	\$ (906,420)	\$ 3,029,158	334.2 %
Operating Cash Flow	\$ (1,196,632)	\$ 957,821	\$ (2,154,453)	(224.9)%

Revenues during the nine-month period ended September 30, 2022, increased 76.9% compared to the same period of last year. The increase in revenue was largely due to significant rises in oil and natural gas prices, an increase in drilling and completion activity and ongoing reinvestment activity by the oil and gas producers in response to years of underinvestment to support production. Such nine-month period of 2022 has also benefited from significant progress in our diversification efforts with many projects completed in other industries such as RNG, Biogas and industrial applications. Our gross profit percentage increased slightly by 3.2% during the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to changes in product mix, inventory adjustments and the fixed cost coverage from a higher revenue base. Operating expenses increased 25.9% due to increases in headcount and general cost inflation in the current year. Due to the increase in revenue and gross margin, which exceeded the increase in operating expenses, we recognized net income of \$2,122,738 for the nine months ended September 30, 2022 compared to a net loss of \$906,420 for the same period in 2021. The Company used operating cash flows of \$1,196,632 during the nine-month period ended September 30, 2022 primarily due to increases in inventory and accounts receivable. During the same period in 2021, the Company generated operating cash flows of \$957,821 due to decreases in inventory and an increase in accounts payable.

Liquidity and Capital Resources

Working capital at September 30, 2022 was \$22,500,286 compared to \$20,510,600 at December 31, 2021.

Our liquidity position is impacted by operating, investing and financing activities. During the nine months ended September 30, 2022, we used \$1,196,632 of cash from operating activities, primarily due to inventory purchases and an increase in accounts receivable as sales grew substantially. These increases were partially offset by increases in accounts payable and income taxes payable. Operating activity trends consist of cash inflows and outflows related to changes in operating assets and liabilities. During the nine months ended September 30, 2022, we generated \$45,412 of cash from investing activities, primarily due to the sale of property, equipment, and intangibles. Investing activity trends consist of changes in the mix of our investment portfolio, purchases or sales of fixed assets, and acquisition activities. During the nine months ended September 30, 2022, we used \$1,320,594 of cash in financing activities, primarily related to purchases of treasury stock during the year. Financing activity trends consist of transactions related to equity awards and purchases of treasury stock pursuant to our now completed share repurchase program. The extent to which our liquidity position will be impacted in the future depends on industry trends and developments, which are highly uncertain and cannot be predicted with confidence. As

of September 30, 2022, we held \$14,451,704 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 3. Quantitative and Qualitative Disclosure about Market Risk

This section is not required.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Principal Executive Officers and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act, as of the end of the period covered by this quarterly report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officers and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on the evaluation performed, our management, including the Principal Executive Officers and Principal Financial Officer, concluded that the disclosure controls and procedures were effective as of September 30, 2022.

Changes in Internal Control over Financial Reporting

Our management, with the participation of our Principal Executive Officers and Principal Financial Officer, evaluated the changes in our internal control over financial reporting that occurred during the quarterly period covered by this quarterly report on Form 10-Q. Based on that evaluation, management concluded that no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2022, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

To the best of our knowledge, there are no legal proceedings pending or threatened against us that may have a material impact on us and there are no actions pending or threatened against any of our directors or officers that are adverse to us.

Item 1A. Risk Factors

In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the risks discussed in our annual report on Form 10-K for the year ended December 31, 2021, which risks could materially affect our business, financial condition, or future results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material, adverse effect on our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

This item is not applicable.

Item 3. Defaults Upon Senior Securities

This item is not applicable.

Item 4. Mine Safety Disclosures

This item is not applicable.

Item 5. Other Information

This item is not applicable.

Item 6. Exhibits

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

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

SIGNATURES

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

PROFIRE ENERGY, INC.

Date:	November 2, 2022	By:	<u>/s/ Ryan W. Oviatt</u> Ryan W. Oviatt Co-Chief Executive Officer and Chief Financial Officer
Date:	November 2, 2022	By:	<u>/s/ Cameron M. Tidball</u> Cameron M. Tidball Co-Chief Executive Officer

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Ryan W. Oviatt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Profire Energy, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

By: /s/ Ryan W. Oviatt
Ryan W. Oviatt
Co-Chief Executive Officer and Co-
President

EXHIBIT 31.2

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Cameron M. Tidball, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Profire Energy, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

By: /s/ Cameron M. Tidball
Cameron M. Tidball
Co-Chief Executive Officer and Co-
President

EXHIBIT 31.3

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Ryan W. Oviatt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Profire Energy, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

By: /s/ Ryan W. Oviatt
Ryan W. Oviatt
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF PRINCIPAL
EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Profire Energy, Inc. (the "Company") for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Ryan W. Oviatt and I, Cameron M. Tidball, Co-Chief Executive Officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2022

By: /s/ Ryan W. Oviatt
Ryan W. Oviatt
Co-Chief Executive Officer and Co-President

Date: November 2, 2022

By: /s/ Cameron M. Tidball
Cameron M. Tidball
Co-Chief Executive Officer and Co-President

EXHIBIT 32.2

**CERTIFICATION OF PRINCIPAL
FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Profire Energy, Inc. (the "Company") for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Ryan W. Oviatt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2022

By: /s/ Ryan W. Oviatt
Ryan W. Oviatt
Chief Financial Officer