

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  
**Three Months Ended June 30, 2019**
- 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

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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 August 5, 2019, the registrant had 50,758,945 shares of common stock issued and 48,208,158 shares of common stock outstanding, par value \$0.001.

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**PART I. FINANCIAL INFORMATION**  
**Item 1 Financial Information**

**PROFIRE ENERGY, INC. AND SUBSIDIARIES**  
Condensed Consolidated Balance Sheets

	As of	
	June 30, 2019 (Unaudited)	December 31, 2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,487,778	\$ 10,101,932
Short-term investments	726,782	961,256
Short-term investments - other	2,400,000	3,596,484
Accounts receivable, net	6,395,332	6,885,296
Inventories, net	9,071,479	9,659,571
Prepaid expenses & other current assets	512,292	473,726
Income tax receivable	473,093	173,124
Total Current Assets	31,066,756	31,851,389
<b>LONG-TERM ASSETS</b>		
Net deferred tax asset	—	85,092
Long-term investments	8,433,185	7,978,380
Financing right-of-use asset	149,484	—
Property and equipment, net	9,108,234	8,020,462
Goodwill	997,701	997,701
Intangible assets, net	1,699,312	429,956
Total Long-Term Assets	20,387,916	17,511,591
TOTAL ASSETS	\$ 51,454,672	\$ 49,362,980
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,415,824	\$ 1,177,985
Accrued vacation	373,995	311,435
Accrued liabilities	1,679,279	1,445,510
Current financing lease liability	76,559	—
Income taxes payable	199,792	1,172,191
Total Current Liabilities	3,745,449	4,107,121
<b>LONG-TERM LIABILITIES</b>		
Net deferred income tax liability	120,222	—
Long-term financing lease liability	76,382	—
TOTAL LIABILITIES	3,942,053	4,107,121
<b>STOCKHOLDERS' EQUITY</b>		
Preferred shares: \$0.001 par value, 10,000,000 shares authorized: no shares issued or outstanding	—	—
Common shares: \$0.001 par value, 100,000,000 shares authorized: 50,016,979 issued and 47,466,192 outstanding at June 30, 2019, and 49,707,805 issued and 47,932,305 outstanding at December 31, 2018	50,017	49,708
Treasury stock, at cost	(3,943,063)	(2,609,485)
Additional paid-in capital	28,593,552	28,027,742
Accumulated other comprehensive loss	(2,525,586)	(2,895,683)
Retained earnings	25,337,699	22,683,577
TOTAL STOCKHOLDERS' EQUITY	47,512,619	45,255,859
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 51,454,672	\$ 49,362,980

*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  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
<b>REVENUES</b>				
Sales of goods, net	\$ 9,559,255	\$ 10,724,409	\$ 19,757,890	\$ 22,179,024
Sales of services, net	564,776	615,352	1,199,199	1,330,454
Total Revenues	10,124,031	11,339,761	20,957,089	23,509,478
<b>COST OF SALES</b>				
Cost of goods sold-product	4,568,666	4,959,539	9,139,654	10,517,249
Cost of goods sold-services	368,327	471,555	865,525	953,422
Total Cost of Goods Sold	4,936,993	5,431,094	10,005,179	11,470,671
<b>GROSS PROFIT</b>	<b>5,187,038</b>	<b>5,908,667</b>	<b>10,951,910</b>	<b>12,038,807</b>
<b>OPERATING EXPENSES</b>				
General and administrative expenses	3,566,698	3,364,826	6,728,228	6,706,726
Research and development	512,871	317,002	861,929	720,221
Depreciation and amortization expense	110,910	129,070	227,133	257,787
Total Operating Expenses	4,190,479	3,810,898	7,817,290	7,684,734
<b>INCOME FROM OPERATIONS</b>	<b>996,559</b>	<b>2,097,769</b>	<b>3,134,620</b>	<b>4,354,073</b>
<b>OTHER INCOME (EXPENSE)</b>				
Gain on sale of fixed assets	21,410	21,254	38,340	86,085
Other expense	(413)	(4,164)	(964)	(5,956)
Interest income	85,887	174,771	177,590	225,479
Total Other Income	106,884	191,861	214,966	305,608
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,103,443</b>	<b>2,289,630</b>	<b>3,349,586</b>	<b>4,659,681</b>
<b>INCOME TAX EXPENSE</b>	<b>117,939</b>	<b>575,363</b>	<b>695,464</b>	<b>1,069,183</b>
<b>NET INCOME</b>	<b>\$ 985,504</b>	<b>\$ 1,714,267</b>	<b>\$ 2,654,122</b>	<b>\$ 3,590,498</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Foreign currency translation gain (loss)	\$ 102,435	\$ (427,307)	\$ 251,850	\$ (394,072)
Unrealized gains (losses) on investments	49,495	9,226	118,247	(24,009)
Total Other Comprehensive Income (Loss)	151,930	(418,081)	370,097	(418,081)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 1,137,434</b>	<b>\$ 1,296,186</b>	<b>\$ 3,024,219</b>	<b>\$ 3,172,417</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>	<b>\$ 0.06</b>	<b>\$ 0.07</b>
<b>FULLY DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.02</b>	<b>\$ 0.03</b>	<b>\$ 0.06</b>	<b>\$ 0.07</b>
<b>BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING</b>	<b>47,348,137</b>	<b>48,266,199</b>	<b>47,392,534</b>	<b>48,467,136</b>
<b>FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING</b>	<b>48,124,208</b>	<b>49,095,575</b>	<b>48,192,849</b>	<b>49,237,938</b>

*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 Six Months Ended June 30,	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 2,654,122	\$ 3,590,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	483,063	442,959
Gain on sale of fixed assets	(38,340)	(76,703)
Bad debt expense	229,792	141,348
Stock awards issued for services	749,547	861,189
Changes in operating assets and liabilities:		
Changes in accounts receivable	605,009	548,419
Changes in income taxes receivable/payable	(1,261,267)	(790,946)
Changes in inventories	1,831,865	(2,074,974)
Changes in prepaid expenses	(35,637)	114,907
Changes in deferred tax asset/liability	205,314	91,890
Changes in accounts payable and accrued liabilities	(115,813)	274,744
Net Cash Provided by Operating Activities	5,307,655	3,123,331
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of equipment	39,810	159,449
Sale of investments	1,109,297	368,379
Purchase of fixed assets	(1,429,735)	(1,184,126)
Payments for asset acquisition	(2,088,814)	—
Net Cash Used in Investing Activities	(2,369,442)	(656,298)
<b>FINANCING ACTIVITIES</b>		
Value of equity awards surrendered by employees for tax liability	(184,433)	(736,160)
Cash received in exercise of stock options	—	174,002
Purchase of Treasury stock	(1,333,578)	(4,000,000)
Principal paid towards lease liability	(32,185)	—
Net Cash Used in Financing Activities	(1,550,196)	(4,562,158)
Effect of exchange rate changes on cash	(2,171)	(51,997)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,385,846</b>	<b>(2,147,122)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>10,101,932</b>	<b>11,445,799</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 11,487,778</b>	<b>\$ 9,298,677</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
<b>CASH PAID FOR:</b>		
Interest	\$ 2,832	\$ —
Income taxes	\$ 1,793,281	\$ 1,691,397
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>		
Acquisition of assets (Preliminary estimate)	\$ 237,032	\$ —

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

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
<b>Balance, December 31, 2018</b>	<b>47,932,305</b>	<b>\$ 49,708</b>	<b>\$ 28,027,742</b>	<b>\$ (2,895,683)</b>	<b>\$ (2,609,485)</b>	<b>\$ 22,683,577</b>	<b>\$ 45,255,859</b>
Stock based compensation			66,714				66,714
Stock issued in exercise of stock options	2,483	2	(2)				—
Stock issued in settlement of RSUs	148,723	149	379,712				379,861
Tax withholdings paid related to stock based compensation			(143,022)				(143,022)
Treasury stock repurchased	(775,287)				(1,333,578)		(1,333,578)
Foreign currency translation				149,415			149,415
Unrealized gains on investments				68,752			68,752
Net income						1,668,618	1,668,618
<b>Balance, March 31, 2019</b>	<b>47,308,224</b>	<b>\$ 49,859</b>	<b>\$ 28,331,144</b>	<b>\$ (2,677,516)</b>	<b>\$ (3,943,063)</b>	<b>\$ 24,352,195</b>	<b>\$ 46,112,619</b>
Stock based compensation			303,977				303,977
Stock issued in exercise of stock options	9,174	9	(9)				—
Stock issued in settlement of RSUs	148,794	149	(149)				—
Tax withholdings paid related to stock based compensation			(41,411)				(41,411)
Foreign currency translation				102,435			102,435
Unrealized gains on investments				49,495			49,495
Net income						985,504	985,504
<b>Balance, June 30, 2019</b>	<b>47,466,192</b>	<b>\$ 50,017</b>	<b>\$ 28,593,552</b>	<b>\$ (2,525,586)</b>	<b>\$ (3,943,063)</b>	<b>\$ 25,337,699</b>	<b>\$ 47,512,619</b>

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

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
<b>Balance, December 31, 2017</b>	<b>48,606,425</b>	<b>\$ 53,931</b>	<b>\$ 27,535,469</b>	<b>\$ (2,200,462)</b>	<b>\$ (6,890,349)</b>	<b>\$ 25,548,835</b>	<b>\$ 44,047,424</b>
Stock based compensation			390,585				390,585
Stock issued in exercise of stock options	81,229	81	(81)				—
Stock issued in settlement of RSUs	118,762	119	258,773				258,892
Tax withholdings related to stock based compensation			(83,600)				(83,600)
Foreign currency translation				(239,129)			(239,129)
Unrealized losses on investments				(33,235)			(33,235)
Net income						1,876,228	1,876,228
<b>Balance, March 31, 2018</b>	<b>48,806,416</b>	<b>\$ 54,131</b>	<b>\$ 28,101,146</b>	<b>\$ (2,472,826)</b>	<b>\$ (6,890,349)</b>	<b>\$ 27,425,063</b>	<b>\$ 46,217,165</b>
Stock based compensation			292,450				292,450
Stock issued in exercise of stock options	445,038	445	(445)				—
Stock issued in settlement of RSUs	108,923	109	121,725				121,834
Tax withholdings related to stock based compensation			(686,072)				(686,072)
Treasury stock repurchased	(1,277,954)				(4,000,000)		(4,000,000)
Foreign currency translation				(154,943)			(154,943)
Unrealized losses on investments				9,226			9,226
Net income						1,714,267	1,714,267
<b>Balance, June 30, 2018</b>	<b>48,082,423</b>	<b>\$ 54,685</b>	<b>\$ 27,828,804</b>	<b>\$ (2,618,543)</b>	<b>\$ (10,890,349)</b>	<b>\$ 29,139,330</b>	<b>\$ 43,513,927</b>

*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 three and six months ended June 30, 2019, and December 31, 2018**

**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 subsidiary, taken together.

The accompanying financial statements have been prepared by the Company without audit. In the opinion of Management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at June 30, 2019 and for all periods presented herein have been made.

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, 2018 ("Form 10-K"). The results of operations for the three and six month periods ended June 30, 2019 and 2018 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 Profire Energy, Inc. and its subsidiary (the "Company") is presented to assist in understanding the Company's condensed consolidated financial statements. The Company's accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP").

The Company provides burner- and chemical-management products and services for the oil and gas industry primarily in the US and Canadian markets.

*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, except as discussed below.

Leases

In February of 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02 - Leases (Topic 842), which significantly amends the way companies are required to account for leases. Under the updated leasing guidance, some leases that did not have to be reported previously are now required to be presented as an asset and liability on the balance sheet. In addition, for certain leases, what was previously classified as an operating expense must now be allocated between amortization expense and interest expense. The Company adopted this update as of January 1, 2019 using the modified retrospective transition method. Prior periods have not been restated. Upon implementation, the Company recognized an initial right-of-use asset of \$132,488 and lease liability of \$132,488. Due to the simplistic nature of the Company's leases, no change to retained earnings was required. See [Note 8](#) for further details.

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.

Reclassification

Certain balances in previously issued consolidated financial statements have been reclassified to be consistent with the current period presentation. The reclassification had no impact on financial position, net income, or stockholders' equity.

*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 three and six months ended June 30, 2019, and December 31, 2018**

**NOTE 3 – INVENTORY**

Inventories consisted of the following at each balance sheet date:

	As of	
	June 30, 2019	December 31, 2018
Raw materials	\$ 41,291	\$ 76,319
Finished goods	9,883,394	10,474,522
Work in process	—	—
Subtotal	9,924,685	10,550,841
Reserve for obsolescence	(853,206)	(891,270)
Total	\$ 9,071,479	\$ 9,659,571

**NOTE 4 – STOCKHOLDERS' EQUITY**

As of June 30, 2019, and December 31, 2018, the Company held 2,550,787 and 1,775,500 shares of its common stock in treasury at a total cost of \$943,063 and \$2,609,485, respectively.

On April 22, 2019, the Board of Directors (the “Board”) of Profire Energy, Inc. (the “Company”) approved the 2019 Executive Incentive Plan (the “EIP”) for Brenton W. Hatch, the Company’s President and Chief Executive Officer, Ryan W. Oviatt, the Company’s Chief Financial Officer, Cameron M. Tidball the Company’s Chief Business Development Officer, Jay G. Fugal, the Company’s Vice President of Operations, and Patrick D. Fisher, the Company’s Vice President of Product development. The EIP provides for the potential award of bonuses to the participants based on the Company’s financial performance in fiscal 2019. If earned, the bonuses will be payable in cash and stock, and the stock portion of the bonuses is intended to constitute an award under the Company’s 2014 Equity Incentive Plan, as amended (the “Plan”). In addition to the EIP, the Board also approved as a long term incentive plan the grants of a restricted stock unit awards to Messrs. Oviatt, Tidball, Fugal, and Fisher pursuant to the Plan (the “2019 LTIP”).

2019 EIP

Under the terms of the EIP, each participating executive officer has been assigned a target bonus amount for fiscal 2019. The target bonus amount for Mr. Hatch is \$412,000, the target bonus amount for Mr. Oviatt is \$90,125, the target bonus amount for Mr. Tidball is \$84,357, the target bonus for Mr. Fugal is \$41,200, and the target bonus for Mr. Fisher is \$38,750 CAD. Under no circumstance can the participants receive more than two times the assigned target bonus.

Participants will be eligible to receive bonuses based upon reaching or exceeding performance goals established by the Board or its Compensation Committee for fiscal 2019. The performance goals in the EIP are based on the Company’s total revenue, net income, free cash flow, and product development milestones. Each of these performance goals will be weighted 25% in calculating bonus amounts.

The bonus amounts earned under the 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 bonus amount for each participant, or exceed any limitations otherwise set forth in the Plan. The actual bonus amounts, if any, will be determined by the Compensation Committee of the Board upon the completion of fiscal 2019 and paid by March 15, 2020, subject to all applicable tax withholding.

2019 LTIP

The 2019 LTIP consists of total awards of up to 66,213 restricted stock units (“Units”) to Mr. Oviatt, up to 51,646 Units to Mr. Tidball, up to 35,313 Units to Mr. Fugal, and up to 24,862 Units to Mr. Fisher pursuant to two separate Restricted Stock Unit Award Agreements to be entered between the Company and each participant. One such agreement will cover 33% of each award recipient’s Units that are subject to time-based vesting, and the other such agreement will cover 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 2019 LTIP began on January 1, 2019 and terminates on December 31, 2021 (the “Performance Vesting Date”).

**PROFIRE ENERGY, INC. AND SUBSIDIARIES**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019, and December 31, 2018**

On March 14, 2019, our Board of Directors approved a grant of 85,000 restricted stock units ("RSUs") to various employees. The awards vest annually over five years and will result in total compensation expense of \$149,600 to be recognized over the vesting period.

On June 12, 2019, the Board of Directors approved a grant of 183,942 restricted stock units ("RSUs") to Independent Directors. Half of the RSUs vest immediately on the date of grant and the remaining 50% of the RSUs will vest on the one year 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 \$252,000 to be recognized over the vesting period.

**NOTE 5 – 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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Canada	\$ 1,056,781	\$ 1,272,056	\$ 1,992,419	\$ 2,570,888
United States	9,067,250	10,067,705	18,964,670	20,938,590
Total Consolidated	\$ 10,124,031	\$ 11,339,761	\$ 20,957,089	\$ 23,509,478

Profit (Loss)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Canada	\$ (547,202)	\$ (265,830)	\$ (929,242)	\$ (700,494)
United States	1,532,706	1,980,097	3,583,364	4,290,992
Total Consolidated	\$ 985,504	\$ 1,714,267	\$ 2,654,122	\$ 3,590,498

Long-Lived Assets	As of	
	June 30, 2019	December 31, 2018
Canada	\$ 3,058,272	\$ 2,079,173
United States	6,049,962	5,941,289
Total Consolidated	\$ 9,108,234	\$ 8,020,462

**NOTE 6 – REVENUE**

*Performance Obligations*

Our performance obligations include providing product and servicing 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 contract.

*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 the current 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 also did not have any material contract liabilities because we typically do not receive payments in advance of recognizing revenue.

**PROFIRE ENERGY, INC. AND SUBSIDIARIES**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019, and December 31, 2018**

*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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Electronics	\$ 4,139,283	\$ 4,413,545	\$ 8,785,880	\$ 9,220,574
Manufactured	492,969	814,731	923,562	1,769,510
Re-Sell	4,927,003	5,496,133	10,048,448	11,188,940
Service	564,776	615,352	1,199,199	1,330,454
<b>Total Revenue</b>	<b>\$ 10,124,031</b>	<b>\$ 11,339,761</b>	<b>\$ 20,957,089</b>	<b>\$ 23,509,478</b>

**NOTE 7 – BASIC AND DILUTED EARNINGS 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 June 30,					
	2019			2018		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
<b>Basic EPS</b>						
Net income available to common stockholders	\$ 985,504	47,348,137	\$ 0.02	\$ 1,714,267	48,266,199	\$ 0.04
<b>Effect of Dilutive Securities</b>						
Stock options & RSUs	—	776,071		—	829,376	
<b>Diluted EPS</b>						
Net income available to common stockholders + assumed conversions	\$ 985,504	48,124,208	\$ 0.02	\$ 1,714,267	49,095,575	\$ 0.03

Options to purchase 244,600 shares of common stock at a weighted average price of \$ .88 per share were outstanding during the three months ended June 30, 2019, but were not included in the computation of diluted EPS because the impact of these shares would be antidilutive. These options, which expire between November 2019 and May 2020, were still outstanding at June 30, 2019. No shares were excluded for the three months ended June 30, 2018.

	For the Six Months Ended June 30,					
	2019			2018		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
<b>Basic EPS</b>						
Net income available to common stockholders	\$ 2,654,122	47,392,534	\$ 0.06	\$ 3,590,498	48,467,136	\$ 0.07
<b>Effect of Dilutive Securities</b>						
Stock options & RSUs	—	800,315		—	770,802	
<b>Diluted EPS</b>						
Net income available to common stockholders + assumed conversions	\$ 2,654,122	48,192,849	\$ 0.06	\$ 3,590,498	49,237,938	\$ 0.07



**PROFIRE ENERGY, INC. AND SUBSIDIARIES**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019, and December 31, 2018**

Options to purchase 244,600 and 251,600 shares of common stock at a weighted average price of \$.88 and \$3.89 per share were outstanding during the six months ended June 30, 2019 and 2018, respectively, but were not included in the computation of diluted EPS because the impact of these shares would be antidilutive. These options, which expire between November 2019 and May 2020, were still outstanding at June 30, 2019.

**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 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 used our incremental borrowing rate as the discount rate. Our weighted average discount rate is 4.50% and the weighted average remaining lease term is 27.4 months.

The following table shows the components of financing lease cost:

Financing Lease Cost	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Amortization of right-of-use assets	\$ 19,280	\$ 35,641
Interest on lease liabilities	1,421	2,832
<b>Total financing lease cost</b>	<b>\$ 20,701</b>	<b>\$ 38,473</b>

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

Years ending December 31,	Amount
2019	\$ 43,694
2020	62,995
2021	40,921
2022	13,599
2023	—
Thereafter	—
<b>Total future minimum lease payments</b>	<b>\$ 161,209</b>
Less: Amount representing interest	8,268
<b>Present value of future payments</b>	<b>\$ 152,941</b>
Current portion	\$ 76,559
Long-term portion	\$ 76,382

Because our office space leases are short-term, we have elected not to recognize them on our balance sheet under the short-term recognition exemption. During the three and six months ended June 30, 2019, we recognized \$13,411 and \$22,318, respectively in short-term lease costs associated with office space leases.

**NOTE 9 – ACQUISITION**

On June 18, 2019, our wholly-owned subsidiary, Profire Combustion, Inc., acquired substantially all the assets from Millstream Energy Products, LTD., a Canadian corporation ("MEP"). MEP is a privately-held Canadian company that develops a line of high-performance burners, economy burners, flame arrestor housings, secondary air control plates, and other related combustion components. MEP's full line of products became available for sale by Profire's existing sales team immediately after closing of the transaction. These products complement our burner-management system (BMS) product offerings and should enable us to supply a larger portion of the total BMS package sale to our customers.

**PROFIRE ENERGY, INC. AND SUBSIDIARIES**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019, and December 31, 2018**

The acquisition was accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The purchase accounting process has not been completed primarily because the valuation of acquired assets has not been finalized. We expect to complete the purchase accounting as soon as practicable but no later than one year from the acquisition date. We do not believe there will be material adjustments. The purchase price of \$2,325,846 USD was funded through existing cash. MEP will also receive a 4.5% royalty on proprietary MEP product revenue generated during the next five years. Based on the estimated fair value at the time of purchase, the Company recorded an estimate of intangible assets in the amount of \$1,268,930 USD which may include goodwill once the final valuation analysis is completed.

The purchase price calculation is as follows:

Cash	\$	2,088,814
Liabilities		237,032
	\$	<u>2,325,846</u>

The following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed at the date of purchase:

Accounts receivable	\$	308,431
Inventory		1,123,922
Intangibles and goodwill		1,268,930
Accounts payable		(114,187)
Accrual liabilities		(261,250)
	\$	<u>2,325,846</u>

Transaction and related costs directly related to the acquisition of MEP, consisting primarily of professional fees and integration expenses, have amounted to approximately \$42,780 and were expensed as incurred and are included in general and administrative expenses.

**NOTE 10 – 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 occurred:

On August 1, 2019, our Board of Directors authorized an additional \$2,000,000 for the share repurchase plan that was put in place on October 30, 2018. This plan allows for the repurchase of our stock at Management's discretion through October 31, 2019. As of this filing, no shares have been repurchased under this plan.

On August 5, 2019, Profire Energy, Inc., a Nevada corporation (the "Company"), entered into definitive agreement (the "Agreement") to acquire Midflow Services, LLC. ("Midflow"). The Agreement contains certain customary representations, warranties and covenants. The transaction closed on August 5, 2019.

The Company has agreed to pay a total purchase price of \$3.4 million, \$2.4 million in cash and \$1 million in Profire stock, in exchange for all the stock of Midflow. The purchase price is subject to an adjustment based on working capital at closing.

## 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 six-month periods ended June 30, 2019 and 2018. 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, 2018.

### 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 our forward-looking statements by these cautionary statements.

Forward-looking statements in this report speak only as of their dates. 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 an oilfield technology company providing products that enhance the efficiency, safety, and compliance of the oil and gas industry. We specialize in the creation of burner-management systems used on a variety of oilfield forced-air and natural-draft fire-tube applications. We sell our products and services primarily throughout North America. Our experienced team of industry service professionals also provides supporting services for our products.

## Principal Products and Services

In the oil and natural gas 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 or processing functions. This is provided by a burner flame. This burner flame is integral to the process of separating, treating, storing, and transporting oil and gas. Factors such as the gravity, the presence of hydrates, temperature and hydrogen sulfide content contribute to the requirement for heat in oil and gas production and processing applications. Our burner-management systems help ignite, monitor, and manage this burner flame, which can be operated remotely, reducing the need for employee interaction with the burner, such as for the purposes of re-ignition or temperature monitoring. In addition, our burner-management systems can help reduce gas emissions by quickly reigniting a failed flame.

Oil and gas producers can use our burner-management systems to achieve increased safety, greater operational efficiencies, and improved compliance with changing industry regulations. Without burner-management systems, an employee must discover and reignite an extinguished burner flame, then restart the application manually. Therefore, without burner-management systems, all application monitoring is done directly on-site. Such on-site monitoring can result in the interruption of production for longer periods of time, risk in reigniting a flame, which can lead to burns and explosions, and the possibility of raw gas being vented into the atmosphere when the flame fails. In addition, without a burner-management system, burners often run longer, incurring significant fuel costs. We believe there is a growing trend in the oil and gas industry toward enhanced control, process automation, and data logging, largely for improved efficiency and operational cost savings, and partly for potential regulatory-satisfaction purposes. Our burner-management systems are designed to be always on standby to make sure the burner flame is lit and managed properly, which can reduce how often a burner is running and may reduce fuel costs. We continue to assess compliance-interest in the industry, and we believe that enhanced burner-management products and services can help our customers be compliant with such regulatory requirements, where applicable. In addition to selling products, we train and dispatch service technicians to service burner flame installations throughout the United States and Canada.

We initially developed our first burner-management system in 2005. Since then, we have released several iterations of our initial burner-management system, increasing features and capabilities, while maintaining compliance with North American standards including, Canadian Standards Association (CSA), Underwriters Laboratories (UL), and Safety Integrity Level (SIL) standards.

Our burner-management systems have become widely used in Western Canada, and throughout many regions in the United States. We have sold our burner-management systems to many large energy companies, including Anadarko, Chesapeake, ConocoPhillips, Devon, Encana, XTO, CNRL, Shell, OXY, and others. Our systems have also been sold or installed in other parts of the world, including France, Italy, Argentina, India, Nigeria, the Middle East, Australia, and Brazil. We are established in the North American oil and gas markets, which is our current primary focus, but we are working to expand into more international markets as well.

### *Product Extension: PF3100*

The PF3100 is an advanced burner-management system which is designed to operate, monitor, control, and manage a wide variety of more complex, multi-faceted oilfield appliances. Throughout the industry, Programmable Logic Controllers, or PLCs, are used to operate and manage custom-built oilfield applications. Though capable, PLCs can be expensive, tedious, and difficult to use and install. The PF3100 can help manage and synchronize custom applications helping oilfield producers meet deadlines and improve profitability through an off-the-shelf solution with dynamic customization. We are selling the PF3100 for initial use in the oil and gas industry's natural-draft and forced-draft applications.

We frequently assess market needs by participating in industry conferences and soliciting feedback from existing and potential customers, allowing us to provide quality solutions to the oil and gas producing companies we serve. Upon identifying a potential market need, we begin researching the market and developing products that might have feasibility for future sale.

### *Additional Complementary Products*

In addition to our burner- and combustion-management systems, we also supply complementary products that provide our customers with a complete solution. These products include safety and monitoring devices such as shut-down and temperature valves, pressure transmitter and switches, burners, pilots, and other combustion related equipment. We have invested heavily to develop innovative, complementary, products which we anticipate will help bolster continued long-term growth.

### *Chemical-Management Systems*

In addition to the burner-management systems and complementary technologies we have sold historically, in November 2014 we expanded our product offering to include chemical-management systems through our acquisition of VIM Injection Management assets.

Chemical injection is used for a wide variety of purposes in the oil and gas industry including down-hole inhibition of wax, hydrates, and corrosion agents, so that product can flow more efficiently to the wellhead. Once at the wellhead, chemical injection can also be used to further process the oil or gas before it is sent into a pipeline, and with other applications.

Currently, a variety of pumps are used to meter the chemicals injected but are often inaccurate in injecting the proper volume of chemical, as they may not account for all of the variables that affect how much chemical should be injected (e.g., pressure, hydrogen sulfide concentration, etc.) nor the optimal efficiency rates of varying pump systems.

Inaccurate injection levels are problematic because the chemicals injected are expensive, and over-injection causes unnecessary expense for producers. Under-injection can also be problematic because it often results in the creation of poor product (i.e., with wax, hydrate, or corrosion agents) and causes problems with pipeline operations.

Our chemical-management systems monitor and manage the chemical-injection process to ensure that optimal levels of chemicals are injected. This improves the efficiency of the pump and production quality of the well, improves safety for workers that would otherwise be exposed to these chemicals, and improves compliance with pipeline operators. Like our burner-management systems, our chemical-management systems can be monitored and managed remotely via supervisory control and data acquisition or other remote-communication systems. We hold a U.S. patent related to our chemical management system and its process for supplying a chemical agent to a process fluid.

## **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										
	June 30, 2019		March 31, 2019		December 31, 2018		September 30, 2018		June 30, 2018		
Total Revenues	\$	10,124,031	\$	10,833,058	\$	10,605,155	\$	11,499,902	\$	11,339,760	
Gross Profit Percentage		51.2	%	53.2	%	44.9	%	53.0	%	52.1	%
Operating Expenses	\$	4,190,479	\$	3,626,811	\$	3,541,209	\$	3,701,281	\$	3,810,896	
Net Income	\$	985,504	\$	1,668,618	\$	831,404	\$	1,658,859	\$	1,714,270	
Operating Cash Flow	\$	2,699,154	\$	2,608,501	\$	1,829,363	\$	599,862	\$	1,670,392	

Revenues for the quarter ended June 30, 2019 decreased by 11% or \$1,215,730 compared to the quarter ended June 30, 2018, which was mostly driven by macro industry changes over that same period. The average oil price in the first six months of 2019 was only \$57.39 per barrel compared to \$65.55 per barrel in the first six months of 2018 representing a decrease of 12.4%. The Q2 2019 weekly average rig count for North America was 989 compared to 1,039 in the same period of last year. These decreases have followed the historic decline in oil prices in Q4 2018. As a result of these macro trends, we believe many exploration and production companies have pulled back on capex budgets or deferred planned spending to later in 2019 and even 2020. Customers are indicating to us that they intend to use cash in the near future to fund further debt reductions, increasing dividend payments or to initiate or expand stock repurchase programs.

Our gross profit margin was down slightly from the same quarter of last year but remains within normal quarterly expectations. The gross margin percentage fluctuates each quarter due to changes in product mix and product related reserves. Over the past year gross profit has stayed fairly consistent, within an expected range, except for Q4 of 2018 where gross profit decreased due to inventory adjustments related to our chemical-management-system product line. We anticipate gross margin will stay within the expected range going forward, assuming normal product mix fluctuations.

Operating expenses increased \$379,581 from the same quarter of last year which is part of our previously announced strategic investment plan for 2019. As reported in our Annual Report on Form 10-K for the year ended December 31, 2018, we plan to continue making investments during 2019 in the areas of research and development efforts in order to expand our product offerings, international market evaluation and expansion and an expanded sales and labor force to meet expected market demand and support our expanding product offerings.

Due to the lower revenues and higher operating cost to support strategic initiatives discussed above, net income decreased 43% during the quarter ended June 30, 2019 compared to the same quarter in 2018. Operating cash flows increased 62% during the second quarter of 2019 compared to the second quarter of 2018, despite lower revenue and increased costs. This increase is primarily due to favorable movements in net working capital compared to unfavorable movements in net working capital in the 2018 quarter.

Despite the ongoing volatility in the oil and gas industry and macro trends in the short term, we believe that 2019 remains the right time to further invest in the Company's future. Assuming we successfully implement our planned investments in research and development, in international market expansion and an expanded sales and labor force, we believe we are well-positioned for continued growth in future periods.

Comparison of the six-months ended June 30, 2019 and 2018

The table below presents certain financial data comparing the six months ended June 30, 2019 to the same period ended June 30, 2018:

	For the Six Months Ended June 30,		\$ Change	% Change
	2019	2018		
Total Revenues	\$ 20,957,089	\$ 23,509,478	\$ (2,552,389)	(10.9)%
Gross Profit Percentage	52.3 %	51.2 %		1.1 %
Operating Expenses	\$ 7,817,290	\$ 7,684,734	\$ 132,556	1.7 %
Net Income	\$ 2,654,122	\$ 3,590,498	\$ (936,376)	(26.1)%
Operating Cash Flow	\$ 5,307,655	\$ 3,123,331	\$ 2,184,324	69.9 %

Revenues during the six-month period ended June 30, 2019 compared to the same period last year declined 10.9% which is largely due to a 12.4% drop in the average oil price over the same time frame. Operating expenses only increased 1.7% year-over-year due to the ongoing strategic investments the Company is making in 2019. As a result of the revenue and operating cost changes, there was a 26.1% decline in net income. Our gross profit percentage increased slightly by 1.1% during the six-months ended June 30, 2019, compared to the same period in 2018, primarily due to changes in product mix, direct labor cost increases, and inventory adjustments.

## **Liquidity and Capital Resources**

Working capital at June 30, 2019 was \$27,321,307, compared to \$27,744,268 at December 31, 2018. This decrease was a combination of decreases in accounts receivable and inventory which was partially offset by decreases in accrued liabilities such as income taxes payable.

We acquired land for a new office building and research and development facility in Canada in June of 2018 and have begun construction. Excluding the cost of the land, the total cost of the building is expected to be approximately \$4,000,000 USD. As of June 30, 2019, we had spent approximately \$1,341,000 USD towards its construction. We believe our available cash resources are sufficient to cover construction costs for the building and other expected capital expenditures for the foreseeable future, and we have no current plans to incur debt financing.

## **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 Officer 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 Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Report. 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 Officer 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 Officer and Principal Financial Officer, concluded that the disclosure controls and procedures were effective as of June 30, 2019.

### *Changes in Internal Control over Financial Reporting*

Our Management, with the participation of our Chief Executive Officer and Chief 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 June 30, 2019 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, 2018, 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

On November 5, 2018, the Company announced that its Board of Directors had authorized a share repurchase program allowing the Company, at Management's discretion, to repurchase up to \$2,000,000 worth of the Company's common stock from time to time through October 31, 2019. All other share repurchase programs previously authorized by the Board have expired.

The table below sets forth additional information regarding our share repurchases during the three months ended June 30, 2019:

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
April	—	\$ —	—	\$ —
May	—	\$ —	—	\$ —
June	—	\$ —	—	\$ —
Total	—	—	—	—

### Item 3. Defaults Upon Senior Securities

We do not have any debt nor any current plans to obtain debt financing.

### 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:

<a href="#">Exhibit 10.1</a>	2019 Executive Incentive Plan+*
<a href="#">Exhibit 10.2</a>	Restricted Stock Unit Agreements between Profire Energy and Ryan Oviatt dated April 29, 2019+*
<a href="#">Exhibit 10.3</a>	Restricted Stock Unit Agreements between Profire Energy and Cameron M. Tidball dated April 30, 2019+*
<a href="#">Exhibit 10.4</a>	Restricted Stock Unit Agreements between Profire Energy and Jay G. Fugal dated April 30, 2019+*
<a href="#">Exhibit 10.5</a>	Restricted Stock Unit Agreements between Profire Energy and Patrick D. Fisher dated April 30, 2019+*
<a href="#">Exhibit 10.6</a>	Asset Purchase Agreement between Profire Combustion Inc. and Millstream Energy Products dated June 12, 2019*
<a href="#">Exhibit 31.1*</a>	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)
<a href="#">Exhibit 31.2*</a>	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)
<a href="#">Exhibit 32.1*</a>	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350
<a href="#">Exhibit 32.2*</a>	Certification of 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

+ Indicates Management contract or compensatory plan or arrangement

\* 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: August 7, 2019

By: /s/ Brenton W. Hatch  
Brenton W. Hatch  
Chief Executive Officer

Date: August 7, 2019

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

Profire Energy, Inc.  
2019 Executive Incentive Plan

1. **Purpose.** The purpose of this 2019 Executive Incentive Plan (the “Plan”) is to enable Profire Energy, Inc., a Nevada corporation (the “Company”), to attract, retain, motivate and reward management employees by providing them with the opportunity to earn annual incentive bonuses linked to Company performance.

2. **Effective Date and Performance Period.** The effective date of the Plan is January 1, 2019. The performance period under the Plan will commence on January 1, 2019 and terminate on December 31, 2019.

3. **Administration.** The Plan is being entered into pursuant to the Company’s 2014 Equity Incentive Plan (the “2014 Plan”) as a Performance Award. Under the 2014 Plan, the Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”) may make incentive grants subject to certain additional terms and conditions (not inconsistent with the 2014 Plan). The Committee, acting under the authority of the Board, shall administer and interpret the Plan. The Plan shall conform in all respects to the terms of the 2014 Plan and the Board’s interpretations and determinations under the Plan shall be final and conclusive.

4. **Participation.** The Committee has determined the management employees eligible to participate in the Plan (the “Participants”) and the target bonus amounts determined as a percentage of the Participant’s base salary (the “Target Bonus Amount”) of each Participant as set forth in Exhibit A.

5. **Bonus Calculation.** The Committee shall determine bonuses to Participants under the Plan as follows:

(a) **Performance Objectives.** The distribution of bonuses shall be determined based on the achievement of the following four target performance objectives (the “Performance Objectives”):

Performance Objectives for fiscal year 2019	Weight	Target Level
1. Revenue	25%	\$40,002,269
2. Net Income	25%	\$1,401,115
3. Free Cash Flow (Adjusted EBITDA - Capex)	25%	\$2,744,197
4. Product Development Milestones	25%	Various Milestone Dates as determined by the Committee
	100%	

(i) “Net Income” means NET INCOME (LOSS) as presented on the Company’s Statement of Operations and Other Comprehensive Income (Loss) in accordance with U.S. generally accepted accounting principles and filed with the U.S. Securities and Exchange Commission (“SEC”).

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(ii) "Adjusted EBITDA" means net income for that year as adjusted by adding thereto, to the extent deducted in calculating net income for the year, net interest expense, taxes, depreciation, amortization, noncash charges for equity-related compensation, and other noncash charges as agreed with the Committee. Calculation of all components of Adjusted EBITDA shall be in accordance with GAAP and based on the consolidated financial statements of the Company for fiscal 2019 or otherwise determined from the Company's accounting records on a consistent basis.

(iii) "Capex" means an amount which is the greater of (A) zero and (B) the net amount from the Company's Statement of Cash Flows as filed with the SEC for the applicable period of (x) purchases of fixed assets and (y) proceeds from sales of equipment.

(iv) "Free Cash Flow" means an amount equal to Adjusted EBITDA less Capex.

Adjustments to the definitions of "Net Income", "Adjusted EBITDA" and "Capex" may be made by the Committee in the event of the occurrence of extraordinary, unusual or non-recurring circumstances and for non-cash items that, in the judgment of the Committee, would cause such definition to fail to fairly reflect the performance of the Company. These circumstances may include acquisitions, divestitures, joint ventures, regulatory developments, tax law changes, accounting changes, restructuring or other special charges, other occurrences and non-cash items. The Committee shall make the final determination as to the calculations of "Net Income", "Adjusted EBITDA", "Capex", and the amounts up to the Maximum Payout Amount (as defined below) to be paid to Participants.

(b) Performance Ratio. The "Performance Ratio" for any Performance Objective shall be the ratio expressed as a percentage resulting from dividing (x) the actual amount achieved for such Performance Objective in fiscal 2019 by (y) the Target Level specified in Section 5(a) for such Performance Objective for fiscal 2019.

(c) Calculation. Subject to any limitations set forth in Section 6 relating to the 2014 Plan and the Maximum Payout Amount (as defined in Section 6), a Participant's bonus under the Plan shall be calculated as the sum of the following for each Performance Objective (for each, the "Performance Objective Payout Amount"):

- (i) if the Performance Ratio for such Performance Objective is less than 85%, then the Performance Objective Payout Amount is zero (\$0);
- (ii) if the Performance Ratio for such Performance Objective is at least 85% but not greater than 115%, then the Performance Objective Payout Amount is the amount which is (A) the Performance Ratio times (B) the applicable Performance Objective Weight (as stated in Section 5(a)) times (C) the Target Bonus Amount for such Participant; and
- (iii) if the Performance Ratio for such Performance Objective is greater than 115% then the Performance Objective Payout Amount is the sum of (A)

115%, then the Performance Objective Weight means the sum of (v) (w) 115% times (x) the applicable Performance Objective Weight times

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(y) the Target Bonus Amount for such Participant, plus (B) (w) the Performance Ratio minus 115%, times (x) two-and-a-half (2.5) times (y) the applicable Performance Objective Weight times (z) the Target Bonus Amount for such Participant.

(d) Payout Split. Bonus amounts earned under the Plan shall be paid out 50% in cash (the "Cash Portion") and 50% in shares of the Company's common stock (the "Stock Portion"). In determining the number of shares of common stock to be issued to the Participant for the Stock Portion, the Company shall divide (x) 50% of such Participant's aggregate bonus amount by (y) the volume weighted average price per share of the Company's common stock over the five trading days prior to the date of the Committee's final determination of the bonus amount (the "Bonus Determination Date").

6. Compliance with 2014 Plan and Bonus Amount Limitations.

(a) Compliance with 2014 Plan. In no event shall bonuses paid out under the Plan exceed the limitations set forth in the 2014 Plan. In the event this Plan conflicts with the terms of the 2014 Plan, this Plan shall be modified to the extent necessary to comply with the terms of the 2014 Plan.

(b) Additional Limitations. In addition to the limitations set forth in Section 6(a) above, in no event shall a Participant receive a bonus under the Plan that is in excess of 200% of such Participant's Target Bonus Amount (the "Maximum Payout Amount").

7. Payment of Bonuses. The payment of the Cash Portion and the Stock Portion of the bonus amount shall be made to Participants as soon as practicable following the Bonus Determination Date and in any event by the 15th day of the third month following the end of the fiscal year 2019 (the "Bonus Delivery Date"), subject to a Participant's satisfaction of all required tax withholding obligations as set forth in the Plan. Provided a Participant has satisfied all required tax withholding obligations in respect of the Stock Portion of the bonus amount, the Company shall cause to be issued and delivered to the Participant by the Bonus Delivery Date a certificate or certificates evidencing the applicable number of shares of the Company's common stock registered in the name of the Participant (or in the name of the Participant's legal representatives, beneficiaries or heirs, as the case may be) or to instruct the Company's transfer agent to electronically deliver such Shares to Participant (or applicable representative, beneficiary or heir). If it is administratively impracticable to issue such shares within the time frame described above because issuances of shares are prohibited or restricted pursuant to the policies of the Company that are reasonably designed to ensure compliance with applicable securities laws or stock exchange rules, then such issuance shall be delayed until such prohibitions or restrictions lapse.

8. Termination of Employment. If a Participant's employment with the Company is terminated by the Company with Cause or by the Participant without Good Reason (both as defined in the Participant's employment agreement), the Participant (a) shall not be entitled to receive any bonus payment for the fiscal year during which the termination of employment occurred and (b) shall be entitled to receive the bonus payment for any prior fiscal year for which

the bonus payment has not been paid, with such amount payable at the same time the applicable

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bonus payments are made to the other Participants. If a Participant's employment with the Company is terminated by the Company without Cause or by the Participant with Good Reason, the Participant (or the Participant's beneficiary) shall be entitled to receive (a) a pro rata bonus payment for the fiscal year during which the termination of employment occurred equal to the amount the Participant would have received if employed for the entire fiscal year multiplied by a fraction, the numerator of which is the number of days in the fiscal year the Participant was employed and the denominator of which is 365, which amount shall be payable at the same time the applicable bonus payments are made to the other Participants and (b) the bonus payment for any prior fiscal year for which the bonus payment has not been paid, with such amount payable at the same time the applicable bonus payments are made to the other Participants.

## 9. General Provisions.

(a) Termination; Amendment. Subject to the terms of the 2014 Plan, the Board or the Committee may at any time amend the Plan, except that any amendment applicable to the Plan made after the Board or Committee has determined the Participants and the Target Bonus Amounts shall apply only to Participants who have agreed in writing to the amendment.

(b) No Employment Rights. Nothing in this Plan confers upon any Participant any right to continue in the employment of the Company or any of its subsidiaries or to be selected as a Participant in any subsequent year.

(c) Nonalienation of Benefits. Except as expressly provided herein or otherwise required by applicable law, no Participant or beneficiary may alienate, transfer, anticipate, sell, assign, pledge, attach, or otherwise encumber the Participant's interest under the Plan.

(d) Withholding. The Cash Portion of any bonus payable to a Participant or a beneficiary under the Plan will be subject to any applicable federal, state and local income and employment taxes and any other amounts that the Company or a subsidiary is required at law to deduct and withhold from such Cash Portion of the bonus. Regarding the Stock Portion of any bonus payable to a Participant or a beneficiary under the Plan, such Participant acknowledges that, not later than the Bonus Delivery Date, the value of the delivered shares of common stock will be treated as ordinary compensation income for federal and state income and FICA tax purposes, and that the Company will be required to withhold taxes on this income amount. The Company will notify the Participant of the required withholding amount at least ten days prior to the Bonus Delivery Date. Concurrently with or prior to the delivery of the shares of common stock as set forth in Section 7, the Participant, at his or her election (which election must be made on or before the Bonus Delivery Date), shall (x) pay to the Company the required withholding amount for the Stock Portion in cash or (y) notify the Company that the Participant requests the Company to reduce the number of shares otherwise deliverable for the Stock Portion by a sufficient number to cover the applicable withholding obligations for the Stock Portion. If a Participant elects to pay the withholding for the Stock Portion by a reduction in shares received, the Company shall pay to the Participant in cash the amount of any resulting over payment ascribed to such shares retained to cover withholding obligations.

(e) Plan Unfunded. The entire cost of the Plan shall be paid from the general

assets of the Company. The rights of any Participant or beneficiary to receive an award under

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the Plan shall be only those of a general unsecured creditor, and neither the Company nor the Board shall be responsible for the adequacy of the general assets of the Company to meet and discharge Plan liabilities.

(f) Severability. If any provision of the Plan is held unenforceable, the remainder of the Plan will continue in full force and effect without regard to such unenforceable provision and will be applied as though the unenforceable provision were not contained in the Plan.

(g) Governing Law. The Plan will be construed in accordance with and governed by the laws of the State of Utah, without reference to the principles of conflict of laws.

(h) Headings. Headings are inserted in the Plan for convenience of reference only and are to be ignored in any construction of the provisions of the Plan.

(i) Section 409A. This Plan and the payments contemplated herein are intended to be exempt from or in compliance with Section 409A and shall be interpreted and administered consistent with such intent.



Exhibit A

Participant	Target Bonus
Brent Hatch	\$412,000 USD
Ryan Oviatt	\$ 90,125 USD
Cameron Tidball	\$ 84,357 USD
Jay Fugal	\$ 41,200 USD
Patrick Fisher	\$ 38,750 CAD

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PROFIRE ENERGY, INC.  
2014 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK UNIT AWARD AGREEMENT

This RESTRICTED STOCK UNIT AWARD AGREEMENT (this “Agreement”) is entered into as of this 29 day of April, 2019 (the “Effective Date”), by and between Profire Energy, Inc., a Nevada corporation (the “Company”) and Ryan Oviatt (“Participant”). All capitalized terms used herein but not defined herein shall have the meanings given to them in the Profire Energy, Inc. 2014 Equity Incentive Plan, as amended (the “Plan”).

1. Award. The Company hereby grants to Participant a restricted stock unit award (the “Award”) covering 22,071 shares (the “Shares”) of Common Stock, par value \$0.001 per share, of the Company according to the terms and conditions set forth herein and in the Plan. Each restricted stock unit (a “Unit”) represents the right to receive one Share, subject to the vesting requirements of this Agreement and the terms of the Plan. The Units are granted under Section 6(c) of the Plan. A copy of the Plan will be furnished upon request of Participant.

2. Vesting. Except as otherwise provided in this Agreement, so long as Participant is providing service as an Eligible Person for the Company or any Affiliate (“Service”), the Units shall vest in accordance with the following schedule:

On each of the following dates	Number of Units Vested
December 31, 2019	7,357
December 31, 2020	7,357
December 31, 2021	7,357

3. Restrictions on Transfer. Until the Units vest pursuant to Section 2 hereof or unless the Committee determines otherwise, none of the Units may be transferred other than by will or by the laws of descent and distribution and no Units may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate. The Committee may establish procedures as it deems appropriate for Participant to designate a person or persons, as beneficiary or beneficiaries, to exercise the rights of the Participant and receive any property distributable with respect to the Units in the event of the Participant’s death.

4. Forfeiture. Except as otherwise determined by the Committee, upon Participant’s termination of Service (in either case, as determined under criteria established by the Committee) prior to vesting of the Units pursuant to Section 2 hereof, all unvested Units held by such Participant at such time shall be forfeited and reacquired by the Company; provided, however, that the Committee may waive in whole or in part any or all remaining restrictions with respect to the unvested Units. Upon forfeiture, Participant will no longer have any rights relating to the unvested Units.



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5. Miscellaneous

(a) Issuance of Shares. As soon as administratively practicable following the Participant's vesting date under Section 2 hereof, as applicable, and the Participant's satisfaction of any required tax withholding obligations (but in no event later than 60 days following the vesting date), the Company shall cause to be issued and delivered to the Participant a certificate or certificates evidencing Shares registered in the name of the Participant (or in the name of the Participant's legal representatives, beneficiaries or heirs, as the case may be) or to instruct the Company's transfer agent to electronically deliver such shares to the respective Participant. The number of Shares issued shall equal the number of Units vested, reduced as necessary to cover applicable withholding obligations in accordance with Section 5(c) hereof. If it is administratively impracticable to issue Shares within the time frame described above because issuances of Shares are prohibited or restricted pursuant to the policies of the Company that are reasonably designed to ensure compliance with applicable securities laws or stock exchange rules, then such issuance shall be delayed until such prohibitions or restrictions lapse.

(b) No Rights as Shareholder. Units are not actual Shares, but rather, represent a right to receive Shares according to the terms and conditions set forth herein and the terms of the Plan. Accordingly, the issuance of a Unit shall not entitle the Participant to any of the rights or benefits generally accorded to shareholders unless and until a Share is actually issued under Section 5(a) hereof.

(c) Taxes. The Participant hereby agrees to make adequate provision for any sums required to satisfy the applicable federal, state, local or foreign employment, social insurance, payroll, income or other tax withholding obligations (the "Withholding Obligations") that arise in connection with this Agreement. The Company may establish procedures to ensure satisfaction of all applicable Withholding Obligations arising in connection with this Agreement, including any means permitted in Section 8 of the Plan. The Participant hereby authorizes the Company, at its sole discretion and subject to any limitations under applicable law, to satisfy any such Tax Obligations by (1) withholding a portion of the Shares otherwise to be issued in payment of the Units having a value equal to the amount of Withholding Obligations in accordance with such rules as the Company may from time to time establish; provided, however, that the amount of the Shares so withheld shall not exceed the amount necessary to satisfy the required Withholding Obligations using applicable minimum statutory withholding rates; (2) withholding from the wages and other cash compensation payable to the Participant or by causing the Participant to tender a cash payment or other Shares to the Company; or (3) selling on the Participant's behalf (using any brokerage firm determined acceptable to the Company for such purpose) a portion of the Shares issued in payment of the Units as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the Withholding Obligations; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Committee shall establish the method of withholding from the above alternatives and, if the Committee does not exercise its discretion prior to the withholding event, then Participant shall be entitled to elect the method of withholding from the alternatives above. The Participant shall be responsible for all brokerage fees and other costs of sale, and the Participant further agrees to indemnify and hold the Company harmless from any losses, costs, damages or expenses relating to any such sale. The Company may refuse to deliver Shares if the Participant



fails to comply with the Participant's obligations in connection with the Withholding Obligations described in this paragraph.

(d) Plan Provisions Control. This Award is subject to the terms and conditions of the Plan, but the terms of the Plan shall not be considered an enlargement of any benefits under this Agreement. In addition, this Award is subject to the rules and regulations promulgated pursuant to the Plan, now or hereafter in effect. A copy of the Plan will be furnished upon request of the Participant. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control. This Agreement (and any addendum hereto) and the Plan together constitute the entire agreement between the parties hereto with regard to the subject matter hereof.

(e) No Right to Employment. The issuance of the Award shall not be construed as giving Participant the right to be retained in the employ, or as giving a director of the Company or an Affiliate the right to continue as a director of the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Participant from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. The Award granted hereunder shall not form any part of the wages or salary of Participant for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Participant shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee (as defined in the Plan) and shall be fully bound thereby.

(f) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Nevada.

(g) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.



(h) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Participant or any other person.

(i) Section 409A Provisions. The payment of Shares under this Agreement are intended to be exempt from the application of Section 409A of the Internal Revenue Code, as amended (“Section 409A”) by reason of the short-term deferral exemption set forth in Treasury Regulation §1.409A-1(b)(4). Notwithstanding anything in the Plan or this Agreement to the contrary, to the extent that any amount or benefit hereunder that constitutes “deferred compensation” to the Participant under Section 409A and applicable guidance thereunder is otherwise payable or distributable to the Participant under the Plan or this Agreement solely due to the Participant’s disability or “separation from service” (as such term is defined under Section 409A), such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless the Committee determines in good faith that (i) the circumstances giving rise to such disability or separation from service meet the definition of disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable final regulations, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise (including, but not limited to, a payment made pursuant to an involuntary separation arrangement that is exempt from Section 409A under the “short-term deferral” exception). Any payment or distribution that otherwise would be made to a Participant who is a specified employee (as determined by the Committee in good faith) on account of separation from service may not be made before the date which is six months after the date of the specified employee’s separation from service (or if earlier, upon the specified employee’s death) unless the payment or distribution is exempt from the application of Section 409A by reason of the short term deferral exemption or otherwise.

(j) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(k) Securities Matters. The Company shall not be required, and shall not have any liability for failure, to deliver Shares until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.

(l) Consultation with Professional Tax and Investment Advisors. The Participant acknowledges that the grant, exercise, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares acquired pursuant to the exercise thereof, may have tax consequences pursuant to the Internal Revenue Code of 1986, as amended, or under local, state or international tax laws. The Participant further acknowledges that the Participant is relying solely and exclusively on the Participant’s own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Finally, the Participant understands and agrees that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired



pursuant to the Plan, is solely and exclusively the responsibility of the Participant without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse the Participant for such taxes or other items.


[Signature page follows]



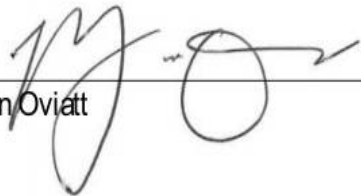


IN WITNESS WHEREOF, the Company and Participant have executed this Agreement as of the Effective Date.

PROFIRE ENERGY, INC.

By:  \_\_\_\_\_  
Name: Brenton w. Hatch  
Title: CEO

PARTICIPANT:

 \_\_\_\_\_  
Ryan Oviatt

[Signature page to Restricted Stock Unit Award Agreement]

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**PROFIRE ENERGY, INC.**  
**2014 EQUITY INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

This **RESTRICTED STOCK UNIT AWARD AGREEMENT** (this “*Agreement*”) is made this 30 day of APRIL, 2019 (the “*Effective Date*”), by and between **Profire Energy, Inc.**, a Nevada corporation (the “*Company*”), and Cameron Tidball (“*Participant*”). All capitalized terms used herein but not defined herein shall have the meanings given to them in the Profire Energy, Inc. 2014 Equity Incentive Plan, as amended (the “*Plan*”).

1. Award. The Company hereby grants to Participant a restricted stock unit award (the “*Award*”) covering up to 34,431 shares (the “*Shares*”) of Common Stock, par value \$0.001 per share, of the Company according to the terms and conditions set forth herein and in the Plan. Each restricted stock unit (a “*Unit*”) represents the right to receive one Share, subject to the vesting requirements of this Agreement and the terms of the Plan. The Units are granted under Section 6(c) of the Plan. A copy of the Plan will be furnished upon request of Participant.

2. Performance Metrics and Vesting.

(a) Except as otherwise provided in this Agreement, the number of Units granted under this Award that actually vest will be vested on the date (the “*Vesting Date*”) that the Committee certifies that the Company has achieved the following performance metrics (each a “*Performance Metric*”):

Performance Metric	Weight	Target	Above Target	Outstanding
Three Year Average Revenue Growth Rate	1/3%	7.5%	10.0%	12.5%
Operating Income as a Percentage of Revenue (Three Year Target)	1/3%	8.0%	10.0%	12.0%
Return on Invested Capital (Three Year Target)	1/3%	12.0%	17.0%	21.0%

(b) The performance period (the “*Performance Period*”) shall commence on January 1, 2019 and terminate on December 31, 2021. The Committee shall certify whether the Company has achieved the Performance Metrics as soon as administratively feasible following the end of the Performance Period, but in no event later than 90 days following the end of the Performance Period. The Committee, in its sole discretion, shall have the right to determine how the Performance Metrics are defined and whether they have been achieved.

(c) The vesting of the Award will be weighted one-third (1/3) for each of the three Performance Metrics. Separately from the other Performance Metrics, each Performance Metric will determine the vesting for 11,477 Units subject to this Award. The number of Units that will vest for each Performance Metric on the Vesting Date shall be determined as follows: (i) if the “*Target*” level for such Performance Metric is not achieved, none of the Units relating to such



Performance Metric will vest; (ii) if the "Target" level for such Performance Metric is achieved, 50% of the Units relating to such Performance Metric will vest; (iii) if the "Above Target" level for such Performance Metric is achieved, 75% of the Units relating to such Performance Metric will vest; and (iv) if the "Outstanding" level for such Performance Metric is achieved, 100% of the Units relating to such Performance Metric will vest.

3. Restrictions on Transfer. Until the Units vest pursuant to Section 2 hereof or unless the Committee determines otherwise, none of the Units may be transferred other than by will or by the laws of descent and distribution and no Units may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate. The Committee may establish procedures as it deems appropriate for Participant to designate a person or persons, as beneficiary or beneficiaries, to exercise the rights of Participant and receive any property distributable with respect to the Units in the event of Participant's death.

4. Forfeiture. Except as otherwise determined by the Committee, upon Participant's termination of providing service as an Eligible Person for the Company or any Affiliate ("Service") (in either case, as determined under criteria established by the Committee) prior to vesting of the Units pursuant to Section 2 hereof, all unvested Units held by such Participant at such time shall be forfeited and reacquired by the Company; *provided, however*, that the Committee may waive in whole or in part any or all remaining restrictions with respect to the unvested Units. Upon forfeiture, Participant will no longer have any rights relating to the unvested Units.

#### 5. Miscellaneous

(a) Issuance of Shares. As soon as administratively practicable following the Vesting Date, and Participant's satisfaction of any required tax withholding obligations (but in no event later than 60 days following the Vesting Date), the Company shall cause to be issued and delivered to Participant a certificate or certificates evidencing Shares registered in the name of Participant (or in the name of Participant's legal representatives, beneficiaries or heirs, as the case may be) or to instruct the Company's transfer agent to electronically deliver such Shares to Participant (or applicable representative, beneficiary or heir). The number of Shares issued shall equal the number of Units vested, reduced as necessary to cover applicable withholding obligations in accordance with Section 5(c) hereof. If it is administratively impracticable to issue Shares within the time frame described above because issuances of Shares are prohibited or restricted pursuant to the policies of the Company that are reasonably designed to ensure compliance with applicable securities laws or stock exchange rules, then such issuance shall be delayed until such prohibitions or restrictions lapse.

(b) No Rights as Shareholder. Units are not actual Shares, but rather, represent a right to receive Shares according to the terms and conditions set forth herein and the terms of the Plan. Accordingly, the issuance of a Unit shall not entitle Participant to any of the rights or benefits generally accorded to shareholders unless and until a Share is actually issued under Section 5(a) hereof.





(c) Taxes. Participant hereby agrees to make adequate provision for any sums required to satisfy the applicable federal, state, local or foreign employment, social insurance, payroll, income or other tax withholding obligations (the "*Withholding Obligations*") that arise in connection with this Agreement. The Company may establish procedures to ensure satisfaction of all applicable Withholding Obligations arising in connection with this Agreement, including any means permitted in Section 8 of the Plan. Participant hereby authorizes the Company, at its sole discretion and subject to any limitations under applicable law, to satisfy any such Tax Obligations by (1) withholding a portion of the Shares otherwise to be issued in payment of the Units having a value equal to the amount of Withholding Obligations in accordance with such rules as the Company may from time to time establish; provided, however, that the amount of the Shares so withheld shall not exceed the amount necessary to satisfy the required Withholding Obligations using applicable minimum statutory withholding rates; (2) withholding from the wages and other cash compensation payable to Participant or by causing Participant to tender a cash payment or other Shares to the Company; or (3) selling on Participant's behalf (using any brokerage firm determined acceptable to the Company for such purpose) a portion of the Shares issued in payment of the Units as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the Withholding Obligations; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Committee shall establish the method of withholding from the above alternatives and, if the Committee does not exercise its discretion prior to the withholding event, then Participant shall be entitled to elect the method of withholding from the alternatives above. Participant shall be responsible for all brokerage fees and other costs of sale, and Participant further agrees to indemnify and hold the Company harmless from any losses, costs, damages or expenses relating to any such sale. The Company may refuse to deliver Shares if Participant fails to comply with Participant's obligations in connection with the Withholding Obligations described in this paragraph.

(d) Plan Provisions Control. This Award is subject to the terms and conditions of the Plan, but the terms of the Plan shall not be considered an enlargement of any benefits under this Agreement. In addition, this Award is subject to the rules and regulations promulgated pursuant to the Plan, now or hereafter in effect. A copy of the Plan will be furnished upon request of Participant. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control. This Agreement (and any addendum hereto) and the Plan together constitute the entire agreement between the parties hereto with regard to the subject matter hereof.

(e) No Right to Employment. The issuance of the Award shall not be construed as giving Participant the right to be retained in the employ, or as giving a director of the Company or an Affiliate the right to continue as a director of the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Participant from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company



or an Affiliate. The Award granted hereunder shall not form any part of the wages or salary of Participant for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Participant shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee (as defined in the Plan) and shall be fully bound thereby.

(f) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Nevada.

(g) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.

(h) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Participant or any other person.

(i) Section 409A Provisions. The payment of Shares under this Agreement are intended to be exempt from the application of Section 409A of the Internal Revenue Code, as amended ("*Section 409A*") by reason of the short-term deferral exemption set forth in Treasury Regulation §1.409A-1(b)(4). Notwithstanding anything in the Plan or this Agreement to the contrary, to the extent that any amount or benefit hereunder that constitutes "deferred compensation" to Participant under Section 409A and applicable guidance thereunder is otherwise payable or distributable to Participant under the Plan or this Agreement solely due to Participant's disability or "separation from service" (as such term is defined under Section 409A), such amount or benefit will not be payable or distributable to Participant by reason of such circumstance unless the Committee determines in good faith that (i) the circumstances giving rise to such disability or separation from service meet the definition of disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable final regulations, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise (including, but not limited to, a payment made pursuant to an involuntary separation arrangement that is exempt from Section 409A under the "short-term deferral" exception). Any payment or distribution that otherwise



would be made to a Participant who is a specified employee (as determined by the Committee in good faith) on account of separation from service may not be made before the date which is six months after the date of the specified employee's separation from service (or if earlier, upon the specified employee's death) unless the payment or distribution is exempt from the application of Section 409A by reason of the short term deferral exemption or otherwise.

(j) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(k) Securities Matters. The Company shall not be required, and shall not have any liability for failure, to deliver Shares until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.


(l) Consultation with Professional Tax and Investment Advisors. Participant acknowledges that the grant, exercise, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares acquired pursuant to the exercise thereof, may have tax consequences pursuant to the Internal Revenue Code of 1986, as amended, or under local, state or international tax laws. Participant further acknowledges that Participant is relying solely and exclusively on Participant's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Finally, Participant understands and agrees that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Plan, is solely and exclusively the responsibility of Participant without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Participant for such taxes or other items.

*[Signature page follows]*

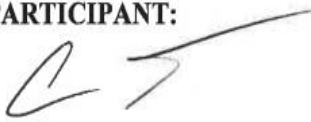


**IN WITNESS WHEREOF**, the Company and Participant have executed this Agreement as of the Effective Date.

**PROFIRE ENERGY, INC.**

By:   
Name: Brenton W. Hatch  
Title: CEO

**PARTICIPANT:**

  
Cameron Tidball







**PROFIRE ENERGY, INC.**  
**2014 EQUITY INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

This **RESTRICTED STOCK UNIT AWARD AGREEMENT** (this “*Agreement*”) is made this **30th** day of **April**, 2019 (the “*Effective Date*”), by and between **Profire Energy, Inc.**, a Nevada corporation (the “*Company*”), and Jay Fugal (“*Participant*”). All capitalized terms used herein but not defined herein shall have the meanings given to them in the Profire Energy, Inc. 2014 Equity Incentive Plan, as amended (the “*Plan*”).

1. Award. The Company hereby grants to Participant a restricted stock unit award (the “*Award*”) covering up to 23,541 shares (the “*Shares*”) of Common Stock, par value \$0.001 per share, of the Company according to the terms and conditions set forth herein and in the Plan. Each restricted stock unit (a “*Unit*”) represents the right to receive one Share, subject to the vesting requirements of this Agreement and the terms of the Plan. The Units are granted under Section 6(c) of the Plan. A copy of the Plan will be furnished upon request of Participant.

2. Performance Metrics and Vesting.

(a) Except as otherwise provided in this Agreement, the number of Units granted under this Award that actually vest will be vested on the date (the “*Vesting Date*”) that the Committee certifies that the Company has achieved the following performance metrics (each a “*Performance Metric*”):

<b>Performance Metric</b>	<b>Weight</b>	<b>Target</b>	<b>Above Target</b>	<b>Outstanding</b>
Three Year Average Revenue Growth Rate	1/3%	7.5%	10.0%	12.5%
Operating Income as a Percentage of Revenue (Three Year Target)	1/3%	8.0%	10.0%	12.0%
Return on Invested Capital (Three Year Target)	1/3%	12.0%	17.0%	21.0%

(b) The performance period (the “*Performance Period*”) shall commence on January 1, 2019 and terminate on December 31, 2021. The Committee shall certify whether the Company has achieved the Performance Metrics as soon as administratively feasible following the end of the Performance Period, but in no event later than 90 days following the end of the Performance Period. The Committee, in its sole discretion, shall have the right to determine how the Performance Metrics are defined and whether they have been achieved.

(c) The vesting of the Award will be weighted one-third (1/3) for each of the three Performance Metrics. Separately from the other Performance Metrics, each Performance Metric will determine the vesting for 7,847 Units subject to this Award. The number of Units that will vest for each Performance Metric on the Vesting Date shall be determined as follows: (i) if the “*Target*” level for such Performance Metric is not achieved, none of the Units relating to such



Performance Metric will vest; (ii) if the "Target" level for such Performance Metric is achieved, 50% of the Units relating to such Performance Metric will vest; (iii) if the "Above Target" level for such Performance Metric is achieved, 75% of the Units relating to such Performance Metric will vest; and (iv) if the "Outstanding" level for such Performance Metric is achieved, 100% of the Units relating to such Performance Metric will vest.

3. Restrictions on Transfer. Until the Units vest pursuant to Section 2 hereof or unless the Committee determines otherwise, none of the Units may be transferred other than by will or by the laws of descent and distribution and no Units may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate. The Committee may establish procedures as it deems appropriate for Participant to designate a person or persons, as beneficiary or beneficiaries, to exercise the rights of Participant and receive any property distributable with respect to the Units in the event of Participant's death.

4. Forfeiture. Except as otherwise determined by the Committee, upon Participant's termination of providing service as an Eligible Person for the Company or any Affiliate ("*Service*") (in either case, as determined under criteria established by the Committee) prior to vesting of the Units pursuant to Section 2 hereof, all unvested Units held by such Participant at such time shall be forfeited and reacquired by the Company; *provided, however*, that the Committee may waive in whole or in part any or all remaining restrictions with respect to the unvested Units. Upon forfeiture, Participant will no longer have any rights relating to the unvested Units.

5. Miscellaneous

(a) Issuance of Shares. As soon as administratively practicable following the Vesting Date, and Participant's satisfaction of any required tax withholding obligations (but in no event later than 60 days following the Vesting Date), the Company shall cause to be issued and delivered to Participant a certificate or certificates evidencing Shares registered in the name of Participant (or in the name of Participant's legal representatives, beneficiaries or heirs, as the case may be) or to instruct the Company's transfer agent to electronically deliver such Shares to Participant (or applicable representative, beneficiary or heir). The number of Shares issued shall equal the number of Units vested, reduced as necessary to cover applicable withholding obligations in accordance with Section 5(c) hereof. If it is administratively impracticable to issue Shares within the time frame described above because issuances of Shares are prohibited or restricted pursuant to the policies of the Company that are reasonably designed to ensure compliance with applicable securities laws or stock exchange rules, then such issuance shall be delayed until such prohibitions or restrictions lapse.

(b) No Rights as Shareholder. Units are not actual Shares, but rather, represent a right to receive Shares according to the terms and conditions set forth herein and the terms of the Plan. Accordingly, the issuance of a Unit shall not entitle Participant to any of the rights or benefits generally accorded to shareholders unless and until a Share is actually issued under Section 5(a) hereof.



(c) Taxes. Participant hereby agrees to make adequate provision for any sums required to satisfy the applicable federal, state, local or foreign employment, social insurance, payroll, income or other tax withholding obligations (the "*Withholding Obligations*") that arise in connection with this Agreement. The Company may establish procedures to ensure satisfaction of all applicable Withholding Obligations arising in connection with this Agreement, including any means permitted in Section 8 of the Plan. Participant hereby authorizes the Company, at its sole discretion and subject to any limitations under applicable law, to satisfy any such Tax Obligations by (1) withholding a portion of the Shares otherwise to be issued in payment of the Units having a value equal to the amount of Withholding Obligations in accordance with such rules as the Company may from time to time establish; provided, however, that the amount of the Shares so withheld shall not exceed the amount necessary to satisfy the required Withholding Obligations using applicable minimum statutory withholding rates; (2) withholding from the wages and other cash compensation payable to Participant or by causing Participant to tender a cash payment or other Shares to the Company; or (3) selling on Participant's behalf (using any brokerage firm determined acceptable to the Company for such purpose) a portion of the Shares issued in payment of the Units as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the Withholding Obligations; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Committee shall establish the method of withholding from the above alternatives and, if the Committee does not exercise its discretion prior to the withholding event, then Participant shall be entitled to elect the method of withholding from the alternatives above. Participant shall be responsible for all brokerage fees and other costs of sale, and Participant further agrees to indemnify and hold the Company harmless from any losses, costs, damages or expenses relating to any such sale. The Company may refuse to deliver Shares if Participant fails to comply with Participant's obligations in connection with the Withholding Obligations described in this paragraph.

(d) Plan Provisions Control. This Award is subject to the terms and conditions of the Plan, but the terms of the Plan shall not be considered an enlargement of any benefits under this Agreement. In addition, this Award is subject to the rules and regulations promulgated pursuant to the Plan, now or hereafter in effect. A copy of the Plan will be furnished upon request of Participant. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control. This Agreement (and any addendum hereto) and the Plan together constitute the entire agreement between the parties hereto with regard to the subject matter hereof.

(e) No Right to Employment. The issuance of the Award shall not be construed as giving Participant the right to be retained in the employ, or as giving a director of the Company or an Affiliate the right to continue as a director of the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Participant from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company



or an Affiliate. The Award granted hereunder shall not form any part of the wages or salary of Participant for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Participant shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee (as defined in the Plan) and shall be fully bound thereby.

(f) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Nevada.

(g) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.

(h) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Participant or any other person.

(i) Section 409A Provisions. The payment of Shares under this Agreement are intended to be exempt from the application of Section 409A of the Internal Revenue Code, as amended ("*Section 409A*") by reason of the short-term deferral exemption set forth in Treasury Regulation §1.409A-1(b)(4). Notwithstanding anything in the Plan or this Agreement to the contrary, to the extent that any amount or benefit hereunder that constitutes "deferred compensation" to Participant under Section 409A and applicable guidance thereunder is otherwise payable or distributable to Participant under the Plan or this Agreement solely due to Participant's disability or "separation from service" (as such term is defined under Section 409A), such amount or benefit will not be payable or distributable to Participant by reason of such circumstance unless the Committee determines in good faith that (i) the circumstances giving rise to such disability or separation from service meet the definition of disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable final regulations, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise (including, but not limited to, a payment made pursuant to an involuntary separation arrangement that is exempt from Section 409A under the "short-term deferral" exception). Any payment or distribution that otherwise





would be made to a Participant who is a specified employee (as determined by the Committee in good faith) on account of separation from service may not be made before the date which is six months after the date of the specified employee's separation from service (or if earlier, upon the specified employee's death) unless the payment or distribution is exempt from the application of Section 409A by reason of the short term deferral exemption or otherwise.

(j) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(k) Securities Matters. The Company shall not be required, and shall not have any liability for failure, to deliver Shares until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.


(l) Consultation with Professional Tax and Investment Advisors. Participant acknowledges that the grant, exercise, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares acquired pursuant to the exercise thereof, may have tax consequences pursuant to the Internal Revenue Code of 1986, as amended, or under local, state or international tax laws. Participant further acknowledges that Participant is relying solely and exclusively on Participant's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Finally, Participant understands and agrees that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Plan, is solely and exclusively the responsibility of Participant without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Participant for such taxes or other items.

*[Signature page follows]*



IN WITNESS WHEREOF, the Company and Participant have executed this Agreement as of the Effective Date.

**PROFIRE ENERGY, INC.**

By:  \_\_\_\_\_  
Name: Brenton W. Hatch \_\_\_\_\_  
Title: CEO \_\_\_\_\_

**PARTICIPANT:**

 \_\_\_\_\_  
Jay Fugal





**PROFIRE ENERGY, INC.**  
**2014 EQUITY INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

This **RESTRICTED STOCK UNIT AWARD AGREEMENT** (this "*Agreement*") is entered into as of this 30 day of APRIL, 2019 (the "*Effective Date*"), by and between **Profire Energy, Inc.**, a Nevada corporation (the "*Company*") and Patrick Fisher ("*Participant*"). All capitalized terms used herein but not defined herein shall have the meanings given to them in the Profire Energy, Inc. 2014 Equity Incentive Plan, as amended (the "*Plan*").

1. Award. The Company hereby grants to Participant a restricted stock unit award (the "*Award*") covering 8,287 shares (the "*Shares*") of Common Stock, par value \$0.001 per share, of the Company according to the terms and conditions set forth herein and in the Plan. Each restricted stock unit (a "*Unit*") represents the right to receive one Share, subject to the vesting requirements of this Agreement and the terms of the Plan. The Units are granted under Section 6(c) of the Plan. A copy of the Plan will be furnished upon request of Participant.

2. Vesting. Except as otherwise provided in this Agreement, so long as Participant is providing service as an Eligible Person for the Company or any Affiliate ("*Service*"), the Units shall vest in accordance with the following schedule:

On each of the following dates	Number of Units Vested
December 31, 2019	2,762
December 31, 2020	2,762
December 31, 2021	2,763

3. Restrictions on Transfer. Until the Units vest pursuant to Section 2 hereof or unless the Committee determines otherwise, none of the Units may be transferred other than by will or by the laws of descent and distribution and no Units may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate. The Committee may establish procedures as it deems appropriate for Participant to designate a person or persons, as beneficiary or beneficiaries, to exercise the rights of the Participant and receive any property distributable with respect to the Units in the event of the Participant's death.

4. Forfeiture. Except as otherwise determined by the Committee, upon Participant's termination of Service (in either case, as determined under criteria established by the Committee) prior to vesting of the Units pursuant to Section 2 hereof, all unvested Units held by such Participant at such time shall be forfeited and reacquired by the Company; *provided, however*, that the Committee may waive in whole or in part any or all remaining restrictions with respect to the unvested Units. Upon forfeiture, Participant will no longer have any rights relating to the unvested Units.

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5. Miscellaneous

(a) Issuance of Shares. As soon as administratively practicable following the Participant's vesting date under Section 2 hereof, as applicable, and the Participant's satisfaction of any required tax withholding obligations (but in no event later than 60 days following the vesting date), the Company shall cause to be issued and delivered to the Participant a certificate or certificates evidencing Shares registered in the name of the Participant (or in the name of the Participant's legal representatives, beneficiaries or heirs, as the case may be) or to instruct the Company's transfer agent to electronically deliver such shares to the respective Participant. The number of Shares issued shall equal the number of Units vested, reduced as necessary to cover applicable withholding obligations in accordance with Section 5(c) hereof. If it is administratively impracticable to issue Shares within the time frame described above because issuances of Shares are prohibited or restricted pursuant to the policies of the Company that are reasonably designed to ensure compliance with applicable securities laws or stock exchange rules, then such issuance shall be delayed until such prohibitions or restrictions lapse.

(b) No Rights as Shareholder. Units are not actual Shares, but rather, represent a right to receive Shares according to the terms and conditions set forth herein and the terms of the Plan. Accordingly, the issuance of a Unit shall not entitle the Participant to any of the rights or benefits generally accorded to shareholders unless and until a Share is actually issued under Section 5(a) hereof.

(c) Taxes. The Participant hereby agrees to make adequate provision for any sums required to satisfy the applicable federal, state, local or foreign employment, social insurance, payroll, income or other tax withholding obligations (the "*Withholding Obligations*") that arise in connection with this Agreement. The Company may establish procedures to ensure satisfaction of all applicable Withholding Obligations arising in connection with this Agreement, including any means permitted in Section 8 of the Plan. The Participant hereby authorizes the Company, at its sole discretion and subject to any limitations under applicable law, to satisfy any such Tax Obligations by (1) withholding a portion of the Shares otherwise to be issued in payment of the Units having a value equal to the amount of Withholding Obligations in accordance with such rules as the Company may from time to time establish; provided, however, that the amount of the Shares so withheld shall not exceed the amount necessary to satisfy the required Withholding Obligations using applicable minimum statutory withholding rates; (2) withholding from the wages and other cash compensation payable to the Participant or by causing the Participant to tender a cash payment or other Shares to the Company; or (3) selling on the Participant's behalf (using any brokerage firm determined acceptable to the Company for such purpose) a portion of the Shares issued in payment of the Units as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the Withholding Obligations; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Committee shall establish the method of withholding from the above alternatives and, if the Committee does not exercise its discretion prior to the withholding event, then Participant shall be entitled to elect the method of withholding from the alternatives above. The Participant shall be responsible for all brokerage fees and other costs of sale, and the Participant further agrees to indemnify and hold the Company harmless from any losses, costs, damages or expenses relating to any such sale. The Company may refuse to deliver Shares if the Participant



fails to comply with the Participant's obligations in connection with the Withholding Obligations described in this paragraph.

(d) Plan Provisions Control. This Award is subject to the terms and conditions of the Plan, but the terms of the Plan shall not be considered an enlargement of any benefits under this Agreement. In addition, this Award is subject to the rules and regulations promulgated pursuant to the Plan, now or hereafter in effect. A copy of the Plan will be furnished upon request of the Participant. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control. This Agreement (and any addendum hereto) and the Plan together constitute the entire agreement between the parties hereto with regard to the subject matter hereof.

(e) No Right to Employment. The issuance of the Award shall not be construed as giving Participant the right to be retained in the employ, or as giving a director of the Company or an Affiliate the right to continue as a director of the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Participant from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. The Award granted hereunder shall not form any part of the wages or salary of Participant for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Participant shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee (as defined in the Plan) and shall be fully bound thereby.

(f) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Nevada.

(g) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.



(h) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Participant or any other person.

(i) Section 409A Provisions. The payment of Shares under this Agreement are intended to be exempt from the application of Section 409A of the Internal Revenue Code, as amended ("*Section 409A*") by reason of the short-term deferral exemption set forth in Treasury Regulation §1.409A-1(b)(4). Notwithstanding anything in the Plan or this Agreement to the contrary, to the extent that any amount or benefit hereunder that constitutes "deferred compensation" to the Participant under Section 409A and applicable guidance thereunder is otherwise payable or distributable to the Participant under the Plan or this Agreement solely due to the Participant's disability or "separation from service" (as such term is defined under Section 409A), such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless the Committee determines in good faith that (i) the circumstances giving rise to such disability or separation from service meet the definition of disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable final regulations, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise (including, but not limited to, a payment made pursuant to an involuntary separation arrangement that is exempt from Section 409A under the "short-term deferral" exception). Any payment or distribution that otherwise would be made to a Participant who is a specified employee (as determined by the Committee in good faith) on account of separation from service may not be made before the date which is six months after the date of the specified employee's separation from service (or if earlier, upon the specified employee's death) unless the payment or distribution is exempt from the application of Section 409A by reason of the short term deferral exemption or otherwise.

(j) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(k) Securities Matters. The Company shall not be required, and shall not have any liability for failure, to deliver Shares until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.

(l) Consultation with Professional Tax and Investment Advisors. The Participant acknowledges that the grant, exercise, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares acquired pursuant to the exercise thereof, may have tax consequences pursuant to the Internal Revenue Code of 1986, as amended, or under local, state or international tax laws. The Participant further acknowledges that the Participant is relying solely and exclusively on the Participant's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Finally, the Participant understands and agrees that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired



pursuant to the Plan, is solely and exclusively the responsibility of the Participant without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse the Participant for such taxes or other items.


*[Signature page follows]*





**IN WITNESS WHEREOF**, the Company and Participant have executed this Agreement as of the Effective Date.

**PROFIRE ENERGY, INC.**

By:  \_\_\_\_\_  
Name: Brenton W. Hatch  
Title: CEO

**PARTICIPANT:**

 \_\_\_\_\_  
Patrick Fisher

*[Signature page to Restricted Stock Unit Award Agreement]*

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PROFIRE COMBUSTION, INC.

and

MILLSTREAM ENERGY PRODUCTS LTD.

and

LUNDSTROM HOLDINGS LTD.

and

ROB LUNDSTROM

ASSET PURCHASE AGREEMENT

June 12, 2019

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## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT made as of the 12<sup>th</sup> day of June, 2019

AMONG:

PROFIRE COMBUSTION, INC., a corporation formed under the laws of Alberta,  
Canada

(the "Purchaser")

- and -

MILLSTREAM ENERGY PRODUCTS LTD., a corporation formed under the laws of  
the Province of British Columbia

(the "Vendor")

- and -

LUNDSTROM HOLDINGS LTD., a corporation formed under the laws of the Province  
of Alberta

("Holdings")

- and -

ROB LUNDSTROM, an individual resident in the Province of Alberta

("Rob" and, together with Holdings, the "Guarantors")

RECITALS:

- A. The Vendor carries on the Business (as defined herein).
- B. Holdings is the sole registered and beneficial shareholder of the Vendor and, by virtue thereof, will receive a substantial economic benefit from the consummation of the transactions contemplated hereby.
- C. Rob and Reana Lundstrom are the sole registered and beneficial shareholders of Holdings and, by virtue thereof, will each receive a substantial economic benefit from the consummation of the transactions contemplated hereby.
- D. All of the assets and rights used in the conduct, operation or maintenance of, or otherwise relating to, the Business are legally and beneficially owned exclusively by the Vendor or are leased by the Vendor under existing leases, all as more particularly set out in this Agreement.
- E. The Vendor wishes to sell, and the Purchaser wishes to purchase, the Purchased Assets (as defined herein) and assume the Assumed Liabilities (as defined herein) associated therewith upon the terms and subject to the conditions set out in this Agreement.

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NOW THEREFORE, in consideration of the representations, warranties, covenants and agreements herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties covenant and agree as follows:

ARTICLE 1.  
DEFINITIONS

1.1 Definitions

In this Agreement, including the preamble and the recitals hereto, unless the context otherwise requires, or unless defined elsewhere in this Agreement:

- (a) "Accounting Firm" has the meaning ascribed thereto in Section 2.7(f);
- (b) "Affiliate" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person, including, in the case of any natural person, any members of such natural person's immediate family and any trust maintained for the benefit of such natural person or such natural person's immediate family. For purposes of this definition, the term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") means the power to direct or cause the direction of the management and policies of a Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.
- (c) "Agreement" means this asset purchase agreement, including all Schedules, as such agreement may be amended or supplemented from time to time, and references to "Article," "Section" or "Schedule" mean the specified Article, Section or Schedule of this Agreement;
- (d) "Assumed Contracts" means all Contracts relating to the Business other than those listed in Schedule 2.2(b), and including for avoidance of doubt the Production Contracts;
- (e) "Assumed Liabilities" has the meaning ascribed thereto in Section 2.3;
- (f) "Balance Sheet" means the balance sheet of the Vendor relating to the Business as at December 31, 2018, forming part of the Financial Statements;
- (g) "Books and Records" means, collectively, all books and records of the Vendor or relating to the Business or any of the Purchased Assets, including financial, corporate, operation and sales books, employee files, records, books of account, sales and purchase records, lists of present and former suppliers, customers and any others having business dealings with the Vendor, clients, sales leads, distributors, mailing lists, formulae, business reports, plans and projections, operating materials, engineering standards and specifications, and all other documents, files, records, correspondence, and other data and information, financial or otherwise, including all data and information stored on computer-related or other electronic media maintained with respect to the Business or any of the Purchased Assets;
- (h) "Business" means the business operations as maintained, operated and conducted as of the date hereof and during the Interim Period by the Vendor, including the design, manufacture and sale of burners and combustion equipment to be used in various applications throughout the oil and gas industry;

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- (i) "Business Day" means a day, other than a Saturday, Sunday or statutory holiday in the province of British Columbia or the State of Utah and also excludes any day when banks are not generally open for the transaction of commercial banking business in Vancouver, British Columbia or Lindon, Utah during normal banking hours;
- (j) "Claims" includes claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions or other similar processes;
- (k) "Closing" means the completion of the transactions contemplated herein;
- (l) "Closing Date" means the later of (i) June 14, 2019 and (ii) the fifth Business Day following the date on which the conditions in ARTICLE 7 have been satisfied or waived (other than those conditions that by their terms are satisfied at Closing), or such other date agreed to in writing by the Parties;
- (m) "Closing Indebtedness" means the Indebtedness of the Vendor as of the Closing Time under the credit line provided by Royal Bank of Canada in the amount set forth in the Payoff Letter;
- (n) "Closing Statement" has the meaning ascribed thereto in Section 2.7(a);
- (o) "Closing Time" means 12:01 a.m. (Edmonton time) on the Closing Date, or such other time as may be agreed upon by the Parties in writing;
- (p) "Closing Working Capital" means an amount (which may be positive or negative) equal to the difference of (1) the Current Assets minus (2) the Current Liabilities as of the Closing Time.
- (q) "Confidential Information" means all trade secrets, know-how and other confidential or proprietary information and data of or relating to the Vendor or the Business (whether or not expressly identified as confidential or proprietary), including: (1) the Vendor's business information and materials, including financial information, business plans, business proposals, contract terms and conditions, pricing and bidding methodologies and data, sales data, current client lists, supplier lists, business partner lists, and similar information; (2) information and materials relating to the Transferred Employees; (3) information and materials relating to future plans, including marketing strategies, new materials research, pending projects and proposals, proprietary production processes, research and development strategies, and similar items; (4) the Vendor's technical information and materials, including engineering drawings, CAD files, computer programs, software, databases, methods, know-how, formulae, compositions, technological data, technological prototypes, processes, discoveries, machines, inventions, and similar items; and (5) any information or material that gives the Vendor an advantage with respect to its competitors by virtue of not being known by those competitors.
- (r) "Contract" means each and every promissory note, contract, indenture, license, lease, deed, agreement, obligation, promise, undertaking, understanding, option, instrument, arrangement, document, entitlement, engagement or any other binding commitment, whether written or oral, to which, prior to the Closing Date, the Vendor is a party or by which the Vendor is bound or under which the Vendor has, or will have, any right, benefit or Liability, or any contingent right, benefit or Liability (in each case, whether written or oral, express or implied) relating to the Business or any of the Purchased Assets;
- (s) "Current Assets" means all accounts receivable and Inventory of the Vendor in each case calculated in accordance with GAAP and only as and to the extent substantially similar in nature

to the line items reflected as “accounts receivable” and “inventory”, respectively, in the

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## Financial Statements;

- (t) "Current Liabilities" means the accounts payable of the Vendor, calculated in accordance with GAAP and only as and to the extent substantially similar in nature to the line items reflected as "accounts payable" in the Financial Statements, but for avoidance of doubt does not include any Closing Indebtedness to the extent expressly set forth in the Payoff Letter;
- (u) "Disputed Item" has the meaning ascribed thereto in Section 2.7(d);
- (v) "Employee Plan" means any employee benefit plan, program or arrangement sponsored, maintained or contributed to by the Vendor for the benefit of the Employees, including any pension plan (whether defined benefit, defined contribution, funded or unfunded), supplemental pension plan, deferred compensation plan, retirement income or group registered retirement savings plan, retirement compensation arrangement, stock option, stock appreciation rights, phantom stock or stock purchase plan, profit sharing plan, bonus plan or policy, commission or other incentive compensation plan, change of control agreement, retention bonus plan or agreement, severance or termination pay arrangement, employee life or other group insurance plan, savings plan, employee loan, indemnity, education or hospitalization plan, medical or dental plan, long-term or short-term disability plan or any other employee benefit plan, program, policy or practice, whether formal or informal;
- (w) "Employees" means all individuals who are employees of the Vendor in connection with the Business, including those employees on disability leave, parental leave or any other leave of absence;
- (x) "Employment Offers" has the meaning ascribed thereto in Section 3.1(a);
- (y) "Encumbrance" means any encumbrance, mortgage, hypothec, pledge, assignment, charge, lien, restriction, easement, right of occupation, security interest or other third party interest and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;
- (z) "Environmental Approvals" means all permits, certificates, licences, authorizations, consents, registrations, or approvals issued or required by Governmental Authorities pursuant to Environmental Laws with respect to the operation of the Business or related to any of the Purchased Assets;
- (aa) "Environmental Laws" means all Laws and agreements with any Governmental Authority and all other statutory requirements relating to public health and safety, noise control, pollution or the protection of the environment or to the use, storage, generation, handling, manufacturing, processing, labeling, advertising, sale, display, treatment, disposal, recycling, reuse, transportation, Release, threatened Release or remediation of Hazardous Substances, including civil responsibility for acts or omissions with respect to the environment, and all authorizations issued pursuant to such Law, agreements or other statutory requirements;
- (bb) "Equipment" means all machinery, equipment, fixtures, accessories, supplies, tools, furniture, personal computers, computer hardware, office equipment, office supplies, personal property and other tangible property owned or leased by the Vendor and used in, held for use in or relating to the conduct or operation of the Business;



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- (cc) "Equipment Leases" means all equipment leases, conditional sales contracts, capital leases, title retention agreements and other similar agreements relating to Equipment to which the Vendor is a party and which is used by the Vendor in the Business;
- (dd) "Estimated Closing Statement" has the meaning ascribed thereto in Section 2.6;
- (ee) "Estimated Closing Working Capital" has the meaning ascribed thereto in Section 2.6;
- (ff) "ETA" means the Excise Tax Act (Canada);
- (gg) "Excluded Taxes" means (1) all Taxes owed by the Vendor or any of its Affiliates for any period; (2) all Taxes relating to the Business, the Purchased Assets, the Assumed Liabilities or the Transferred Employees for any Pre-Closing Period and for the period of any Straddle Period ending immediately prior to the Closing Date; (3) all Taxes imposed on or payable by the Vendor or for which the Vendor otherwise may be liable (a) pursuant to any Contract for any Pre-Closing Period, (b) by reason of a Tax sharing, indemnity or similar Contract entered into by the Vendor or any of its past or present Affiliates prior to the Closing Time, or (c) by reason of transferee or successor liability arising in respect of a transaction undertaken by the Vendor (or any of its present or past Affiliates) prior to the Closing Time; (4) all Taxes imposed on any Purchaser Indemnified Party as a result of a breach by the Vendor of any representation or warranty set forth in Section 5.2(z) or breach by the Vendor of any covenant set forth herein relating to Taxes; and (5) all Liabilities apportioned to the Vendor under Section 2.10(a);
- (hh) "Final Closing Working Capital" means (1) if the Vendor does not duly and timely deliver a Notice of Disagreement with respect to the Closing Statement pursuant to Section 2.7(d) or if the Vendor delivers a notice of acceptance with respect thereto, the Closing Working Capital as set forth in the Closing Statement; or (2) if the Vendor duly and timely delivers a Notice of Disagreement, the Closing Working Capital (a) as agreed to in writing by the Purchaser and the Vendor pursuant to Section 2.7(e) or (b) in the absence of such agreement, as finally determined by the Accounting Firm pursuant to Section 2.7(f).
- (ii) "Final Royalty Revenue" means, in respect of a Royalty Period, (1) if the Vendor does not duly and timely deliver a Notice of Disagreement with respect to a Royalty Statement pursuant to Section 4.1(b), or if the Vendor delivers a notice of acceptance with respect thereto, the Royalty Revenue in respect of such Royalty Period as set forth in such Royalty Statement; or (2) if the Vendor duly and timely delivers a Notice of Disagreement with respect to a Royalty Statement, the Royalty Revenue in respect of such Royalty Period (a) as agreed to in writing by the Purchaser and the Vendor, or (b) in the absence of such agreement, as finally determined by the Accounting Firm pursuant to Section 4.1.
- (jj) "Financial Statements" means, collectively, (a) the Balance Sheet, (b) the review engagement comparative balance sheet, statement of income, statement of retained earnings and statement of cash flows of the Vendor as at and for the fiscal year ended December 31, 2018, together with the notes thereto.
- (kk) "Fundamental Representations" means the representations and warranties of the Guarantors in Section 5.1 and the representations and warranties of the Vendor in Sections 5.2(a), 5.2(b), 5.2(c), 5.2(d), 5.2(e), 5.2(h) and 5.2(ee);
- (ll) "GAAP" has the meaning ascribed thereto in Section 1.4;

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- (mm) "Governmental Authority" means any: (i) national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, officials, ministers, Crown corporations, central bank, court, tribunal or dispute settlement panel, arbitral body, commission, board, bureau or agency, domestic or foreign; (ii) subdivision, agency, commission, board or authority of any of the foregoing; or (iii) quasi- governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (nn) "Guarantor s" has the meaning ascribed thereto in the Recitals;
- (oo) "GST" means all Taxes payable under Part IX of the ETA or under any provincial legislation similar to the ETA, and any reference to a specific provision of the ETA shall refer to any successor provision thereto of like or similar effect;
- (pp) "Hazardous Substance" means any element, waste or other substance, whether natural or artificial and whether consisting of gas, liquid, solid or vapour that is prohibited, listed, defined, judicially interpreted, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials or any substance which is deemed under Environmental Laws to be deleterious to natural resources or public health and safety;
- (qq) "Holdback Amount" means an amount equal to \$330,000;
- (rr) "Holdings" has the meaning ascribed thereto in the Recitals;
- (ss) "Indebtedness" of any Person means and includes (a) indebtedness for borrowed money or indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money, (b) amounts owing as deferred purchase price for property or services, including all seller notes and "earn-out" payments, (c) indebtedness evidenced by any note, bond, debenture, mortgage or other debt instrument or financial debt security, (d) commitments or obligations by which such Person assures a creditor against loss (including contingent reimbursement obligations with respect to letters of credit), (e) indebtedness secured by an Encumbrance on assets or properties of such Person, (f) obligations or commitments to repay deposits or other amounts advanced by and owing to third Persons, (g) obligations under any interest rate, currency or other hedging agreement, (h) obligations or commitments under capitalized leases (capital portion), (i) any change of control payments or prepayment premiums, penalties, charges or equivalents thereof with respect to any indebtedness, obligation, or liability of the type described in clauses (a) through (i) above, or (j) guarantees or other contingent liabilities (including so called take-or-pay or keep-well agreements) with respect to any indebtedness, obligation, claim or liability of any other Person of a type described in clauses (a) through (i) above. Notwithstanding the foregoing, Indebtedness with respect to the Vendor shall not include any Current Liabilities to the extent (and only to the extent) specifically included in the calculation of Final Closing Working Capital.
- (tt) "Insurance Policies" has the meaning ascribed thereto in Section 5.2(gg);
- (uu) "Intellectual Property" means the intellectual property (whether foreign or domestic, registered or unregistered) used in the operation, conduct or maintenance of the Business, as it is currently being, and has been, operated, conducted or maintained, including: (i) all inventions, patents, patent applications and patent disclosures, together with all reissues, continuations,

continuations-in-part, revisions, extensions and re-examinations thereof; (ii) all trademarks,

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trade-names, corporate names, domain names and all goodwill associated therewith; (iii) all copyrightable works, copyrights and industrial designs; (iv) all confidential information, including all lists of present and former suppliers, customers and any others having business dealings with, the Business and the mailing lists, trade secrets, processes, procedures, know-how, methods, data, compilations, databases and the information contained therein of the Vendor; together with (A) all copies and tangible embodiments of the foregoing, in whatever form or medium (including all computer software and related documentation), (B) all improvements, modifications, translations, adaptations, refinements, derivations and combinations thereof, (C) all applications, registrations and renewals in connection therewith and (D) all Intellectual Property Rights related thereto;

- (vv) "Intellectual Property Rights" means any right or protection existing from time to time in a specific jurisdiction, whether registered or not, under any patent law or other invention or discovery law, copyright law, performance or moral rights law, trade-secret law, confidential information law, integrated circuit topography law, semi-conductor chip protection law, trade-mark law, industrial design law, unfair competition law or other similar Laws and includes legislation by competent Governmental Authority and judicial decisions under common law or equity;
- (ww) "Inventory" means all inventories of the Business owned by the Vendor and used in carrying on the Business, including all finished goods, goods in transit, work in process, samples, packaging materials, raw materials, containers, production and shipping supplies and all other materials and supplies on hand to be used or consumed in the Business;
- (xx) "Interim Period" has the meaning ascribed thereto in Section 6.1;
- (yy) "IT Systems" means the computer systems (including computers, servers, workstations, routers, hubs, switches, circuits, networks and data communication lines), information technology systems, telecommunication systems and data processing systems that are owned by or leased or licensed to the Vendor and used in the conduct of the Business.
- (zz) "Knowledge of the Vendor" means the knowledge of Rob and/or Foster Anderson after reasonable inquiry;
- (aaa) "Laws" means all applicable laws, by-laws, statutes, rules, regulations, Orders, ordinances, awards, rulings, determinations, decrees, codes, policies, instruments, notices, directions, injunctions, judgments (including judicial decisions under common law or equity) and any other requirements of any Governmental Authority having the force of law;
- (bbb) "Leased Real Property" means the real property subject to the Leases and all structures, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situate thereon, therein, thereunder or forming a part thereof;
- (ccc) "Leases" means all leases, subleases, tenancy agreements, rights of occupation or occupancy agreements to which the Vendor is a party, as tenant, in respect of real property from which the Vendor (directly or indirectly) operates, conducts or maintains the Business and including, for avoidance of doubt (i) the lease dated November 30, 2018 between the Vendor and Porter Warehousing and Distributing Inc. in respect of the warehouse located at 15703 - 114th Avenue NW, Edmonton, AB T5M 2Z3, (ii) the Merchandise Warehousemen Agreement dated September 19, 2018 between the Vendor and Bradford Global Logistics, Ltd. in respect of the warehouse located in Houston, Texas and (iii) the oral month-to-month lease in respect of the

storage yard in Stetler, Alberta;

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- (ddd) "Liability" means, with respect to any Person, any liability, debt, duty, undertaking or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;
- (eee) "Losses" means, in respect of a Person and in relation to a matter, all losses, costs, debts, expenses, diminution of value and damages (including all penalties, fines and interest thereon), contingent or otherwise, liquidated or unliquidated which such Person suffers, sustains, pays or incurs in connection with such matter, whether or not a Claim has been made, an Order issued or a judgment obtained, and includes Taxes (other than refundable Taxes), costs and disbursements of legal counsel and other experts and consultants and reasonable costs arising from such matter;
- (fff) "Marketing Materials" means all marketing, advertising, sales support, sales collateral, and promotional materials and productions, sales and marketing files (whether in print or electronic format) including all past and present promotion copy and promotion copy data bases, web images, web copy, and advertising and direct marketing materials of the Vendor used in carrying on the Business;
- (ggg) "Material Adverse Change" means any change, event, development, occurrence, circumstance or state of facts that, individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, operations, earnings, condition (financial or otherwise), property, assets (including the Purchased Assets) or Liabilities (contingent or otherwise) of the Business taken as a whole, other than any change, effect, event, development, occurrence, circumstance or state of facts arising directly from any action required by this Agreement or the Transaction Documents;
- (hhh) "Material Contracts" means those Assumed Contracts as described in Section 5.2(t);
- (iii) "Notice of Disagreement" has the meaning ascribed thereto in Section 2.7(d);
- (jjj) "Orders" means orders, injunctions, judgments, administrative complaints, decrees, rulings, awards, assessments, directions, instructions, penalties or sanctions issued, filed or imposed by any Governmental Authority or arbitrator and includes remedial orders;
- (kkk) "Ordinary Course of Business" means the ordinary course of business consistent with prior custom and practice of the entity to whom such term relates (including with respect to quantity, frequency, terms, values, risks and obligations);
- (lll) "Parties" means the parties to this Agreement and their respective heirs, executors, legal representatives, successors and permitted assigns and "Party" means any one of them;
- (mmm) "Payoff Letter" means a payoff letter, in form and substance reasonably satisfactory to the Purchaser, from Royal Bank of Canada in respect of the Closing Indebtedness;
- (nnn) "Permitted Encumbrances" means (a) Encumbrances for current Taxes, assessments, charges or levies not yet due and payable and securing only Assumed Liabilities, and (b) the Encumbrances identified in Schedule 5.2(ee);



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- (ooo) "Person" includes an individual, partnership, limited partnership, firm, joint venture, venture capital fund, limited liability company, unlimited liability company, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, Governmental Authority, agency or instrumentality, unincorporated organization or association syndicate or other entity, whether or not having legal status;
- (ppp) "Pre-Closing Period" means any taxation period ending on or before the Closing.
- (qqq) "Production Contracts" means the Contracts between the Vendor and certain entities in China relating to the production or manufacturing of the Vendor's products;
- (rrr) "Purchase Price" has the meaning ascribed to it in Section 2.5;
- (sss) "Purchased Assets" has the meaning ascribed thereto in Section 2.1;
- (ttt) "Purchaser" has the meaning ascribed thereto in the Preamble;
- (uuu) "Purchaser Indemnified Party" has the meaning ascribed thereto in Section 9.2(a);
- (vvv) "Regulatory Authorizations" means, collectively, all licences, permits, registrations, certificates, consents, Orders and similar rights and privileges in respect of, or required in connection with, the Purchased Assets and/or the carrying on of the Business, including the Environmental Approvals;
- (www) "Release" has the meaning prescribed in any Environmental Law and includes any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Substance into the environment;
- (xxx) "Release Date" has the meaning ascribed thereto in Section 9.4(b);
- (yyy) "Remedial Order" means any Order issued, filed or imposed by any Governmental Authority pursuant to any Environmental Laws and includes, without limitation, any order requiring remediation or clean-up of any Hazardous Substance, or requiring that any Release or any other activity be reduced, modified or eliminated;
- (zzz) "Restricted Rights" has the meaning ascribed thereto in Section 2.9(a);
- (aaaa) "Retained Assets" has the meaning ascribed thereto in Section 2.2;
- (bbbb) "Retained Liabilities" has the meaning ascribed thereto in Section 2.4;
- (cccc) "Rob" has the meaning ascribed thereto in the Recitals;
- (dddd) "Royalty Margin" means the percentage obtained by dividing (i) the total Royalty Revenue in respect of a Royalty Period by (ii) the total expenses, calculated in accordance with GAAP, directly attributable to the sale of Royalty Products during the same Royalty Period;
- (eeee) "Royalty Payment" has the ascribed thereto in Section 4.1(c);
- (ffff) "Royalty Percentage" means 4.5%, as adjusted pursuant to Section 4.1(d);

(iii) Royalty Percentage means 4.5%, as adjusted pursuant to Section 4.1(d);

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- (gggg) "Royalty Period" means each of the five successive annual periods following the Closing Date;
- (hhhh) "Royalty Products" means the products listed on Schedule 4.1 as designed on the Closing Date;
- (iiii) "Royalty Revenue" means the revenue, calculated in accordance with GAAP, directly attributable to the sale of Royalty Products during a Royalty Period;
- (jjjj) "Royalty Statement" has the meaning ascribed thereto in Section 4.1(a);
- (kkkk) "Straddle Period" means a taxation year or fiscal period that includes but does not begin or end on the Closing Date.
- (llll) "Successor Taxes" means any liability for Taxes required by law to be paid as an assessed liability by the Vendor which, as a result of the transfers herein, become a liability for Taxes of the Purchaser, except as provided in Section 2.10(a);
- (mmmm) "Target Working Capital" means \$1,950,000;
- (nnnn) "Tax Act" means the Income Tax Act (Canada);
- (oooo) "Tax Records" has the meaning ascribed thereto in Section 2.2(a);
- (pppp) "Tax Returns" includes all returns, reports, notices, forms, declarations, elections, filings, information returns and statements (including any amendments, schedules, attachments, supplements, appendices and exhibits thereto) required to be filed with any Governmental Authority in respect of Taxes, whether in tangible, electronic or other form;
- (qqqq) "Taxes" means: (1) all foreign, federal, commonwealth, state, provincial and local taxes, charges, fees, duties, premiums or assessments of any nature whatsoever, including all income, profits, franchise, gross receipts, net receipts, customs duties, capital stock, recording, stamp, document, transfer, severance, payroll, employment, unemployment, social security, disability, sales, goods and services, harmonized sales, use, real property, personal property, withholding, excise, value-added, ad valorem, occupancy, insurance premium, surplus lines insurance and other taxes in each case imposed by any Governmental Authority; and (2) all interest, penalties, fines and additional amounts imposed by any Governmental Authority with respect to such amounts;
- (rrrr) "Territory" has the meaning attributed to that term in Section 6.8(a);
- (ssss) "Third Party" has the meaning ascribed thereto in Section 2.9(a);
- (tttt) "Third Party Claim" has the meaning ascribed thereto in Section 9.3(a);
- (uuuu) "Transaction Documents" means this Agreement together with the Transitional Services Agreement and the Royalty Agreement;
- (vvvv) "Transferred Employees" has the meaning ascribed thereto in Section 3.1(d);
- (wwww) "Transferred Information" means the personal information (namely, information about an identifiable individual other than his or her business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as a representative of

for the purpose of contacting such individual in that individual's capacity as a representative of an organization and for no other purpose) to be disclosed or conveyed to the Purchaser or any of

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its representatives or agents by or on behalf of the Vendor as a result of or in conjunction with the transactions contemplated herein, and includes all such personal information disclosed to the Purchaser prior to the execution of this Agreement;

- (xxxx) "Transitional Services Agreement" means the transitional services agreement between the Vendor and the Purchaser in the form attached hereto as Exhibit A;
- (yyyy) "Unassignable Contracts" has the meaning ascribed thereto in Section 2.9(a);
- (zzzz) "Unresolved Item" has the meaning ascribed thereto in Section 2.7(f);
- (aaaaa) "Vendor" has the meaning ascribed thereto in the Preamble to this Agreement;

## 1.2 Certain Rules of Interpretation

In this Agreement and the Schedules hereto:

- (a) Currency - unless otherwise specified, all references to money amounts are to Canadian currency;
- (b) Headings - the division of this Agreement into Articles and Sections and the insertion of descriptive headings is solely for convenience of reference, the descriptive headings are not intended as complete or accurate descriptions of the content of such Articles or Sections and neither the division of this Agreement into Articles and Sections nor the insertion of descriptive headings shall affect the construction or interpretation of this Agreement;
- (c) Singular, Gender, Herein, etc. - the use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such Person or Persons or circumstances as the context otherwise permits, and "hereby", "hereof", "herein", "hereunder", "herewith", "hereto" and similar terms refer to this Agreement and not to any particular provision of this Agreement;
- (d) Inclusive Terminology - whenever used in this Agreement, the words "includes" and "including" and similar terms of inclusion will not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather will mean "includes but is not limited to" and "including but not limited to", so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;
- (e) Consent - whenever a provision of this Agreement requires an approval or consent by a Party to this Agreement and notification of such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent;
- (f) Calculation of Time - unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day; and
- (g) Interpretation Not Affected By Drafting Party - the Parties acknowledge and agree that their respective legal counsel have reviewed and participated in settling the terms of this Agreement and that any rule of construction or interpretation to the effect that any ambiguity is to be

resolved against the drafting Party shall not be applicable in the interpretation of this Agreement.

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### 1.3 Statutory References

A reference in this Agreement to a statute shall be a reference to the statute and the regulations promulgated thereunder, as amended or superseded from time to time, either before or after the date hereof, unless otherwise stated or the context otherwise requires.

### 1.4 Accounting Principles

All references to "GAAP" shall mean the applicable Canadian Accounting Standards for Private Enterprises, which are in effect from time to time, consistently applied in accordance with applicable accounting practices of the particular entity.

## ARTICLE 2. PURCHASE AND SALE

### 2.1 Purchase and Sale

On the terms and subject to fulfillment of the conditions set out herein, at the Closing, the Vendor hereby agrees to sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser agrees to purchase from the Vendor, all of the Vendor's right, title and interest in and to all of the assets, property (intangible and tangible) and rights of every kind and description used (or held for use) in connection with, relating to or necessary for the operation of the Business (the "Purchased Assets"), which shall include the following:

- (a) the Current Assets;
- (b) all Intellectual Property and Intellectual Property Rights of the Vendor used in, held for use in or relating to the conduct or operation of the Business;
- (c) all Confidential Information;
- (d) the Equipment, including for avoidance of doubt a 50% interest in a Flame Arrestor Cell Machine and jigs and molds for quality control and assembly in factories in China under the same terms and conditions as currently held by the Vendor;
- (e) all rights of the Vendor under the Assumed Contracts (including the Leases and Equipment Leases) and including, for avoidance of doubt, under all Assumed Contracts that are oral contracts with manufacturer's of the Vendor's products in China;
- (f) all Marketing Materials;
- (g) the personal property under the control of each of Foster Anderson, Bridget Pilon and MJ Asetine;
- (h) the Books and Records, other than those books and records described in Section 2.2(c);
- (i) all rights, claims, counterclaims, credits, causes of action or rights of set-off of the Vendor against third parties to the extent arising out of or relating to the Purchased Assets or the Assumed Liabilities;
- (j) all telephone numbers, facsimile numbers, directory listings, e-mail addresses and other communication identifiers owned by the Vendor that are used in, held for use in or relating to the conduct or operation of the Business and



the conduct or operation of the business; and

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- (k) all goodwill and going concern value of the Vendor arising out of or relating to the Business, together with the exclusive right of the Purchaser or any of its Affiliates to represent itself as carrying on the Business in continuation of and in succession to the Vendor.

For avoidance of doubt, the Purchased Assets shall not include any of the Retained Assets, as described in Section 2.2.

## 2.2 Retained Assets

The Purchased Assets shall not include the following assets, property and rights (collectively, the "Retained Assets"):

- (a) rights to refunds of Taxes paid by the Vendor, whether paid directly by the Vendor or indirectly by a third party on the Vendor's behalf, regardless of whether such rights have arisen or hereafter arise, all of the Tax assets of the Vendor, including any loss carry forwards, Tax credits, Tax refunds receivable, Tax Returns and working papers, information, files, correspondence, records, data, plans, reports and recorded knowledge related to Taxes (collectively, the "Tax Records");
- (b) those Contracts listed in Schedule 2.2(b);
- (c) cash held by the Vendor;
- (d) the personal property not under the control of any of Foster Anderson, Bridget Pilon and MJ Asetline;
- (e) the Employee Plans and the Insurance Policies;
- (f) the bank accounts of the Vendor;
- (g) those books and records of the Vendor which are required by Law to be retained by the Vendor (including the minute books and corporate records of the Vendor);
- (h) any Contract that imposes a Liability on the Business that (a) is not disclosed to the Purchaser in Schedule 5.2(t) and (b) of which the Vendor has been notified by the Purchaser, within 30 days of discovery of such Contract by the Purchaser that such Contract is not a Purchased Asset; and
- (i) the Vendor's rights under or pursuant to this Agreement and each other agreement, document or instrument executed and delivered by the Vendor in connection with the consummation of the transactions contemplated by this Agreement.

## 2.3 Assumption of Liabilities

At the Closing, the Purchaser shall assume, and be solely and exclusively liable for, and shall pay and perform and discharge when due, the following Liabilities of the Vendor (collectively, the "Assumed Liabilities"):

- (a) subject to ARTICLE 3, all Liabilities relating to the Transferred Employees arising from events occurring on or after, but not prior to, the Closing Date;
- (b) the Current Liabilities, in each case to the extent expressly included in the calculation of the Closing Working Capital.

Closing Working Capital;

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- (c) all Liabilities of the Vendor under the Assumed Contracts (including under the Leases and the Equipment Leases) accruing after the Closing Date.

Notwithstanding the foregoing, in no event shall the Purchaser be obligated to assume, perform or otherwise discharge the Liabilities of the Vendor to the Purchaser under this Agreement. Furthermore, the Purchaser's assumption of the Assumed Liabilities shall in no way be deemed a waiver or release by the Purchaser of any rights, at law or in equity, which the Purchaser may have against the Vendor as a result of any Claim arising out of the breach by the Vendor of any representation, warranty or covenant of the Vendor under this Agreement.

#### 2.4 Retained Liabilities

Notwithstanding anything in this Agreement to the contrary, the Purchaser shall not assume, and shall be deemed not to have assumed, any Liabilities of the Vendor (collectively, the "Retained Liabilities") other than the Assumed Liabilities. The Retained Liabilities shall include, but not be limited to, those set out below:

- (a) all Liabilities and Encumbrances, whether past, present or future, arising prior to, on or after the Closing Time, relating to, under or in respect of the Retained Assets, including in particular all Liabilities arising out of any Contract listed in Schedule 2.2(b);
- (b) all Excluded Taxes;
- (c) any Liability relating to or arising out of any Assumed Contract unless set forth in Section 2.3(c);
- (d) all Liabilities, whether past, present or future, arising prior to, on or after the Closing Time, relating to or in respect of any current or former Employee that is not a Transferred Employee;
- (e) with respect to Transferred Employees, (i) any liabilities providing for the payment of salary, bonuses, commissions or benefits relating to the period prior to the Closing Date, and (ii) any liabilities arising out of workers' compensation or benefits claims relating to the period prior to the Closing Date duly filed prior to, on or following the Closing Date by or on behalf of any Transferred Employee;
- (f) all Liabilities, whether past, present or future, arising prior to, on or after the Closing Time, relating to, under or in respect of all Claims against the Vendor set out or required to be set out in Schedule 5.2(y);
- (g) all Liabilities arising from the sale of goods and services before the Closing pursuant to product warranties, product returns, recalls and rebates; and
- (h) all Indebtedness of the Vendor.

#### 2.5 Purchase Price

- (a) The consideration payable by the Purchaser to the Vendor for the sale of the Purchased Assets (the "Purchase Price") by the Vendor to the Purchaser shall be the aggregate amount of \$3,300,000 (the "Preliminary Purchase Price"), subject to adjustment as provided in Section 2.7.

- (b) On the Closing Date, the Purchaser shall pay to the Vendor an amount (the "Closing Payment") equal to (i) the Preliminary Purchase Price minus (ii) the amount, if any, by which the Estimated
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Closing Working Capital is less than the Target Working Capital, plus (iii) the amount, if any, by which the Estimated Closing Working Capital exceeds the Target Working Capital minus (iv) the Holdback Amount, minus (v) the Closing Indebtedness.

- (c) On the Closing Date, the Purchaser shall pay on behalf of the Company the Closing Indebtedness to the Royal Bank of Canada in the amount and in accordance with the instructions set forth in the Payoff Letter.

## 2.6 Estimated Closing Statement

Not less than three Business Days and not more than five Business Days prior to the Closing Date, the Vendor will prepare and deliver to the Purchaser a statement (the "Estimated Closing Statement") that sets forth a reasonably detailed calculation of the Vendor's good faith estimate of the Closing Working Capital (the "Estimated Closing Working Capital"). The Vendor will prepare the Estimated Closing Statement in good faith and in a manner consistent with the Financial Statements. If the Purchaser, acting reasonably and in good faith, disagrees with the Estimated Closing Statement, the Purchaser will provide comments and reasons as to the disagreement and the Vendor will consider such comments and reasons and to the extent appropriate make revisions to the Estimated Closing Statement. The Estimated Closing Statement will also attach the Payoff Letter.

## 2.7 Purchase Price Adjustment

- (a) Within 90 days after the Closing Date, the Purchaser (with the assistance of the Vendor to the extent reasonably requested by the Purchaser) will cause to be prepared and delivered to the Vendor a statement (the "Closing Statement") setting forth in reasonable detail the Purchaser's good faith calculations of the Closing Working Capital. The Closing Statement will be prepared in accordance with GAAP.
- (b) As promptly as practicable (and in no event later than five Business Days) after the date of determination of the Final Closing Working Capital, the Preliminary Purchase Price shall be adjusted as follows:
  - (i) If the Final Closing Working Capital exceeds the Estimated Closing Working Capital (the amount of such excess, the "Working Capital Excess"), then the Preliminary Purchase Price shall be increased correspondingly and, subject to the Purchaser's right of set-off for indemnification claims pursuant to Section 9.4(a), the Purchaser will pay or cause to be paid to the Vendor, by wire transfer of immediately available funds, an amount equal to the Working Capital Excess.
  - (ii) If the Final Closing Working Capital is less than the Estimated Closing Working Capital (the absolute value of such shortfall, the "Working Capital Shortfall"), then the Preliminary Purchase Price will be decreased correspondingly and (A) the Purchaser will retain from the Holdback Amount an amount equal to the Working Capital Shortfall, and (B) if the Working Capital Shortfall exceeds the Holdback Amount, then (1) the Purchaser will retain the entire Holdback Amount and (2) the Vendor will pay to the Purchaser, by wire transfer of immediately available funds to a bank account designated in writing by the Purchaser, an amount equal to the excess of the Working Capital Shortfall over the Holdback Amount.
- (c) Any amount paid pursuant to this Section 2.7 shall be treated as an adjustment to the Purchase Price for Tax purposes, except to the extent otherwise required by applicable Law.



- (d) The Closing Statement delivered pursuant to Section 2.7(a) and the Purchaser's calculations of the Closing Working Capital set forth therein shall be final, binding and conclusive on the Parties unless the Vendor, within 30 days following the receipt of the Closing Statement, delivers to the Purchaser a written notice of disagreement (a "Notice of Disagreement") setting forth in reasonable detail (i) each specific item or amount in the Closing Statement as to which the Vendor disagrees in good faith (each, a "Disputed Item"), (ii) the basis for each Disputed Item (which shall be that either (A) a Disputed Item was not calculated in accordance with GAAP or the other terms of this Agreement, or (B) the Closing Statement contains a mathematical or clerical error) and reasonable supporting documentation therefor, and (iii) the Vendor's alternative calculations of the Closing Working Capital. The Vendor shall be deemed to have agreed with all items and amounts set forth in the Closing Statement other than the Disputed Items set forth in any Notice of Disagreement with respect to the Closing Statement.
- (e) If the Vendor duly and timely delivers to the Purchaser a Notice of Disagreement with respect to the Closing Statement that complies with Section 2.7(d), the Purchaser and the Vendor shall, during the 30 day period following the Purchaser's receipt of such Notice of Disagreement (the "Resolution Period"), negotiate in good faith and use commercially reasonable efforts to resolve promptly all of the Disputed Items set forth in such Notice of Disagreement. Any such Disputed Items that are resolved by a written agreement between the Purchaser and the Vendor during the Resolution Period shall be final, binding and conclusive on the Parties and shall become part of the calculations of the Closing Working Capital.
- (f) If, by the end of the Resolution Period, the Purchaser and the Vendor are unable to resolve all of the Disputed Items set forth in a Notice of Disagreement with respect to the Closing Statement, then as promptly as practicable and in no event later than ten days thereafter, they shall jointly engage and submit such unresolved Disputed Items (each, an "Unresolved Item") for resolution to a nationally or regionally recognized independent accounting firm mutually acceptable to the Purchaser and the Vendor (the "Accounting Firm"). If the Purchaser and the Vendor are unable to agree on the engagement of the Accounting Firm within 15 days after the end of the Resolution Period, the Purchaser and the Vendor shall each select such an accounting firm and those two firms shall, within ten days after their selection, select a third nationally or regionally recognized independent accounting firm to serve as the Accounting Firm hereunder to resolve the Unresolved Items. The Purchaser and the Vendor shall (A) execute a reasonable engagement letter with the Accounting Firm, which letter will specifically require the Accounting Firm to review this Agreement and agree to comply with the terms of this Section 2.7(f), (B) submit to the Accounting Firm not later than 15 days after its engagement a written statement summarizing its position on the Unresolved Items, together with such supporting documentation as it deems necessary, and (C) not engage in any ex-parte communications with the Accounting Firm. In resolving the matters submitted to it, the Accounting Firm (A) shall act as an expert in accounting, and not as an arbitrator, to resolve only the Unresolved Items in a manner consistent with the terms of this Agreement; (B) shall base its decision solely on a single set of written submissions of the Purchaser and the Vendor and not conduct an independent review or audit; (C) shall not assign a dollar value to any Unresolved Item greater than the highest amount or less than the lowest amount claimed by the Purchaser or the Vendor, as applicable, in their written submissions to the Accounting Firm; and (D) shall deliver to the Purchaser and the Vendor its written decision setting forth its calculations of the Closing Working Capital as promptly as practicable (and in no event later than 30 days) after the submission of the Unresolved Items to the Accounting Firm. The Accounting Firm's written decision shall be final, binding and conclusive on the Parties absent fraud or manifest error. The Closing Statement shall be revised as necessary to reflect the Accounting Firm's written decision, and such decision may be entered as a judgment in any court of competent jurisdiction.



...and such order may be entered at any time by a court of competent jurisdiction.

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- (g) The fees, costs and expenses of the Accounting Firm shall be allocated to and borne equally by the Purchaser, on the one hand, and the Vendor, on the other hand.
- (h) During the period from and after the Purchaser's delivery of the Closing Statement through the final resolution of any matters contemplated by this Section 2.7, the Purchaser shall afford the Vendor, on a confidential basis, reasonable access during normal business hours to the books and records of the Business to the extent related to the calculations of the Closing Working Capital, provided that any such access shall not interfere unreasonably with the business operations of the Purchaser and shall be subject to the execution by the Person requesting such access of a customary confidentiality agreement in form and substance reasonably satisfactory to the Purchaser. Notwithstanding the foregoing, the Purchaser shall not be required to provide any such access if the Purchaser determines, in its reasonable judgment, that doing so would (i) violate any applicable Law, (ii) violate a Contract with, or other obligation of confidentiality owing to, a third party, or (iii) waive or otherwise jeopardize the protection of any solicitor-client privilege, work-product doctrine or other applicable privilege (provided that the Purchaser shall use commercially reasonable efforts, at the cost of the Vendor, to provide such access in an alternative manner that does not have any of the foregoing effects).

## 2.8 Allocation of Purchase Price

The Purchase Price and Assumed Liabilities shall be allocated among the Purchased Assets in a manner reasonably determined by the Purchaser and provided to the Vendor no less than one Business Day prior to the Closing, provided that the Purchaser shall consider the Vendor's reasonable comments thereon and shall allocate \$1 to the restrictive covenants set forth in this Agreement. The allocation of the Purchase Price shall be binding and the Vendor and the Purchaser shall report the purchase and sale of the Purchased Assets in any Tax Returns or other filings which are necessary or desirable under the Tax Act or any other applicable Law to give effect to such allocation. Neither the Vendor nor the Purchaser shall take a contrary position with respect to such allocation in any Tax proceeding, audit, investigation, assessment, reassessment, objection or appeal.

## 2.9 Unassignable Rights

- (a) If any rights, entitlements, benefits, remedies, duties or obligations under any Assumed Contracts or Regulatory Authorizations, whether existing at present or in the future, are as a matter of law or by their terms: (1) not assignable; or (2) not assignable by the Vendor to the Purchaser without the consent of a Person who is not a Party to this Agreement (a "Third Party") and such consents are not obtained by the Closing (hereinafter in this Section 2.9, collectively, the "Restricted Rights", and the Contracts or Regulatory Authorizations under which the Restricted Rights arise are, collectively, the "Unassignable Contracts"); then:
  - (i) pending the effective transfer of the relevant Unassignable Contracts, the Vendor will hold the Restricted Rights in trust for the exclusive benefit of the Purchaser as bare trustee and agent, provided that the Purchaser will pay, perform and discharge all duties and obligations of the Vendor and Purchaser shall have all rights, entitlements, benefits and remedies of the Vendor, arising or accruing with respect to such Unassignable Contracts during that period;
  - (ii) the Vendor will, at the request and expense and under the direction of the Purchaser, in the name of the Vendor or otherwise as the Purchaser shall reasonably specify, take all such reasonable actions and do all such reasonable things as shall, in the reasonable opinion of the Purchaser, be necessary or desirable in order that the rights, entitlements,

benefits, remedies, duties and obligations of the Vendor under any such Unassignable

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Contract, and relating to the applicable Restricted Right, may be enjoyed, received or performed, as the case may be, in accordance with the terms of such Unassignable Contract, including that all monies receivable under such Unassignable Contract may be received by the Purchaser and that all rights and licenses under such Unassignable Contracts may be exercised by the Purchaser;

- (iii) the Vendor will promptly pay over to the Purchaser all such monies collected by the Vendor in respect of such Unassignable Contracts net of any unpaid related costs or expenses (including any Taxes that are payable in respect of the receipt of such amounts);
  - (iv) to the extent permitted by the Third Party and the Vendor:
    - A. the Purchaser will perform the duties and obligations under such Unassignable Contracts, on behalf of the Vendor until such time as the Restricted Rights are fully vested with the Purchaser; and
    - B. the Vendor will exercise the rights, entitlements, benefits and remedies under such Unassignable Contracts, on behalf of the Purchaser, until such time as the Restricted Rights are fully vested with the Purchaser;
  - (v) the Purchaser will be responsible for all costs reasonably incurred by the Vendor as a consequence of or in connection with this Section 2.9; and
  - (vi) the Vendor shall maintain its existence, and shall continue to be licensed, registered or otherwise qualified and authorized to conduct its affairs and carry on business as is necessary to fulfill its obligations as set out in this Section 2.9 until the earlier of the expiry or assignment of the last Unassignable Contract;
- (b) Nothing in this Agreement shall be construed as an assignment of, or an attempt to assign to the Purchaser, any Unassignable Contract.

## 2.10 Tax Matters

- (a) Unless otherwise provided for in this Section 2.10, the Vendor will be responsible for the payment of all Taxes payable by it to any relevant taxing authority and relating to the operation of the Business and/or the ownership of the Purchased Assets which arise on or before, or are related to a period of time on or before, the Closing Time.
- (b) The Vendor and the Purchaser agree as follows:
  - (i) The Purchased Assets being acquired by the Purchaser constitute all or substantially all of the property that can reasonably be regarded as being necessary for the Purchaser to be capable of carrying on the Business;
  - (ii) Subject to the election in respect of GST under subsection 167(1) of the ETA and any equivalent or corresponding provision under applicable provincial or territorial Tax legislation, the Purchaser shall be liable for and shall pay for all GST in connection with the transfer of the Purchased Assets by the Vendor to the Purchaser;
  - (iii) The Vendor and the Purchaser shall, if applicable, make an election under subsection

167(1) of the ETA and any equivalent or corresponding provision under applicable

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provincial or territorial Tax legislation for GST in respect of the purchase and sale of the Purchased Assets. For this purpose, the Vendor represents and warrants to the Purchaser that it is registered for GST under the ETA and the Purchaser represents and warrants to the Vendor that it is registered for GST under the ETA. Where the context so permits, any reference to the ETA includes reference to any analogous provincial legislation.

- (c) The Vendor shall execute an election as to the sale of accounts receivable under section 22 of the Tax Act designating in such election the applicable portion of the Purchase Price set out in Schedule 2.8 paid by the Purchaser for such accounts receivable.
- (d) The Purchaser and the Vendor agree to elect jointly in the prescribed form to have the rules in subsection 20(24) of the Tax Act, and any equivalent or corresponding provision under applicable provincial or territorial tax legislation, apply to the payment of consideration to the Purchaser in consideration of the assumption of any future obligations to supply goods or perform services for which the Vendor has included amounts in its taxable income under paragraph 12(1)(a) of the Tax Act. The Purchaser and the Vendor will prepare and file their respective Tax Returns in a manner consistent with this election.

### ARTICLE 3. EMPLOYMENT

#### 3.1 Employees

- (a) On or before the date that is 5 Business Days prior to the Closing Date, or such other date as the Purchaser and the Vendor may agree in writing, the Purchaser (or an Affiliate of the Purchaser) shall make written offers of employment (collectively, the "Employment Offers"), to each of Foster Anderson, Bridget Pilon and MJ Asetine, provided that such employment shall be conditional on Closing and effective at the Closing Time.
- (b) The Employment Offers shall: (i) be in the general geographic area of the current employment of the respective Employees; (ii) include compensation no less favorable in the aggregate than the total compensation amount currently offered to each respective Employee by the Vendor on the date hereof; (iii) recognize the respective Employees' years of service with the Vendor and (iv) be substantially consistent with the position, responsibility and scope of work of each respective Employee on the date hereof.
- (c) The Vendor shall encourage Mr. Anderson, Ms. Pilon and Ms. Asetine to accept the Purchaser's Employment Offers, shall facilitate the delivery of such Employment Offers and shall use commercially reasonable efforts to provide a reasonable opportunity for such Employees to discuss such Employment Offers with the Purchaser prior to the Closing Date.
- (d) Employees who accept an Employment Offer as of the Closing Time in writing and return to their respective workplaces on the Closing Date are collectively referred to herein as "Transferred Employees". The Purchaser shall not assume responsibility for any Transferred Employee until such Employee commences employment with the Purchaser, but in no event shall the Purchaser assume any responsibility for any commitment, obligation, duty or liability (i) of the Vendor to any Transferred Employee, or (ii) to any Transferred Employee that arose prior to the Closing Date, provided that the Purchaser shall be responsible for paying any and all statutory termination pay, statutory severance pay, and common law pay in lieu of notice (if applicable) that may have accrued prior to the Closing Date in the event that the Purchaser

terminates the employment of a Transferred Employee following the Closing Date. The

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Purchaser shall not assume responsibility for any Employee of the Vendor who is not a Transferred Employee and the Vendor agrees to continue to assume all responsibilities, commitments and/or liabilities for all Employees who are not Transferred Employees.

- (e) All employment matters relating to the Business, including employee terminations arising up to and including the Closing Date, salary, benefits and pension obligations accrued and not paid up to and including the Closing Date, actions, causes of action, Claims and demands, and any interest, award, judgment, penalties, costs or expenses relating thereto shall be the Vendor's responsibility.
- (f) The Vendor shall calculate the accrued vacation credits up to the Closing Date for all Transferred Employees and shall, at the Closing, pay the amount thereof to the Purchaser to the extent not included in the Estimated Closing Statement (which amount may be set off against the Closing Payment). The Purchaser shall assume the obligations of the Vendor with respect to the vacation entitlements of the Transferred Employees on the same terms and conditions for the current year as such employees would have been entitled had they remained in the employment of the Vendor.
- (g) The Purchaser shall ensure that all employee benefits coverage offered by the Purchaser to its employees is provided without interruption to the Transferred Employees on and after the Closing Date without any waiting period or other qualification. The Vendor shall be responsible for all employee benefits currently enjoyed by Employees of the Business, whether or not required by Law, up to and including the Closing Date.
- (h) The Vendor shall retain responsibility for, and satisfy all obligations and liabilities with respect to, all payments and benefits of the Employees (and their spouses, dependents and beneficiaries, and all former Employees, agents and representatives) under the Employee Plans.

#### ARTICLE 4. ROYALTY

##### 4.1 Royalty

- (a) Within 90 days after the last day of each Royalty Period, the Purchaser will cause to be prepared in good faith and delivered to the Vendor's Representative a statement (each, a "Royalty Statement") setting forth the Purchaser's calculations of (i) the Royalty Revenue for such Royalty Period; (ii) the Royalty Margin for such Royalty Period; and (iii) the Royalty Payment, if any, payable by the Purchaser to the Vendor herein in respect of such Royalty Period.
- (b) Any dispute arising out of or relating to the calculations of Royalty Revenue for any Royalty Period or a Royalty Payment set forth in a Royalty Statement shall be resolved in accordance with the dispute resolution procedures set forth in Section 2.7, mutatis mutandis.
- (c) Subject to the Purchaser's right of set-off for indemnification claims pursuant to Section 9.4 and to Section 4.1(d), as promptly as practicable (but in no event later than ten (10) Business Days) after the date of determination of the Final Royalty Revenue for each Royalty Period, the Purchaser will pay or cause to be paid to the Vendor, by wire transfer of immediately available funds, an amount (the "Royalty Payment"), if any, equal to the product of the Final Royalty Revenue in respect of such Royalty Period multiplied by the Royalty Percentage.
- (d) The Vendor acknowledges that the Royalty Percentage has been determined based on the



calculation of the revenues, expenses and margins associated with Royalty Products in

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historical periods set forth in the Books and Records that would constitute Royalty Revenue and Royalty Margin in those periods. If the Royalty Margin in respect of any Royalty Period is less than the historical margin associated with the Royalty Products in any material respect, the Royalty Percentage shall be adjusted commensurately, and the Purchaser shall describe such adjustment in the applicable Royalty Statement.

## ARTICLE 5. REPRESENTATIONS AND WARRANTIES

### 5.1 Representations and Warranties of the Guarantors

As a condition and material inducement to the Purchaser's willingness to enter into this Agreement and consummate the transactions contemplated herein, the Guarantors represent and warrant to the Purchaser as follows:

#### Status

- (a) Holdings is a corporation duly formed and validly existing under the laws of the province of Alberta and has the corporate authority to execute and deliver this Agreement and each Transaction Document to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated by this Agreement. Rob has the requisite legal capacity and authority to execute and deliver this Agreement and each Transaction Document to which he is a party, to perform his obligations hereunder and thereunder and to consummate the transactions contemplated by this Agreement.

#### Authorization and Enforceability

- (b) The execution, delivery and performance by Holdings of this Agreement and each Transaction Document to which it is a party and the consummation by Holdings of the transactions contemplated herein have been duly and validly authorized and approved by all necessary corporate action. This Agreement has been, and each Transaction Document to be executed and delivered by the Guarantors at Closing will be, duly and validly executed and delivered by the Guarantors, and this Agreement (assuming due authorization, execution and delivery by the Purchaser), and each such Transaction Document when so executed and delivered (assuming due authorization, execution and delivery by the other parties thereto) will, constitute legal, valid and binding obligations of the Guarantors, enforceable against them in accordance with their respective terms.

#### Absence of Conflicts

- (c) The execution, delivery and performance by the Guarantors of this Agreement and each Transaction Document to which a Guarantor is a party and the consummation of the transactions contemplated herein do not and will not (i) conflict with or violate any provision of Holdings' constituting documents, (ii) conflict with or violate any applicable Law; or (iii) require any consent of, notice or payment to or other action by any Person under, conflict with, violate, result in a breach of the terms, conditions or provisions of, constitute a default (or an event that with or without notice or lapse of time or both would become a default) under, or give rise to any rights of acceleration, amendment, termination or cancellation or to a loss of any rights under, any Contract to which a Guarantor is a party or by which a Guarantor or any of his or its assets or properties is bound, and no consent, approval or authorization of, or registration, declaration or filing with, or notice to, any Governmental Authority or any other Person is required to be

obtained, made or given by a Guarantor as a result of or in connection with the execution,

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delivery and performance of this Agreement or any Transaction Document or the consummation of the transactions contemplated herein by the Guarantors.

#### Litigation

- (d) There is no Claim pending or, to the knowledge of the Guarantors, threatened against or affecting a Guarantor that, if determined or resolved adversely to the Guarantor, would have a material adverse effect on the ability of the Guarantors or the Vendor to perform their obligations hereunder.

#### No Broker

- (e) No broker, finder, investment banker or other intermediary is entitled or has claimed to be entitled to any fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of a Guarantor.

#### Bankruptcy

- (f) Neither of the Guarantors (i) is an insolvent Person within the meaning of the Bankruptcy and Insolvency Act (Canada); and (ii) has made an assignment in favour of his or its creditors or a proposal in bankruptcy to its creditors or any class thereof or had any petition for a receiving order presented in respect of it. No receiver has been appointed in respect of a Guarantor or a Guarantor's assets or properties and no execution or distress has been levied upon any of his or its assets or properties.

### 5.2 Representations and Warranties of the Vendor

As a condition and material inducement to the Purchaser's willingness to enter into this Agreement and consummate the transactions contemplated herein, the Vendor represents and warrants to the Purchaser as follows:

#### Status

- (a) The Vendor is a corporation duly formed and validly existing under the Laws of the Province of British Columbia and the Vendor has the requisite power, authority and capacity to own, lease, license or otherwise hold the Purchased Assets and to carry on the Business as is currently and has historically been operated, conducted or maintained by it.
- (b) The Vendor is duly registered, licensed or otherwise qualified or authorized to conduct its affairs and carry on business in connection with the Business, and is in good standing in each jurisdiction in which the Purchased Assets are owned, leased, licensed or otherwise held, or the nature of such activities makes such registration, licensing, qualification or authorization necessary.
- (c) The Vendor is the only Person which, in whole or in part, carries on the Business.

#### Due Authorization and Enforceability

- (d) The Vendor has all requisite power, authority and capacity to enter into this Agreement and all documents to be delivered by the Vendor pursuant hereto (including the applicable Transaction Documents) and to perform its obligations hereunder and thereunder.

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- (e) This Agreement has been duly authorized, executed and delivered on behalf of the Vendor. This Agreement constitutes, and each other document to be executed and delivered by the Vendor hereunder will, following their execution, constitute, a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with their respective terms and, at the Closing, all documents required to be executed and delivered by the Vendor hereunder will have been duly authorized, executed and delivered by the Vendor, and constitute legal, valid and binding obligations of the Vendor, enforceable against it in accordance with their respective terms.

#### Absence of Conflicts

- (f) Except as set forth in Schedule 5.2(f), the execution and delivery of this Agreement and all documents to be delivered pursuant hereto, the performance of the terms hereof and thereof and the consummation of the transactions contemplated herein and therein do not and will not (i) result in a breach or violation of, conflict with or constitute a default under, any term or provision of the articles or governing documents of the Vendor or any resolutions of the directors or shareholders of the Vendor; (ii) result in a breach or violation of, conflict with, constitute a default (or an event, condition or occurrence which, with or without notice or passage of time or both, would constitute a default) under, accelerate or permit the acceleration of the performance required by, or result in a right of suspension, revocation or termination of, any Material Contract or Regulatory Authorization to which any of the Purchased Assets and/or the Business are subject or result in the creation of any Encumbrance upon any of the Purchased Assets or give others any interest or right, including any right of purchase, termination, cancellation or acceleration under any such Material Contract or Regulatory Authorization; (iii) result in the creation of any Encumbrance upon any of the Purchased Assets; (iv) result in a breach or violation of, conflict with or constitute a default under any Laws applicable to the Vendor, the Business or any of the Purchased Assets; or (v) give rise to a Material Adverse Change.
- (g) Other than as set forth in Schedule 5.2(g), no consent, approval or authorization of, or registration, declaration or filing with, or notice to, any Governmental Authority or any other Person is required to be obtained, made or given by the Vendor as a result of or in connection with the Vendor's execution, delivery and performance of this Agreement or any Transaction Document or the consummation of the transactions contemplated herein.
- (h) No Person other than the Purchaser has any written or oral agreement, or any option or other right or privilege (whether by law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, for the purchase or acquisition from the Vendor of the Business or any of the Purchased Assets or any right, title and interest therein.

#### Regulatory Authorizations

- (i) The Vendor holds and is in material compliance with all Regulatory Authorizations; (ii) such Regulatory Authorizations are in full force and effect in accordance with their terms and, to the Knowledge of the Vendor, no event has occurred or circumstance exists that (with or without notice or passage of time or both) may constitute or result in a violation of any such Regulatory Authorization; (iii) no proceedings are pending or, to the Knowledge of the Vendor threatened, which could result in the revocation or limitation of any Regulatory Authorization; and (iv) all material steps have been taken and filings have been made on a timely basis with respect to each Regulatory Authorization and, if applicable, its renewal. Schedule 5.2(i) sets forth an accurate list of all material Regulatory Authorizations held by the Vendor.

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#### No Broker

- (j) No broker, finder, investment banker or other intermediary is entitled or has claimed to be entitled to any fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Vendor.

#### Books and Records

- (k) All of the Books and Records, whether of a financial or accounting nature or otherwise, have been delivered or made available to the Purchaser and are true, complete, accurate in all material respects and fairly present the activities of the Business and the Purchased Assets and have been maintained in accordance with prudent business practices.

#### Financial Statements and Indebtedness

- (l) The Financial Statements (A) have been derived from, and are in accordance with, the Books and Records; (B) have been prepared in accordance with GAAP; and (C) present fairly and accurately in all material respects the financial condition, results of operations and cash flows of the Vendor as of the dates thereof or for the periods covered thereby. The Vendor has not received any notice of any fraud that involves any Employee or that calls into question the effectiveness of the design and operation of the Vendor's internal controls over accounting or financial reporting.
- (m) The Vendor does not have any Liabilities, other than (i) Liabilities that are reflected or reserved against on the Financial Statements, (ii) Liabilities similar in nature to those reflected or reserved against on the Financial Statements that (A) have been incurred in the Ordinary Course of Business since December 31, 2018 and (B) are not, individually or in the aggregate, material to the Business and that will be reflected in the Closing Working Capital, and (iii) Liabilities pursuant to any executory Contracts to which the Vendor is party that were incurred in the Ordinary Course of Business, other than any such Liabilities arising out of or relating to any failure to perform, improper performance, breach, default or violation of the Vendor prior to the Closing.
- (n) Without limiting the generality of Section 5.2(m), except as set forth in Schedule 5.2(n), (i) the Vendor has no Indebtedness, (ii) the Vendor does not guarantee any Indebtedness of any other Person, (iii) there are no Encumbrances (other than Permitted Encumbrances) on the Purchased Assets.
- (o) The accounts receivable shown on the Balance Sheet (subject to reserves for non-collectability as reflected therein) and all receivables acquired or generated by the Vendor since the date thereof are bona fide receivables and represent amounts due with respect to actual arm's length transactions entered into in the ordinary course of business consistent with past practice and are collectable at their recorded amounts. Any reserves for non-collectability have been reflected on the Balance Sheet in accordance with GAAP and are adequate.
- (p) The Inventory does not include any material items that are slow moving, below standard quality or of a quality or quantity not useable or saleable in the Ordinary Course of Business, the value of which has not been written down on the Vendor's Books and Records to net realizable market value. None of the Inventory, other than goods in transit, are held on consignment or otherwise by any other Person or at a location other than the Leased Real Property. Inventory levels of the Vendor have been maintained at such amounts as are required for the operation of the Business,



and such Inventory levels are adequate therefore. All Inventories are valued on the Books and

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Records at the lower of cost and net realizable value.

- (q) The Vendor maintains a system of general internal controls over financial reporting in respect of the Business and the Purchased Assets, effective to provide internal control over financial reporting in respect of the Business and the Purchased Assets sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability; and (iii) the recorded amounts for assets are reassessed periodically as required by GAAP.

#### Suppliers and Customers

- (r) Schedule 5.2(r) sets out each supplier and customer relating to 10% of the total purchases and sales, as the case may be, of the Business for each of (a) the last two complete fiscal years, and (b) the year to date, and the amounts of such purchases and sales. To the Knowledge of the Vendor, the relationships of the Vendor with each such supplier and customer are good commercial working relationships. Except as set out in Schedule 5.2(r), no such supplier or customer has cancelled or otherwise terminated, or threatened in writing to cancel or otherwise terminate, its relationship with the Vendor or the Business. The Vendor has not received any notice (whether written or oral) that any such supplier or customer may cancel or otherwise materially and adversely modify its relationship with the Vendor or the Business or limit its services, supplies or materials to the Vendor or Business, or its usage or purchase of the services and products of the Vendor and the Business either as a result of the transactions contemplated hereby or otherwise. The Vendor has delivered to the Purchaser copies of all Contracts with the customers and suppliers listed in Schedule 5.2(r). Except as reflected in such Contracts, no customers of the Purchased Business are entitled to or customarily receive discounts, allowances, volume rebate or similar reductions in price or other trade terms arising from any agreements or understandings (whether written or oral) with or concessions granted to any customer.

#### Contracts

- (s) Accurate and complete copies, all as amended or supplemented to date, of: (i) all Material Contracts, and (ii) where Material Contracts are oral, correct and complete written summaries of the terms thereof have been made available to the Purchaser, and the copies or summaries thereof (as applicable) made available to the Purchaser constitute the entire agreement between the relevant parties thereto pertaining to the subject matter of such Material Contract.
- (t) The Contracts listed on Schedule 5.2(t) (the "Material Contracts") are valid and in full force and effect, and constitute all:
- (i) Leases and Equipment Leases;
  - (ii) Contracts relating to the Intellectual Property;
  - (iii) Contracts with any Governmental Authority;
  - (iv) distribution agreements;
  - (v) manufacturing agreements;

(vi) guarantees in relation to any of the Assumed Liabilities;

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- (vii) Contracts that would by their terms on an assumption prohibit the assuming party from freely engaging in business anywhere in the world or competing with any Person or in any geographical area;
  - (viii) Contracts or commitment for capital expenditures with a remaining amount to be paid in excess of \$10,000;
  - (ix) Contracts for the sale of any assets of the Business, other than sales of Inventory in the Ordinary Course of Business;
  - (x) Contracts granting to any Person of preferential rights to purchase any of the Purchased Assets or otherwise in relation to the Business (other than this Agreement), including pursuant to any right of first refusal;
  - (xi) written employment agreements entered into between the Vendor and any Employee who will receive an Employment Offer;
  - (xii) All Contracts with the customers and suppliers listed in Schedule 5.2(r); and
  - (xiii) any other Contracts providing for expenses or revenues of the Business in excess of \$20,000 per annum.
- (u) The Vendor is not in breach of any Assumed Contract, nor to the Knowledge of the Vendor has any circumstance occurred nor does any circumstance exist, that with or without the passage of time, notice or both, may constitute such a breach and to the Knowledge of the Vendor no third party to any Assumed Contract is in breach of any such Assumed Contract nor has any circumstance occurred nor does any circumstance exist that with or without the passage of time, notice or both, may constitute such a breach.
- (v) No counterparty to any Material Contract has notified the Vendor of any intention to propose any material modification to, terminate or not renew, as the case may be, any Material Contract, and the Vendor has not received any notice alleging its default under any Assumed Contract.

#### Absence of Changes and Unusual Transactions

- (w) Save and except as set out in Schedule 5.2(w), since December 31, 2018:
- (i) the Vendor has conducted the Business in the Ordinary Course of Business and in compliance with all applicable Laws;
  - (ii) the Vendor has maintained adequate levels of Inventory and supply consistent with past practice in order to carry on the Business in the Ordinary Course of Business;
  - (iii) the Vendor has not transferred, assigned, sold or otherwise disposed of any of the assets shown or reflected in the Balance Sheet or cancelled any debts or entitlements except, in each case, in the Ordinary Course of Business;
  - (iv) the Vendor has not incurred or assumed any material commitment or Liability relating to the Business or affecting any of the Purchased Assets except as disclosed in the Financial Statements and any unsecured current obligations and Liabilities incurred in the Ordinary Course of Business;

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- (v) the Vendor has not entered into any Contract relating to forward commitment for Inventory or supply in excess of the level or price of Inventory or supply maintained by the Vendor in the Ordinary Course of Business;
- (vi) the Vendor has not made any material write-down of the value of the assets of the Business or the Purchased Assets or any portion thereof;
- (vii) the Vendor has not made any material changes in accounting policies;
- (viii) the Vendor has not discharged or satisfied any Encumbrance, or paid any material obligation or Liability relating to the Business or any of the Purchased Assets, other than Liabilities included in the Balance Sheet and any Liabilities incurred by the Vendor since the date of the Balance Sheet are in the Ordinary Course of Business;
- (ix) there has been no damage, destruction, loss or other event, development or condition of any nature (whether or not covered by insurance) materially affecting the Business or the Purchased Assets (taken as a whole);
- (x) the Vendor has not suffered an operating loss or any unusual or extraordinary loss, waived or omitted to take any action in respect of any rights, or entered into any commitment or transaction not in the Ordinary Course of Business;
- (xi) the Vendor has not terminated, waived, released or cancelled any material rights or Claims relating to the Business or the Purchased Assets;
- (xii) the Vendor has not commenced, participated in, or agreed to participate in any bankruptcy, involuntary liquidation, dissolution, winding up, insolvency or similar proceeding;
- (xiii) the Vendor has not modified or terminated, or received notice of termination of, any Material Contract;
- (xiv) the Vendor has not increased or promised to increase, in any manner, the compensation or benefits of any of the Employees who will receive Employment Offers, other than in the Ordinary Course of Business;
- (xv) the Vendor has not entered into, adopted or amended any Employee Plan;
- (xvi) the Vendor has used commercially reasonable efforts to preserve the goodwill of the Business and its relationships with its suppliers, customers, clients and any others having business dealings with the Vendor in respect of the Business;
- (xvii) the Vendor has not created or permitted to be created any Encumbrances on any of the Purchased Assets other than Permitted Encumbrances;
- (xviii) the Vendor has kept in full force and effect, and in good standing, all of the current insurance policies of the Vendor with respect to the Business and the Purchased Assets;
- (xix) there has been no Material Adverse Change; and
- (xx) the Vendor has not authorized, agreed or otherwise become committed to do any of the

foregoing.



#### Joint Venture Interests or Strategic Alliances

- (x) Except as set forth in Schedule 5.2(x), the Vendor is neither the registered nor the beneficial owner of securities of any Person. The Vendor is not a partner or participant in, or a party to, any strategic alliance, partnership, joint venture, profit-sharing arrangement, co-operative agreement or other association of any nature whatsoever relating to the Business or any of the Purchased Assets.

#### Litigation

- (y) There is no Claim in progress, pending, or to the Knowledge of the Vendor, threatened against or relating to the Vendor, the Business or any of the Purchased Assets, other than the Claims listed on Schedule 5.2(y). There are no judgments unsatisfied against the Vendor nor any judgment, injunction, order, decree, ruling or charge of any Governmental Authority to which the Business is, or any of the Purchased Assets are, subject.

#### Tax

- (z) Except as set forth in Schedule 5.2(z):
- (i) the Vendor has duly and timely, and in all applicable jurisdictions: (A) filed with the appropriate Governmental Authority or agency in the manner prescribed by Law all Tax Returns required to be filed by the Vendor in relation to the Business and the Purchased Assets that would cause or create a lien or charge for Taxes payable by the Vendor as required by this Agreement; and (B) paid all Taxes of the Vendor in respect of the Business and the Purchased Assets which are capable of forming or resulting in an Encumbrance on the Purchased Assets;
  - (ii) the Vendor is not a non-resident of Canada for the purposes of the Tax Act;
  - (iii) the Vendor is duly registered under Part IX of the ETA for GST purposes and its registration number is 837936731;
  - (iv) the Vendor, with respect to the Business and the Purchased Assets, has duly and timely withheld all Taxes and other amounts required by Law to be withheld by it (including Taxes and other amounts required to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the account or benefit of any Person, including any Employees, officers or directors and any non-resident Person), and has duly and timely remitted to the appropriate Governmental Authority such Taxes and other amounts required by Law to be remitted by it;
  - (v) the Vendor has duly and timely collected all material amounts on account of any Taxes, including GST and provincial or territorial sales Taxes, required by Law to be collected by it and has duly and timely remitted to the appropriate Governmental Authority any such amounts required by Law to be remitted by it where failure to do so could result in an Encumbrance on the Purchased Assets or could become the Liability of the Purchaser after Closing;
  - (vi) the Purchaser will not be liable for any Taxes or have successor liability for Successor Taxes of the Vendor as a result of acquiring the Purchased Assets.



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## Employees

- (aa) Schedule 5.2(aa) sets forth: (i) job title, location of employment, duration of employment, vacation entitlement, employee benefit entitlement amount (including under any Employee Plan), on an individual and aggregate basis, and rate of remuneration (including any bonus, commission or other incentive compensation entitlement) as at the date of this Agreement, and status as a full-time or part-time employee, of each Employee who will receive an Employment Offer. Schedule 5.2(aa) lists every Employee Plan.
- (bb) The Vendor has made available to the Purchaser the employment agreements between the Vendor and any Employee who will receive an Employment Offer.
- (cc) Neither the Vendor nor any of the Employees is subject to any agreement with any labour union or employee association in respect of the Business and have not made any commitment to, or conducted negotiations with, any labour union or employee association with respect to any future collective bargaining agreement. To the Knowledge of the Vendor, there has been no attempt to organize, certify or establish any labour union or employee association in relation to any of the Employees during the five-year period preceding the date of this Agreement. There are no existing or, to the Knowledge of the Vendor, threatened strikes or labour disputes, walk outs, work stoppages, slow downs, lock outs, grievances, controversies or other labour troubles affecting any Employees or the Business.
- (dd) The Vendor has been, and is, in compliance with the Laws regarding labour and employment practices, including employment standards, terms and conditions of employment, and all of the personnel engaged to provide services to the Business who are not Employees are treated as independent contractors, are properly characterized as independent contractors, and are not likely to be characterized by a Governmental Authority as Employees.

## Purchased Assets

- (ee) The Purchased Assets represent all of the assets, of any nature whatsoever, used in the conduct, operation or maintenance of, or otherwise relating to, the Business and as are necessary and sufficient to operate the Business in substantially the same manner as the Business is operated, conducted or maintained in the Ordinary Course of Business. The Vendor owns and has the exclusive legal, beneficial and (where its interests are registrable) registered right, title and interest in and to all of the Purchased Assets (other than personal property leased pursuant to the Equipment Leases), with good and valid marketable title, free and clear of all Encumbrances other than Permitted Encumbrances and any existing financing charges registered against the Purchased Assets which will be discharged by the Vendor on Closing, and, in particular, without limiting the generality of the foregoing, there has been no assignment, subletting or granting of any license (of occupation or otherwise) of or in respect of the Purchased Assets which would cause a prohibition or restriction on the use or other exploitation by the Purchaser of such Purchased Assets in a manner consistent with the Business after giving effect to the Closing. No notice or proceeding in respect of expropriation of any of the Purchased Assets by any Governmental Authority has been given or commenced nor, to the Knowledge of the Vendor, is there any proposal to give such notice or commence any such proceeding or are any such proceedings threatened.

## Real Property

- (ff) The Vendor does not own, nor has it ever owned, any real property. Except for the Leased Real

Property the Vendor does not lease, sublease or otherwise use or occupy any real property. The

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Vendor has a valid and existing leasehold interest in, and the right to quiet enjoyment of, the Leased Real Property, free and clear of all Encumbrances other than Permitted Encumbrances. There are no Contracts to which the Vendor is a party granting to any third party the right of use or occupancy of any portion of the Leased Real Property. The Vendor has timely paid all rents and other amounts due or payable, and has complied in all material respects with all of its other material obligations, under the Leases. To the Knowledge of the Vendor, (i) there are no material structural, physical or mechanical defects or other material adverse physical conditions affecting the Leased Real Property; (ii) all building systems and improvements to, or which constitute a portion of, the Leased Real Property are in good operating condition and repair, ordinary wear and tear excepted; and (iii) neither the whole nor any part of the Leased Real Property is subject to any pending or threatened suit for condemnation, expropriation or other taking by any Governmental Authority.

#### Insurance

- (gg) The Vendor maintains the policies of insurance listed in Schedule 5.2(gg) (the "Insurance Policies"), such policies of insurance represent all policies of insurance currently maintained by the Vendor and all such contracts of insurance are legal, valid, enforceable and in full force and effect and all premiums due and owing in connection with such policies have been paid; there exists no state or event of default under any such insurance policies; and there has been no notice or advice of withdrawal of any such policy or any notice of conditions for continuation of any coverage that has not been complied with; and the Vendor has given notice or has otherwise presented, in a timely fashion, every material Claim relating to the Business that is known by it or known by the Vendor to be covered by insurance under its insurance policies or contracts. The Vendor has not been refused any insurance coverage sought or applied for in respect of the Business or in relation to any of the Purchased Assets and there is no material Claim pending under any insurance policy of the Vendor that has been denied, rejected, questioned or disputed by any insurer or as to which any insurer has made any reservation of rights or refused to cover all or any portion of such Claims.

#### Intellectual Property; Confidential Information

- (hh) The Vendor owns all right, title and interest in and to, or is licensed or otherwise possesses legally enforceable rights to use, all Intellectual Property used in or necessary for the conduct of the Business (collectively, the "Business Intellectual Property"), in each case free and clear of all Encumbrances other than Permitted Encumbrances. Schedule 5.2(hh) sets forth a true, complete and correct list of all material owned or licensed Business Intellectual Property. Except as set forth in Schedule 5.2(hh), none of the owned Business Intellectual Property has been registered or is the subject of an application for registration with any Governmental Authority. The Vendor has not granted any license or other right to any third party with respect to the Business Intellectual Property. The consummation of the transactions contemplated by this Agreement will not result in the termination or impairment of the Business Intellectual Property.
- (ii) The conduct of the Business and the use of the Business Intellectual Property do not infringe, misappropriate or otherwise violate any Intellectual Property Rights of any third party. There are no Claims pending or, to the Knowledge of the Vendor, threatened against the Vendor alleging that the conduct of the Business or the use of the Business Intellectual Property infringes, misappropriates or otherwise violates the Intellectual Property Rights of any third party. To the Knowledge of the Vendor, no third party (including any current or former Employee or independent contractor) has infringed, misappropriated or otherwise violated, or is

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currently infringing, misappropriating or otherwise violating, any owned Business Intellectual Property.

- (jj) None of the Employees, former employees or current or former officers, directors, consultants or independent contractors of the Vendor who have had access to Confidential Information have been relieved of their respective obligations of confidentiality to Vendor, and all such Persons have been expressly advised of their respective continuing obligations of confidentiality. All Employees, former employees and current and former officers, directors, consultants and independent contractors of the Vendor who have been involved in the development or modification of the Business Intellectual Property have assigned all of their rights to the Business Intellectual Property to the Vendor and expressly waived any moral rights in Business Intellectual Property. To the Knowledge of the Vendor, none of the Employees, former employees or current or former officers, directors, consultants or independent contractors of the Vendor are subject to any obligation to any other Person, whether contractual or otherwise, including obligations relating to confidentiality, non-competition or possession of proprietary information, or are subject to any judgment, decree or order of any court or administrative agency, relating to the Business Intellectual Property that would interfere with the Business as conducted or presently proposed to be conducted.
- (kk) The Vendor has implemented and maintained commercially reasonable measures in accordance with sound industry practices to protect and maintain the confidentiality of the Confidential Information. All Persons with whom the Vendor has shared Confidential Information have executed a binding non-disclosure and confidentiality agreement governing such Person's use of Confidential Information and, to the Knowledge of the Vendor, no such Person is in breach of such agreements.
- (ll) The IT Systems used by the Vendor in the conduct of the Business (i) are sufficient in all material respects for the conduct of the Business as currently conducted by the Vendor; (ii) are in good working condition, ordinary wear and tear excepted, to perform all information technology and data processing operations necessary for the conduct of the Business as currently conducted; and (iii) to the Knowledge of the Vendor, are substantially free of any material viruses, defects, bugs and errors. To the Knowledge of the Vendor, no unauthorized Person has breached or accessed the IT Systems. The Vendor has taken commercially reasonable steps, consistent with current industry standards, to protect the confidentiality, integrity and security of the IT Systems against any unauthorized use, access, interruption or corruption.

#### Environmental

- (mm) Except as set out in Schedule 5.2(mm), to the Knowledge of the Vendor: (i) there are no facts that would reasonably be expected to give rise to any Liabilities or to a notice to the Vendor of non-compliance with any Environmental Law or Environmental Approvals in respect of the Business the Purchased Assets; (ii) no written notice, order, complaint or penalty has been received by the Vendor alleging that the Vendor is in violation of, or has any Liability or potential Liability under, any Environmental Law, and there are no judicial, administrative or other actions, suits or proceedings pending or threatened against the Vendor which allege a violation of, or any Liability or potential Liability under, any Environmental Laws; (iii) no Remedial Orders have been issued to the Vendor and, to the Knowledge of the Vendor, no fact or circumstance exists which would give rise to such a Remedial Order being issued; and (iv) during the Vendor's occupation of the Leased Real Property and at all other times, to the Knowledge of the Vendor, there has not been a Release of a Hazardous Substance on any of

such premises in violation of Environmental Laws.

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### Compliance with Laws

- (nn) The operations of the Business have been and are now conducted in compliance with all Laws of each jurisdiction the Laws of which have been and are now applicable to the Business and the Vendor has not received any notice of any alleged violation of any such Laws. Neither the Vendor nor either of the Guarantors has received any notice or other communication from any Governmental Authority or other Person alleging or relating to any violation of or failure to comply with any Applicable Law. To the Knowledge of the Vendor, the Vendor is not under investigation or review by any Governmental Authority with respect to, or has been threatened to be charged with, any material violation of any Applicable Law. Without limiting the generality of the foregoing, the operations of the Business have been and are now conducted in compliance with (i) all applicable anti-corruption or anti-bribery laws, including the Corruption of Foreign Public Officials Act (Canada) and the United States Foreign Corrupt Practices Act of 1977, as amended, (ii) the Proceeds of Crime (Money Laundering and Terrorism Financing) Act (Canada), as amended and any similar legislation in any other jurisdiction in which the Business is operated and (iii) all import, export control, trade sanctions, anti-terrorism, and anti-boycott Laws of Canada, the United States and every other relevant jurisdiction.

### Privacy

- (oo) The Vendor has conducted the Business in accordance with Laws relating to the collection, use and disclosure of personal information; and to the Knowledge of the Vendor there is no reason to believe that the Transferred Information is other than that which is necessary for, and solely relates to, the completion of the transactions contemplated herein, including the determination to complete such transactions, or the use and enjoyment of the Purchased Assets by the Purchaser.

### 5.3 Representations and Warranties of the Purchaser

As a condition and material inducement to the Vendor's willingness to enter into this Agreement and consummate the transactions contemplated herein, the Purchaser represents and warrants to the Vendor as follows:

#### Status

- (a) The Purchaser is a corporation duly formed and validly existing under the laws of the Province of Alberta.

#### Authorization and Enforceability

- (b) The execution, delivery and performance by the Purchaser of this Agreement and each Transaction Document to which the Purchaser is a party and the consummation by the Purchaser of the transactions contemplated herein are within the powers of the Purchaser and have been duly and validly authorized and approved by all necessary corporate action on the part of the Purchaser. This Agreement has been, and each Transaction Document to be executed and delivered by the Purchaser at the Closing will be, duly and validly executed and delivered by the Purchaser and (assuming due authorization, execution and delivery by the Vendor and the Guarantors) this Agreement constitutes, and each such Transaction Document when so executed and delivered (assuming due authorization, execution and delivery by the other parties thereto) will constitute, legal, valid and binding obligations of the Purchaser, enforceable against it in accordance with their respective terms.





## Absence of Conflicts

- (c) The execution, delivery and performance by the Purchaser of this Agreement and each Transaction Document to which the Purchaser is a party and the consummation by the Purchaser of the transactions contemplated herein do not and will not (i) conflict with or violate any provision of the Purchaser's constituting documents, (ii) conflict with or violate any applicable Law, or (iii) require any consent of, notice or payment to or other action by any Person under, conflict with, violate, result in a breach of the terms, conditions or provisions of, constitute a default (or an event that with or without notice or lapse of time or both would become a default) under, or give rise to any right of acceleration, amendment, termination or cancellation or to a loss of any rights under, any material Contract to which the Purchaser is a party or by which the Purchaser or any of its material assets or properties is bound, other than, in the case of clause (ii) or (iii) above, any such items that have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Purchaser's ability to perform its obligations hereunder or to timely consummate the transactions contemplated herein.

ARTICLE 6.  
COVENANTS

## 6.1 Covenants of the Vendor

The Vendor covenants and agrees with the Purchaser that from the date hereof until the Closing Date or termination of this Agreement (the "Interim Period"), except with the prior written consent of the Purchaser:

- (a) the Vendor shall conduct the Business in the Ordinary Course of Business;
- (b) the Vendor shall pay or cause to be paid or correctly record and accrue for all costs and expenses relating to the Purchased Assets which are due or become due from the date hereof to the Closing Time;
- (c) the Vendor shall not do any of the following other than pursuant to transactions contemplated herein or pursuant to commitments entered into prior to the date of this Agreement and disclosed to the Purchaser in writing: (i) transfer, assign, sell or otherwise dispose of any of the Purchased Assets, except in the Ordinary Course of Business; (ii) cancel any debts or entitlements, except in the Ordinary Course of Business; (ii) make any commitment or propose, initiate or authorize any single capital expenditure with respect to the Business in excess of \$10,000; or (iii) terminate, waive, release or cancel any right of material value to the Purchased Assets or the Business;
- (d) the Vendor shall not terminate the employment of any Employee other than for just cause or in the Ordinary Course of Business;
- (e) the Vendor shall not increase or promise to increase, in any manner, the compensation or benefits of any Employee;
- (f) the Vendor shall use commercially reasonable efforts to preserve the goodwill of the Business and the relationships of the Vendor with suppliers, customers, clients, Employees and others having past or present business dealings with the Vendor in respect of the Business, to keep available the services of the Employees, and to maintain in full force and effect all Assumed Contracts and Regulatory Authorizations relating to the Business and the Purchased Assets;



- (g) the Vendor shall maintain all of the Purchased Assets in the Ordinary Course of Business;
- (h) the Vendor shall perform all obligations falling due during the Interim Period under the Assumed Contracts and Regulatory Authorizations;
- (i) the Vendor shall not enter into any Contract which will become an Assumed Contract which involves, individually or in the aggregate, financial obligations of more than \$10,000 per annum;
- (j) the Vendor shall not create or permit to be created any Encumbrance on any of the Purchased Assets other than Permitted Encumbrances;
- (k) the Vendor shall use commercially reasonable efforts to keep in full force and effect, and in good standing, all of the current insurance policies of the Vendor with respect to the Business and the Purchased Assets until the Closing Date;
- (l) the Vendor shall not consent to or otherwise allow any material amendments or any other material modifications to any of the Assumed Contracts; and
- (m) the Vendor shall promptly advise the Purchaser in writing of any Material Adverse Change after the date hereof.

## 6.2 Mutual Covenants

### During the Interim Period:

- (a) each Party hereto will take all such actions, steps or procedures which are reasonably within such Party's control as may be necessary to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Laws to complete and give effect to the transactions contemplated by this Agreement, including to: (i) fulfill all conditions set forth in Sections 7.1 and 7.2 hereof, as applicable, and perform all its obligations set forth this Agreement; (ii) obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby; (iii) effect all necessary registrations and filings and submissions of information required by Governmental Authority required to be effected by it in connection with the transactions contemplated herein; and (iv) cooperate with each other Party in connection with the performance by each other Party of its obligations hereunder including continuing to provide reasonable access to information and to maintain ongoing communications as between representatives of each of the Parties;
- (b) the Vendor shall, as soon as practicable, notify the Purchaser in writing of any material change (actual, anticipated, complete or, to the knowledge of the Vendor, threatened) in the Business or in respect of any of the Purchased Assets which change is or would reasonably be expected to, individually or in the aggregate, be of such a nature as to render any representation or warranty of the Vendor misleading or untrue; and
- (c) the Purchaser shall, as soon as practicable, notify the Vendor in writing of any material change (actual, anticipated, complete or, to the knowledge of the Purchaser, threatened) in the businesses of the Purchaser which change is or would reasonably be expected to, individually or

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in the aggregate, be of such a nature as to render any representation or warranty of the Purchaser misleading or untrue.

### 6.3 Information During Interim Period

During the Interim Period the Vendor shall:

- (a) provide the Purchaser and the Purchaser's authorized representatives and advisors with access to all files, Books and Records, Contracts and other documents of any nature pertaining to the Business and the Purchased Assets and promptly provide the Purchaser and the Purchaser's authorized representatives and advisors with any and all additional information pertaining to the Business and the Purchased Assets, in both cases as the Purchaser or the Purchaser's representatives or advisors may reasonably request;
- (b) within two Business Days after receiving a request from the Purchaser, provide to the Purchaser such information as to compliance with Regulatory Authorizations as is reasonably required to confirm compliance with Regulatory Authorizations;
- (c) provide the Purchaser and the Purchaser's authorized representatives and advisors with reasonable access during normal business hours to the Purchased Assets provided the Purchaser will not interfere with the conduct of Business in the ordinary course or disrupt the Employees in the undertaking of their duties. The Purchaser shall have the right to have the Purchased Assets inspected and tested by its authorized representatives; and
- (d) provide the Purchaser and the Purchaser's authorized representatives and advisors with reasonable access during normal business hours to its senior personnel and other representatives as may be reasonably requested, to facilitate due diligence inquiries pertaining to the Business and the Purchased Assets.

### 6.4 Exclusivity

During the Interim Period, the Vendor shall not, directly or indirectly, (a) solicit, initiate, seek or encourage any expression of interest, inquiry, offer or proposal from, (b) initiate or participate in any discussions or negotiations with, (c) furnish or cause to be furnished any information or documentation to, or (d) accept any offer from or enter into any agreement or understanding with, any Person (other than the Purchaser and its Affiliates and representatives) relating to any amalgamation, arrangement, merger, consolidation, recapitalization, reorganization, sale of assets, sale of equity interests or other business combination involving the Vendor (an "Alternative Transaction"). The Vendor shall (i) immediately cease and cause to be terminated all existing discussions, negotiations or other activities with any other Person conducted prior to the date hereof with respect to any Alternative Transaction and (ii) promptly request the return or destruction of all confidential information provided to any other Person pursuant to a confidentiality agreement or otherwise in connection with any such discussions, negotiations or other activities. The Vendor and the Guarantors shall promptly (and in any event within 24 hours of receipt) notify the Purchaser in writing upon receipt by the Vendor or a Guarantor of any inquiry, offer or proposal regarding an Alternative Transaction, which notice shall include the identity of the Person making such inquiry, offer or proposal and the material terms and conditions thereof.

### 6.5 Tax Records

The Vendor agrees to maintain in safekeeping the Tax Records for a period of seven years following the Closing Date, or for such longer period as may be required by Law. During such period, the Vendor will

allow the Purchaser and the Purchaser's authorized representatives and advisors reasonable access to and to

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make copies and to produce originals of such Tax Records at the request of the Purchaser, acting reasonably.

#### 6.6 Name Change or Dissolution Covenant

The Vendor shall, within sixty (60) days after Closing, either (i) change its name to a name which does not include "Millstream Energy Products", "Millstream Energy" or "Millstream" and shall provide to the Purchaser copies of the amendments to the Vendor's constating documents evidencing such change of name, and the Vendor shall take all steps and deliver to the Purchaser all documents to permit the Purchaser and/or any of its Affiliates to use "Millstream Energy Products", "Millstream Energy" or "Millstream" or any derivation or combination thereof or any other aspect of Intellectual Property in connection with its business after Closing or (ii) take such action as is necessary to voluntarily dissolve and provide to the Purchaser documents evidencing such dissolution.

#### 6.7 Amounts Received

From and after the Closing, if the Vendor or any of its Affiliates receives or collects any funds in respect of any accounts receivable, under any Assumed Contract or relating to any other Purchased Asset, the Vendor shall, or shall cause its Affiliate to, remit such funds to the Purchaser within five (5) Business Days after its receipt thereof. From and after the Closing, if the Purchaser receives or collects any funds relating to any Retained Asset, the Purchaser shall remit any such funds to the Vendor within five (5) Business Days after its receipt thereof.

#### 6.8 Restrictive Covenants of the Vendor and the Guarantors

- (a) For a period commencing on the Closing Date and ending on the fifth anniversary of the Closing Date, neither the Vendor nor a Guarantor shall, and each shall cause his or its Affiliates not to, directly or indirectly, own, control, manage, operate, conduct, engage in, participate in, consult with, perform services for, guarantee the debts or obligations of, permit his or its name to be used by or in connection with, or otherwise carry on, any business that competes with the Business as conducted as of the Closing Date in British Columbia or Alberta (the "Territory"), other than pursuant to the Transitional Services Agreement. Notwithstanding the foregoing, the restrictions set forth in this Section 6.8(a) shall not prohibit the Vendor or a Guarantor from (1) being an equity holder in a mutual fund or a diversified investment company, or (2) being a passive owner of not more than two percent in the aggregate of an outstanding class of publicly traded securities.
- (b) For a period commencing on the Closing Date and ending on the fifth anniversary of the Closing Date, neither the Vendor nor a Guarantor shall, and each shall cause his or its Affiliates not to, except on behalf of the Purchaser, directly or indirectly: (1) solicit any customer for a purpose competitive with the Business; (2) refer any Person that is a customer to a competitor of the Business; or (3) otherwise attempt to interfere with or damage the business relationship between the Purchaser and any customer, distributor, supplier or potential customer, distributor or supplier of the Business as of the Closing Date.
- (c) For a period commencing on the Closing Date and ending on the fifth anniversary of the Closing Date, neither the Vendor nor a Guarantor shall, and each shall cause his or its Affiliates not to, directly or indirectly: (i) solicit the employment of (whether as an employee, independent contractor or otherwise) any employee of the Business (including the Transferred Employees); or (ii) otherwise attempt to interfere with or damage the business relationship between the Purchaser or any of its Affiliates, on the one hand, and any employee of the Business (including



the Transferred Employees), on the other hand. Notwithstanding the foregoing, the restrictions

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set forth in this Section 6.8(c) shall not prohibit the Vendor from conducting general solicitations of employment or engagement that are not targeted to any employee of the Business (including the Transferred Employees).

- (d) The Guarantors and the Vendor acknowledge and agree that: (i) the Purchaser and its Affiliates would suffer irreparable and ongoing damages (including a significant loss of the value and goodwill of the Business) in the event that any provision of this Section 6.6 was not performed by a Guarantor or the Vendor in accordance with its terms or otherwise were breached; and (ii) monetary damages, even if available, alone would not be an adequate remedy for any such non-performance or breach. Accordingly, the Vendor and the Guarantors agree that in the event of any breach or threatened breach of any provision of this Section 6.6 by a Guarantor or the Vendor, the Purchaser shall be entitled, in addition to all other rights and remedies that it may have existing in its favour at law, in equity or otherwise, to seek injunctive or other equitable relief (including a temporary restraining order, a preliminary injunction and a final injunction) to prevent any such breach or threatened breach and to enforce such provisions specifically, without the necessity of posting a bond or other security or of proving actual damages. The prevailing party in any action commenced under this Section 6.8(d) (whether through a monetary judgment, injunctive relief or otherwise) also shall be entitled to recover reasonable legal fees and court costs incurred in connection with such action.
- (e) Each of the covenants set forth in this Section 6.6 is a severable and independent covenant and shall be valid and enforceable to the fullest extent permitted by applicable Law. The invalidity or unenforceability of any covenant as written in this Section 6.6 in any jurisdiction shall not invalidate or render unenforceable any of the remaining covenants in this Section 6.6 or such covenant in any other jurisdiction. The existence of any Claim or cause of action against one party by any other party, whether predicated on the breach of this Agreement or otherwise, shall not constitute a defense to the enforcement of the covenants set forth in this Section 6.6. The time period during which the covenants contained in this Section 6.6 shall apply shall be tolled and suspended for a period equal to the aggregate time during which the Vendor, a Guarantor, or his or its Affiliates that are subject to this Section 6.6, violates such covenants.
- (f) The Guarantors and the Vendor acknowledge and agree that: (i) the covenants set forth in this Section 6.6 constitute a material inducement to the Purchaser's willingness to enter into this Agreement and consummate the transactions contemplated herein and are an integral part thereof; (ii) but for these covenants, the Purchaser would not have entered into this Agreement or agreed to acquire the Purchased Assets; and (iii) in view of the highly competitive nature of the Business, the business objectives of the Purchaser in acquiring the Purchased Assets, and the consideration paid for the Purchased Assets, each of the covenants set forth in this Section 6.6 is reasonable with respect to its scope, geographic area and duration and is necessary in order to protect the Purchaser's legitimate business interests.
- (g) The Purchaser will, jointly with the Vendor, within 20 Business Days after receiving a written request from the Vendor or a Guarantor to do so, and in the form prescribed for such purposes, make any election pursuant to or in respect of section 56.4 of the Tax Act reasonably requested by the Vendor. Such election shall confirm that (i) no consideration other than as set forth in Schedule 2.8 is payable to either the Vendor or a Guarantor in respect of the covenants set forth in this Section 6.6 and (ii) such covenants are made to preserve the value of the Business to the Purchaser.

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ARTICLE 7.  
CONDITIONS TO CLOSING

7.1 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the purchase of the Purchased Assets from the Vendor and consummate the transactions contemplated hereby is subject to the following conditions (which are for the exclusive benefit of the Purchaser) being satisfied or complied with in all respects at the Closing, or such earlier time as is specified herein, provided, however, that any such condition may be waived in writing by the Purchaser, in whole or in part, at any time, without prejudice to any of the other rights of the Purchaser hereunder:

- (a) the representations and warranties of the Guarantors and the Vendor set out in Sections 5.1 and 5.2, respectively, shall be true and correct in all respects at the Closing with the same force and effect as if made at and as of such time, except to the extent such representations and warranties speak as of an earlier date, in which case such representations and warranties shall be true and correct in all respects as at such date and the Vendor and the Guarantors shall have delivered, on the Closing Date, a certificate confirming the foregoing dated the Closing Date, addressed to the Purchaser and duly executed by an officer of the Vendor and by the Guarantors;
- (b) the Vendor and the Guarantors shall have complied and performed all of the covenants and obligations set forth in this Agreement to be complied with and performed by the Vendor or a Guarantor at or prior to the Closing pursuant hereto, and the Vendor and the Guarantors shall have delivered, on the Closing Date, a certificate confirming the foregoing dated the Closing Date, addressed to the Purchaser and duly executed by an officer of the Vendor and by the Guarantors;
- (c) there shall have been no Material Adverse Change since the date of this Agreement;
- (d) there shall be no Order issued delaying, restricting or preventing, and no Claim pending or threatened by any Governmental Authority or any other Person to enjoin, delay, restrict or prohibit the purchase and sale of any of the Purchased Assets, as contemplated hereby, or the right of the Purchaser to conduct the Business or to own or use the Purchased Assets following the Closing;
- (e) the notifications, consents and approvals set forth in Schedule 5.2(g), including consents from the counterparties to the Production Contracts, shall have been obtained;
- (f) the Vendor shall have released any Transferred Employees from and after the Closing from any confidentiality or non-competition agreement or non-solicitation covenants with the Vendor except to the extent that these have been assigned to the Purchaser;
- (g) the Vendor shall have delivered evidence satisfactory to the Purchaser that all Encumbrances other than Permitted Encumbrances have been discharged or released as to the Purchased Assets such that the Purchased Assets are free and clear of all Encumbrances other than Permitted Encumbrances; and
- (h) at the Closing, the Vendor shall have delivered all items it is required to deliver pursuant to Section 8.2.

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## 7.2 Conditions for the Benefit of the Vendor

The obligations of the Vendor to complete the sale of the Purchased Assets to the Purchaser and consummate the transactions contemplated hereby are subject to the following conditions (which are for the exclusive benefit of the Vendor) being satisfied or complied with in all respects at the Closing, or such earlier time as is specified herein, provided, however, that any such condition may be waived in writing by the Vendor, in whole or in part, at any time, without prejudice to any of the other rights of the Vendor hereunder:

- (a) the representations and warranties of the Purchaser in Section 5.3 shall be true and correct in all respects at the Closing with the same force and effect as if made at and as of such time, except to the extent such representations and warranties speak as of an earlier date, in which case such representations and warranties shall be true and correct in all respects as at such date and the Purchaser shall have delivered, on the Closing Date, a certificate confirming the foregoing dated the Closing Date, addressed to the Vendor and duly executed by an officer of the Purchaser;
- (b) the Purchaser shall have complied with and performed all of the covenants and obligations set forth in this Agreement to be complied with and performed by the Purchaser at or prior to the Closing pursuant hereto, and the Purchaser shall each have delivered, on the Closing Date, a certificate confirming the foregoing dated the Closing Date, addressed to the Vendor and duly executed by an officer of the Purchaser;
- (c) there shall be no Order issued delaying, restricting or preventing, and no Claim pending or threatened by any Governmental Authority or any other Person to enjoin, delay, restrict or prohibit the purchase and sale of any of the Purchased Assets, as contemplated hereby; and
- (d) at Closing, the Purchaser shall have delivered all items it is required to deliver pursuant to Section 8.3.

## ARTICLE 8. CLOSING

### 8.1 Place of Closing

The Closing shall take place on the Closing Date by way of electronic exchange of closing documentation and receipt of such original documentation as may be required by any Party and electronic fund transfer, without the need for physical meeting of the Parties. Once it has occurred, the Closing shall be deemed to be effective, the Closing Payment shall be deemed to have been received by the Vendor, and all documents delivered and actions taken at the Closing shall be deemed to have been delivered or taken simultaneously at the Closing Time.

### 8.2 Deliveries by the Vendor at Closing

At Closing, the Vendor, shall deliver, or cause to be delivered to the Purchaser:

- (a) certificates of the appropriate Governmental Authority, dated the Closing Date, evidencing the existence of the Vendor;
- (b) the certificates contemplated under Sections 7.1(a) and 7.1(b);
- (c) a certificate of an officer of the Vendor certifying (i) the shareholders' resolutions of the Vendor

approving the sale of the Purchased Assets; (ii) the directors' resolutions of the Vendor approving this Agreement and the transactions contemplated hereby; and (iii) incumbency;

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- (d) all consents and approvals set forth in Schedule 5.2(g), in form and substance acceptable to the Purchaser, acting reasonably;
- (e) discharges or releases in registrable form of all Encumbrances charging or encumbering the Purchased Assets (or any portion thereof) and not constituting Permitted Encumbrances, or undertakings to provide such discharges or releases which are in form satisfactory to the Purchaser's solicitors, including a payoff letter or "no interest" letter in form satisfactory to the Purchaser from the Royal Bank of Canada in respect of the Vendor's line of credit;
- (f) one or more executed general conveyances providing for the sale, assignment, transfer and conveyance of the Purchased Assets and assumption of the Assumed Liabilities, including an assignment in respect of the Business Intellectual Property;
- (g) an executed general assignment providing for the sale, assignment, transfer and conveyance of the Assumed Contracts;
- (h) to the extent applicable, executed tax elections pursuant to Section 2.10;
- (i) possession of the Purchased Assets;
- (j) an employment agreement duly executed by each of the Transferred Employees;
- (k) each of the Transaction Documents, duly executed by the applicable Parties thereto, other than the Purchaser; and
- (l) such other documents and instruments as the Purchaser may reasonably require.

### 8.3 Deliveries by Purchaser at Closing

At Closing, the Purchaser shall deliver to the Vendor:

- (a) a certificate of the appropriate Governmental Authority, dated the Closing Date, evidencing the existence of the Purchaser;
- (b) the certificates contemplated under Sections 7.2(a) and 7.2(b);
- (c) one or more executed general conveyances providing for the sale, assignment, transfer and conveyance of the Purchased Assets and assumption of the Assumed Liabilities, including an assignment in respect of the Business Intellectual Property;
- (d) an executed general assignment providing for the sale, assignment, transfer and conveyance and assumption of the Assumed Contracts;
- (e) to the extent applicable, executed tax elections pursuant to Section 2.10;
- (f) the Closing Payment;
- (g) each of the Transaction Documents, duly executed by the Purchaser; and
- (h) such other documents and instruments as the Vendor may reasonably require.



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ARTICLE 9.  
INDEMNITIES

9.1 Survival

- (a) Subject to Sections 9.1(b), 9.1(c) and 9.1(d), all representations and warranties of the Parties contained herein, in the Transaction Documents or in any certificate delivered hereunder will survive the Closing and the execution and delivery of conveyances provided for herein for a period of 24 months after the Closing Date and will continue during that period in full force and effect and will not merge thereon or therein.
- (b) The Fundamental Representations shall survive the Closing indefinitely.
- (c) The representations and warranties of the Vendor in respect of Taxes survive and continue in full force and effect until 90 days after the expiration of the period during which any Tax assessment may be issued by a Governmental Authority in respect of the Tax year to which such representations and warranties extend (which period will be determined having regard to any consent, waiver, agreement or other document that extends the period during which a Governmental Authority may issue a Tax assessment, reassessment or other form of recognized document assessing liability for Taxes under applicable Law).
- (d) There is no limitation as to time for Claims of either Party against the other Party based on willful misrepresentation or fraud by such other Party, subject only to applicable limitation periods imposed by applicable Law.

9.2 Indemnification

- (a) The Vendor and each of the Guarantors agrees to jointly and severally indemnify and hold the Purchaser and its Affiliates and their respective directors, officers, employees, shareholders, representatives successors and permitted assigns (collectively, the "Purchaser Indemnified Parties") harmless against and in respect of any Losses which the Purchaser Indemnified Party may incur or be required to pay relating to or arising in connection with the following matters:
  - (i) any inaccuracy or breach of any representation or warranty of the Guarantors or the Vendor contained in Section 5.1, Section 5.2, any Transaction Document or in the certificates related thereto delivered pursuant to Sections 7.1(a) and 7.1(b);
  - (ii) any breach or non-performance by the Vendor or a Guarantor of any covenant or agreement to be performed by the Vendor or a Guarantor contained in this Agreement or any Transaction Document;
  - (iii) non-compliance with any bulk sales or similar legislation concerning creditor's rights pertaining to or relating to the Purchased Assets and the Business;
  - (iv) the Retained Assets;
  - (v) the Retained Liabilities and any commitments, obligations or Liabilities related thereto;
  - (vi) all Liabilities arising out of or relating to the obligations of the Vendor set forth in ARTICLE 3; and

(vii) any and all claims for brokerage, commissions, finders' fees or similar claims which the Vendor may have committed to pay to third Persons, or any claim by the Vendor or any

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of its Affiliates that such Person is entitled to receive any consideration in connection with the transactions contemplated in this Agreement that is different from or in addition to the consideration payable hereunder.

- (b) The Purchaser agrees to indemnify and hold the Vendor harmless against and in respect of any Losses which the Vendor may incur or be required to pay relating to or arising in connection with the following matters:
  - (i) any inaccuracy or breach of any representation or warranty of the Purchaser contained in this Agreement, any Transaction Document or the certificates delivered pursuant to Sections 7.2(a) and 7.2(b); and
  - (ii) any breach or non-performance by the Purchaser of any covenant or agreement to be performed by the Purchaser contained in this Agreement or any Transaction Document or under any applicable Law.

### 9.3 Claims by Third Parties

- (a) For the purposes of this Section 9.3, "Third Party Claim" means any demand which has been made by or on behalf of any Third Party and which, if maintained or enforced, might result in a loss, liability or expense of the nature described in this Section 9.2.
- (b) Upon notice of any Third Party Claim in respect of which a Purchaser Indemnified Party proposes to demand indemnification from another Party hereto (each, an "Indemnifying Party"), the Purchaser will give notice to that effect to the Indemnifying Party.
- (c) The Indemnifying Party will have the right, exercisable by giving notice to the Purchaser Indemnified Party not later than 30 days after receipt of the notice described in Section 9.3(b), to assume the control of the defence, compromise or settlement of the Third Party Claim, provided that:
  - (i) the Indemnifying Party will first deliver to the Purchaser Indemnified Party written confirmation that it will fully indemnify the Purchaser Indemnified Party in respect of the Third Party Claim and its written consent to be joined as a party to any action or proceeding; and
  - (ii) the Indemnifying Party will, at the request of the Purchaser Indemnified Party, furnish it with reasonable security against any costs or other liabilities to which it may be or become exposed by reason of the Indemnifying Party's defence, compromise or settlement.
- (d) Upon the assumption of control by the Indemnifying Party, the Indemnifying Party will diligently proceed with the defence, compromise or settlement of the Third Party Claim at the Indemnifying Party's sole expense, and the Purchaser will co-operate fully, but at the expense of the Indemnifying Party, to make available to the Indemnifying Party all pertinent information and witnesses under the Purchaser's control, and to make any assignments and take any other steps which, in the opinion of counsel for the Indemnifying Party, are necessary to enable the Indemnifying Party to conduct a defence, provided that:
  - (i) the Purchaser will be entitled to reasonable security from the Indemnifying Party for any expense, costs or other liabilities to which it may become exposed by reason of its

co-operation; and

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- (ii) the Indemnifying Party shall not consent to the settlement, compromise or discharge of, or the entry of any judgment arising from, or with respect to, any Third Party Claim without the prior written consent of the Purchaser Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), unless the relief consists solely of monetary payment to be paid by the Indemnifying Party in an amount available to be indemnified by the Indemnifying Party hereunder and such settlement does not involve any finding or admission of any violation of applicable Law by the Purchaser Indemnified Party.
- (e) The final determination of any Third Party Claim, including any determination of related costs and expenses, will be binding and conclusive upon the Parties as to the validity of that Third Party Claim.
- (f) Should the Indemnifying Party fail to give notice to the Purchaser Indemnified Party as provided in Section 9.3(c), the Purchaser Indemnified Party will be entitled to make any settlement of the Third Party Claim it deems, in its sole discretion, to be advisable, and that settlement will be binding upon the Indemnifying Party.
- (g) In the event that any Third Party Claim is made against the Vendor and in respect of which the Vendor may make a claim against the Purchaser pursuant to Section 9.2, the provisions of this Section 9.3 shall apply with references to Purchaser and Vendor amended as applicable.

#### 9.4 Right to Set-Off and Release of Holdback

- (a) Subject to the limitations of this ARTICLE 9, the Vendor agrees that all or any portion of any Losses alleged to be incurred or suffered by any Purchaser Indemnified Parties may, at the Purchaser's option and upon at least five days' prior written notice from the Purchaser to the Vendor describing in reasonable detail the nature and basis for such Losses, be set-off against any amount otherwise due and payable by the Purchaser to the Vendor hereunder or under any of the Transaction Documents, including any upward adjustment to the Preliminary Purchase Price in respect of the Final Closing Working Capital or the Holdback Amount to which the Vendor is entitled. For the avoidance of doubt, the right of set-off provided in this Section 9.4(a) is not intended to be the exclusive means of collecting Losses incurred or suffered by any Purchaser Indemnified Party in connection with this Agreement.
- (b) No later than the fifth Business Day following the six-month anniversary of the Closing Date (the "Release Date"), the Purchaser will release and pay to the Vendor an amount equal to the difference of (i) the Holdback Amount minus (ii) the amount, if any, set off from the Holdback Amount by the Purchaser pursuant to Section 2.7(b) or Section 9.4(a) prior to the Release Date minus (iii) the portion of the Holdback Amount then remaining, if any, reserved by the Purchaser in respect of any pending and unresolved indemnification claims pursuant to this ARTICLE 9 as of the Release Date (the "Pending Claims"). The Purchaser will continue to hold any such remaining portion of the Holdback Amount until the Pending Claims are finally resolved in accordance with the terms of this ARTICLE 9. Upon the final resolution of any such Pending Claim, (A) if and to the extent that such Pending Claim is finally resolved such that a Purchaser Indemnified Party is entitled to indemnification from the Vendor pursuant to the terms hereof, the Purchaser will (1) retain the portion of the remaining Holdback Amount attributable to such Pending Claim and (2) release and pay to the Vendor the remaining balance of the Holdback Amount, if any; and (B) if and to the extent that such Pending Claim is finally resolved such that a Purchaser Indemnified Party is not entitled to indemnification from the Vendor pursuant to the terms hereof, the Purchaser will release and pay to the Vendor the

portion of the remaining Holdback Amount attributable to such Pending Claim. For greater

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certainly, to the extent the Holdback Amount is less than the amount to which the Purchaser is entitled upon resolution of a Pending Claim, the Vendor shall promptly pay such shortfall to the Purchaser.

#### 9.5 Exclusive Remedy

Except for (a) the remedies of specific performance or injunctive or other equitable relief, (b) claims for fraud, intentional misrepresentation or willful misconduct or (c) other remedies expressly provided in this Agreement (including Section 2.7 with respect to the calculation of the Final Closing Working Capital and Section 6.6 with respect to the enforcement of the restrictive covenants set forth therein), if the Closing occurs, the indemnification rights set forth in this ARTICLE 9 shall be the sole and exclusive monetary remedy of the parties for any claim arising out of this Agreement.

#### 9.6 Tax Treatment

Any payment under this ARTICLE 9 shall constitute an adjustment to the Purchase Price unless otherwise required by applicable Law, and each of the Parties shall within a reasonable time of payment and receipt of such payment, as applicable, request all amendments to its current or past Tax returns as may be necessary to reflect the foregoing.

#### 9.7 Reductions and Subrogation

If the amount of any claim incurred by an Indemnified Party at any time subsequent to the making of an indemnity payment is reduced by:

- (a) any net Tax benefit to the Indemnified Party; or
- (b) any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person,

the amount of such reduction (less any costs, expenses (including Taxes) or premiums incurred in connection therewith) shall promptly be repaid by the Indemnified Party to the Purchaser, the Vendor or a Guarantor, as applicable.

#### 9.8 Limitations

- (a) An Indemnified Party shall not be entitled to double recovery for any Losses even though they may have resulted from the breach of more than one of the representations, warranties, agreements and covenants made by the Vendor or the Purchaser, as applicable, in this Agreement.
- (b) The Liability of any party with respect to its representations, warranties, covenants and agreements contained herein shall not be affected or reduced by any investigation conducted or any knowledge acquired prior to the Closing by or on behalf of any other party.
- (c) Nothing in this Agreement shall in any way restrict or limit the general obligation at law of an Indemnified Party to mitigate any loss which it may suffer or incur by reason of the breach by a Vendor or the Purchaser, as applicable, of any representation, warranty or covenant of such Party hereunder.
- (d) For purposes of calculating the amount of any Losses arising out of, relating to or resulting from



any breach of any representation or warranty set forth in this Agreement, all limitations and qualifications relating to "material", "materiality", "material adverse effect" or "Material

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Adverse Change" contained in any such representation or warranty shall be disregarded.

ARTICLE 10.  
TERMINATION

10.1 Termination

This Agreement may be terminated and the transactions contemplated hereby may be abandoned, at any time prior to the Closing:

- (a) by mutual written consent of the Parties;
- (b) by any Party if the Closing shall not have occurred by June 30, 2019, provided that the right to terminate this Agreement under this Section 10.1(b) shall not be available to any Party whose failure to fulfill any obligation under this Agreement shall be the cause of the failure of the Closing to occur on or before such date;
- (c) by the Purchaser on written notice to the Vendor if the Closing shall not have occurred on the Closing Date and any of the conditions set forth in Section 7.1 hereof shall not have been satisfied, provided that the Purchaser shall have complied in all material respects with its obligations hereunder;
- (d) by the Vendor on written notice to the Purchaser if the Closing shall not have occurred on the Closing Date and any of the conditions set forth in Section 7.2 hereof shall not have been satisfied, provided that the Vendor shall have complied in all material respects with its respective obligations hereunder;
- (e) by either the Purchaser or the Vendor if there shall be any applicable Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if any Order of any Governmental Authority prohibiting such transactions is entered and such order shall become final and non-appealable; or
- (f) by the Purchaser if there has been a Material Adverse Change with respect to the Business,

and any such notice of termination given by a Party shall specify the basis on which the Party seeks to terminate this Agreement.

10.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 10.1, this Agreement shall thereupon cease to have any further force and effect and each Party shall thereafter have no further Liability thereunder to any other Party, except that the provisions of ARTICLE 9, Section 10.1, this Section 10.2, Section 11.1, Section 11.2, Section 11.3, Section 11.4, Section 11.5, Section 11.8, Section 11.11 and Section 11.17 shall survive any termination of this Agreement, including the preservation of confidentiality and the return and destruction of information and materials as to the Vendor and all aspects thereof remain in full force and effect. Nothing in this Section 10.2 shall relieve any Party of Liability for any breach of this Agreement.

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ARTICLE 11.  
MISCELLANEOUS

11.1 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party to any other Party shall be in writing and shall be delivered by hand delivery, facsimile transmission, registered mail (postage prepaid) (provided that the mailing Party does not know and should not reasonably have known of any disruption or anticipated disruption of postal service which might affect delivery of the mail) or by electronic mail, addressed to the Party to whom the notice is to be given, at its address for service herein. Any notice, consent, waiver, direction or other communication aforesaid shall be deemed received: (i) if hand delivered, on the day of delivery if that day is a Business Day and it was received before 5:00 p.m. local time in the place of receipt and otherwise on the next Business Day, (ii) if sent by fax, on the day of transmission if that day is a Business Day and the fax transmission was made before 5:00 p.m. local time in the place of receipt and otherwise on the next Business Day, (iii) if sent by registered mail, on the fourth Business Day following the day on which it is mailed, except that if at any time between the date of mailing and the fourth Business Day thereafter there is a disruption of postal service then notice must be given by means other than mail, or (iv) if sent by electronic mail, on the day the sender receives confirmation of receipt by return electronic mail (other than automated responses) from the recipient if that day is a Business Day and if that confirmation was received before 5:00 p.m. local time in the place of receipt and otherwise on the next Business Day.

11.2 Address for Service

The address for service of each of the Parties shall be as follows:

- (a) if to the Vendor or a Guarantor:

4925 – 51 Street  
Camrose, AB T4V 1S4

Attention: Rob Lundstrom  
Email: rob@gomillstream.com

with a copy to:

4925 – 51 Street  
Camrose, AB T4V 1S4

Attention: David Francoeur  
Email: david.francoeur@kjf-law.ca

- (b) if to the Purchaser:

Profire Combustion, Inc.  
Box 3313 Bay 12  
55 Alberta Ave.  
Spruce Grove, AB T7X 3A6

Attention: Brenton Hatch

Email: [bhatch@profireenergy.com](mailto:bhatch@profireenergy.com)

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with a copy to:

Lawson Lundell LLP  
1600 – 925 West Georgia Street  
Vancouver, BC V6C 3L2

Attention: Chat Ortved  
Email: cortved@lawsonlundell.com

or such other address as may be designated by notice to the other Parties.

### 11.3 Retention of Records and Confidential Information

The Purchaser acknowledges and agrees that the Vendor will be permitted to retain copies of the Books and Records for such period after the Closing Date as is required by any applicable Law. Both before and after the Closing Date, the Vendor will, and will cause its advisors and other representatives to:

- (a) promptly provide to the Purchaser all information in their possession or under their control relating to the Purchased Assets;
- (b) keep strictly confidential all information relating to the Purchased Assets unless: (i) such information (other than Transferred Information) is or becomes generally available to the public other than as a result of a disclosure by the Vendor in violation of this Agreement; (ii) the disclosure of such information is expressly permitted, in writing, by the Purchaser; or (iii) the disclosure of such information is required by applicable Law or by a Governmental Authority (provided that the Vendor shall provide the Purchaser with prompt written notice of same so that the Purchaser may either seek a protective Order or other appropriate remedy, and the Vendor shall furnish only the disclosure that is required); and
- (c) not use or permit any other Person to use any information relating to any of the Purchased Assets for any purpose whatsoever, unless such information (other than Transferred Information) is or becomes generally available to the public, other than as a result of a disclosure by the Vendor in violation of this Agreement, or the use of such information is expressly permitted, in writing, by the Purchaser.

### 11.4 Privacy

- (a) The Vendor covenants and agrees to advise the Purchaser of all purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information relates and all additional purposes where the Vendor has notified the individual of such additional purpose, and where required by Law, obtained the consent of such individual to use or disclose.
- (b) The Purchaser covenants and agrees: (i) prior to the completion of the transactions contemplated herein, to collect, use and disclose the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated herein, including determining to complete such transactions; (ii) after the completion of the transactions contemplated herein, to collect, use and disclose the Transferred Information only for those purposes for which the Transferred Information was initially collected from, or in respect of, the individual to which such Transferred Information relates or for the completion of the transactions contemplated herein, unless (A) the Vendor or the Purchaser has first notified such

transactions contemplated herein, and each of the Parties hereto shall have obtained each individual of such additional purpose, and where required by all applicable Laws, obtained the

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consent of such individual to such additional purpose, or (B) such use or disclosure is permitted or authorized by Law, without notice to, or consent from, such individual; (iii) where required by Law, to promptly notify the individuals to whom the Transferred Information relates that the transactions contemplated herein have taken place and that the Transferred Information has been disclosed to the Purchaser; (iv) to return or destroy the Transferred Information, at the option of the Vendor, should the transactions contemplated herein not be completed; and (v) to use all reasonable efforts to protect and safeguard the Transferred Information including to protect the Transferred Information from loss or theft, or unauthorized access disclosure, copying, use, modification, disposal or destruction and promptly advise the Vendor should any such loss, theft or unauthorized activity occur prior to the completion of the transactions contemplated herein.

#### 11.5 Guarantee of the Guarantors

The Guarantors hereby absolutely, irrevocably and unconditionally jointly and severally guarantee the full, complete and timely payment and performance by the Vendor of each and every obligation of the Vendor under this Agreement (the "Vendor Obligations"). The Guarantors' obligations hereunder shall not be affected by the existence, validity, enforceability, perfection or extent of any collateral therefor or by any other circumstance relating to the Vendor Obligations that might otherwise constitute a legal or equitable discharge of or defence to a Guarantor as a guarantor not available to the Vendor. The Purchaser shall not be obligated to file any claim relating to any Vendor Obligations in the event that the Vendor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure to so file shall not affect the Guarantors' obligations hereunder. This guarantee shall be deemed a continuing guarantee and shall remain in full force and effect and shall be binding on the Guarantors and their successors and assigns until the date upon which all of the Vendor Obligations have been satisfied in full. The Guarantors reserve the right to assert any and all defences which the Vendor may have arising under or related to the Vendor Obligations other than defences arising from the bankruptcy or insolvency of the Vendor and other defences expressly waived in this Section 11.5. The Guarantors hereby waive (a) any and all defences specifically available to a guarantor (other than performance in full by the Vendor) and (b) any notices, including any notice of any amendment of this Agreement or waiver or other similar action granted pursuant to this Agreement.

#### 11.6 Further Assurances

Each Party shall, from time to time, and at all times hereafter, at the request of another Party, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

#### 11.7 Time of the Essence

Time shall be of the essence of this Agreement.

#### 11.8 Public Announcements

The Purchaser shall, in its sole discretion, plan and co-ordinate any public notices, press releases and any other publicity concerning the transactions contemplated in this Agreement. No other party shall issue or permit to be issued any public notices, press releases or other public announcement concerning the transactions contemplated by this Agreement without the prior written consent of the Purchaser.



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### 11.9 Amendments and Waiver

No modification of or amendment or supplement to this Agreement shall be valid or binding unless set forth in writing and duly executed by all of the Parties and no waiver of any breach of any term or provisions of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived. No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy in law or in equity or by statute or otherwise conferred.

### 11.10 Entire Agreement

This Agreement together with the agreements and other documents to be delivered pursuant to this Agreement (including the Transaction Documents) constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no warranties, representations or other agreements between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document delivered pursuant to this Agreement.

### 11.11 Applicable Law

This Agreement shall be construed and enforced in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada applicable therein. The Parties irrevocably and unconditionally attorn and submit to the exclusive jurisdiction of the courts of competent jurisdiction in the Province of British Columbia in respect of any action, application, reference or other proceeding arising out of or related to this Agreement and agree that all Claims in respect of any such action, application, reference or other proceeding shall be heard and determined in such British Columbia courts. Each of the Parties irrevocably waives, to the fullest extent it may effectively do so, the defence of an inconvenient forum to the maintenance of such action, application, reference or proceeding.

### 11.12 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

### 11.13 Third Party Beneficiaries

Except as provided in ARTICLE 9, which provisions are intended to benefit and to be enforceable by the parties specified therein, nothing in this Agreement, express or implied, is intended or shall be construed to confer upon any Third Party any right, remedy or claim under or by reason of this Agreement. To the extent required by applicable Law to give full effect to the direct rights in favour of the Persons specified in

ARTICLE 9, the Vendor and the Purchaser agree and acknowledge that they are acting as agent and/or as

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trustee of such Persons. The parties reserve their right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a party, without notice to or consent of that Person, including any Indemnified Party.

#### 11.14 Execution in Counterpart

This Agreement may be executed in any number of counterparts with the same effect as if all signatories to the counterparts had signed one document, all such counterparts shall together constitute, and be construed as, one instrument and each of such counterparts shall, notwithstanding the date of its execution, be deemed to bear the date first above written. Delivery of counterparts may be effected by facsimile transmission or scanned emails.

#### 11.15 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties.

#### 11.16 Assignment

This Agreement may not be assigned by any Party without the prior consent of the other Parties provided that the Purchaser may assign its rights and obligations under this Agreement to an Affiliate of the Purchaser (without novation) if, contemporaneous therewith, such Affiliate of the Purchaser agrees to be bound by all representations, warranties, covenants and indemnities of the Purchaser, provided that, notwithstanding any such agreement, the Purchaser continues to be bound by this Agreement and such agreement shall be in form and substance satisfactory to the Vendor acting reasonably.

#### 11.17 Costs

Except as otherwise provided in this Agreement, each Party shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel and other advisors) incurred by it in connection with the negotiation, preparation and execution of this Agreement and the transactions contemplated hereby.

#### 11.18 No Partnership

It is not the intent or purpose of the Agreement to create, and this Agreement shall not be construed as creating, any association, partnership or syndicate.

#### 11.19 Independent Legal Advice

Each Party acknowledges and agrees that he or it has been advised to, and has had sufficient opportunity to, consult with independent legal counsel with respect to this Agreement and the transactions contemplated herein, understands his or its obligations under this Agreement and the Transaction Documents and the nature of the consequences of this Agreement and the Transaction Documents, and is signing this Agreement voluntarily.

[Remainder of this page intentionally left blank]

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IN WITNESS WHEREOF the Parties have executed this Asset Purchase Agreement as of the date above written.

**PROFIRE COMBUSTION, INC.**

Per:   
Name: Brenton W. Hatch  
Title: CEO

**MILLSTREAM ENERGY PRODUCTS LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

**LUNDSTROM HOLDINGS LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
**ROB LUNDSTROM**

\_\_\_\_\_  
**Witness**

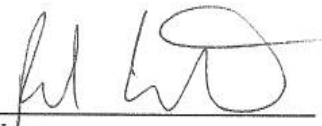
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IN WITNESS WHEREOF the Parties have executed this Asset Purchase Agreement as of the date above written.

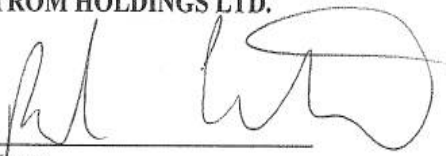
**PROFIRE COMBUSTION, INC.**

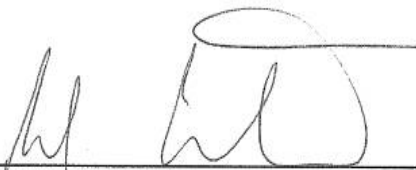
Per: \_\_\_\_\_  
Name:  
Title:


**MILLSTREAM ENERGY PRODUCTS LTD.**

Per:   
Name:  
Title:

**LUNDSTROM HOLDINGS LTD.**

Per:   
Name:  
Title:

  
\_\_\_\_\_  
**ROB LUNDSTROM**

  
\_\_\_\_\_  
Witness



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EXHIBIT A  
FORM OF TRANSITIONAL SERVICES AGREEMENT

See attached.

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## TRANSITIONAL SERVICES AGREEMENT

THIS AGREEMENT made effective as of the \_\_\_\_ day of \_\_\_\_\_, 2019

BETWEEN

PROFIRE COMBUSTION, INC.

(the "Purchaser")

AND

MILLSTREAM ENERGY PRODUCTS LTD.

(the "Vendor")

WHEREAS:

- A. The Purchaser and the Vendor, among others, have entered into an Asset Purchase Agreement (the "APA") dated as of June 12, 2019, pursuant to which, among other things, the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to purchase, the Purchased Assets on the terms and conditions therein; and
- B. It is a condition to the closing of the transactions contemplated by the APA that the Purchaser and the Vendor (together, the "Parties") enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties mutually covenant and agree as follows:

### 1.0 DEFINITIONS

- 1.1 All terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed to such terms in the APA.
- 1.2 In this Agreement, "Confidential Information" means all confidential or proprietary information, intellectual property, confidential facts and non-public information (including, without limitation, all budgets, forecasts, analyses, financial results, prospects, costs, margins, and other business activities and all financial information, all customer, supplier, vendor lists and information, all prospective customer and supplier lists and information, pricing, sales, trade secrets, marketing techniques, procedures, operations, know-how, and other aspects of business) of the Purchaser or relating to the Business, whether in written, oral, electronic or any other format, but excluding any information that is already in the public domain or comes into the public domain without any breach of this Agreement or any other agreement by the Vendor or any of its Affiliates, directors, officers, employees, contractors or representatives.

### 2.0 TRANSITIONAL SERVICES

- 2.1 Transitional Services. The Vendor agrees to provide to the Purchaser the transitional services set out in Schedule A hereto without charge (all of which are collectively referred to as the "Transitional Services" and individually each is referred to as a "Transitional Service"). The

Transitional Services , and individually each is referred to as a Transitional Service ). The

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Vendor shall ensure that Robert Lundstrom is engaged, and during the Term remains engaged, to provide all Transition Services to be provided hereunder. The Vendor agrees that subject to Section 2.2, Robert Lundstrom will attend the Purchaser's premises and participate in provision of the Transitional Services in a manner consistent with past practice.

- 2.2 Consulting Services. In addition to the Transitional Services, the Purchaser may request that the Vendor perform additional consulting services (the "Consulting Services") to be performed at a date agreed to by the parties and for a fee agreed to by the parties.
- 2.3 Performance Standards. The Vendor shall provide the Transitional Services and the Consulting Services using the same standard of care as the Vendor used in and for the Business prior to the Closing Date.
- 2.4 Indemnity. Each of the Vendor and Purchaser agrees to indemnify and hold the other in its capacity as a provider of Transitional Services and Consulting Services hereunder (in each case, the "Service Provider") harmless from and against all losses, costs, damages, liabilities and reasonable out-of-pocket expenses whatsoever, including reasonable legal fees but excluding loss of profits suffered or incurred by the Service Provider, by reason of the provision of the Transitional Services or the Consulting Services by the Service Provider hereunder, unless arising out of the gross negligence or willful misconduct of the Service Provider in connection with the performance of the Transitional Service or the Consulting Services.
- 2.5 Books of Account and Information. Both parties shall maintain at their respective head offices appropriate books of account and records with respect to all Transitional Services and Consulting Services provided by it as a Service Provider under the terms of this Agreement. Each party shall provide to the other whatever additional reports and information relating to the Transitional Services and Consulting Services provided under this Agreement that it may reasonably request. Each party shall retain any records maintained under this Agreement for a period of seven (7) years from the date of the provision of the last of the Transitional Services or Consulting Services hereunder.
- 2.6 Term. The term of this Agreement (the "Term") shall commence on the Closing Date and end on a date that is six months following the Closing Date, unless terminated earlier by written agreement of the Parties; provided that the Term may be extended by written agreement of the Parties. Notwithstanding the termination of this Agreement for any reason, the rights and obligations under Section 2.4 and Articles 3 and 4 shall survive the termination of this Agreement. For greater certainty, no termination of this Agreement will discharge, affect or otherwise modify in any manner the rights of the Parties which have accrued prior to such termination or relieve any Party from liability for any breach of any provision hereof prior to such termination.

### 3.0 CONFIDENTIALITY

- 3.1 Each of the Parties recognize that the nature of each of their relationship with the other is such that each may have access to, and that there may be disclosed to such Party during the course of such relationship, Confidential Information owned by the other or its Affiliates (where a Party receives any Confidential Information, a "Receiving Party"). Each of the Receiving Parties acknowledges that, except for each of the Receiving Parties' relationship with the other Party, each of the Receiving Parties would not otherwise have access to the Confidential Information. Each of the Receiving Parties understands and acknowledges that the Confidential Information constitutes a valuable and unique commercial asset of the other Party, and that disclosure of the

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Confidential Information would have serious negative effects on such Party's business and provide the Receiving Party with a substantial and unfair competitive advantage. Each of the Receiving Parties agrees that such Receiving Party, as applicable, will not, at any time during or after the performance of any the obligations hereunder, use for any purpose other than the furtherance of its business, or disclose to any person, firm, corporation, association or other entity, or to any combination thereof, directly or indirectly, for any reason or purpose whatsoever, any Confidential Information, or any part thereof.

#### 4.0 GENERAL PROVISIONS

4.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered in accordance with the notice provisions set forth in the APA.

4.2 Further Assurances. The parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Transitional Services and Consulting Services hereunder and to mitigate problems should they arise. The parties agree that they shall execute and deliver such further documents and instruments, and do all other acts and things, that may be necessary or desirable in order to give full effect to this Agreement.

4.3 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, a provision shall be substituted so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby may be consummated as originally contemplated to the greatest extent possible.

4.4 Entire Agreement. This Agreement, together with the APA and the agreements and other documents delivered thereunder, constitute the entire agreement of the Parties with respect to the subject matter contained in the APA, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter.

4.5 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign its rights or obligations hereunder without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning Party of any of its obligations hereunder.

4.6 Amendment. No modification of or amendment or supplement to this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the Parties hereto and no waiver of any breach of any term or provisions of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived. No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy in law or in equity or by statute or otherwise conferred.

4.7 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The Parties irrevocably and unconditionally attorn and submit to the exclusive jurisdiction of the courts of competent jurisdiction in the Province of British Columbia in respect of any action, application,



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reference or other proceeding arising out of or related to this Agreement and agree that all claims in respect of any such action, application, reference or other proceeding shall be heard and determined in such British Columbia courts. Each of the Parties irrevocably waives, to the fullest extent it may effectively do so, the defence of an inconvenient forum to the maintenance of such action, application, reference or proceeding.

- 4.8 Independent Legal Advice. Each Party acknowledges and agrees that he or it has been advised to, and has had sufficient opportunity to, consult with independent legal counsel with respect to this Agreement and the transactions contemplated herein, understands his or its obligations under this Agreement and the nature of the consequences of this Agreement, and is signing this Agreement voluntarily.
- 4.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[Remainder of this page intentionally left blank.]

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

PROFIRE COMBUSTION, INC.

Per: \_\_\_\_\_  
Name:  
Title:

MILLSTREAM ENERGY PRODUCTS LTD.

Per: \_\_\_\_\_  
Name:  
Title:

[Signature Page to the Transitional Services Agreement]

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## Schedule "A"

### Transitional Services

The following Transition Services are expected to be performed by Robert Lundstrom ("Lundstrom") for consideration paid in the APA. Should the Purchaser choose to engage Robert Lundstrom for any Consulting Services, beyond what is listed below, the Parties will enter into a separate agreement.

The Transitional Services will be performed in two separate time periods. The first set of Transition Services will be performed in the time period after signing the APA and before the Closing Date. The remaining Transition Services will be performed within six months of the Closing Date.

#### Post Sign – Pre Close

In the period between signing the APA and the Closing Date Lundstrom will:

- Deliver all drawings of product ("Product Drawings") that are designed by the Vendor in an electronic and editable format. This includes all product listed in Schedule 2.8 of the APA.
- Make himself reasonably available to provide additional information and support to describe the Product Drawings as requested by the Purchaser
- Introduce any Transferred Employees to the Purchaser to begin discussing the transition process including the delivery and support of any Employment Agreements.
- Make himself reasonably available to respond to questions that the Purchaser may have regarding any Purchased Assets to assist in transferring those assets in a manner that can be received by the Purchaser.
- Provide a digital and editable copy of the Vendor's customer relations management software or lists.

#### Within Six Months of Closing:

Within six months after the Closing Date Lundstrom is expected to:

- Introduce any customers of the Vendor that are not currently customers of the Purchaser.
- Complete review of Product Drawings and sign off on final versions as they become available. All final Product Drawings must be completed with six Months of Closing.
- Assist Purchaser in categorizing Product Drawings.
- Support the clean-up and or update of Product Drawings
- Support and review the Purchaser's purchase orders to China suppliers as related to Vendor's products. This review should be done to help describe the process of ordering product from the Chinese manufacturers as described in the schedules of the APA.
- Review and provide support for all of the Vendor's outstanding sales orders.
- Review all Inventory on-site at Purchaser's location in Spruce Grove. This review will include matching all product to part numbers as provided by the Vendor.
- Provide access to and describe how to access all systems, software, CRM, website, etc. that were purchased pursuant to the APA.
- Hand off of customers that contact Lundstrom directly as per Purchaser's process and script which will be provided to Lundstrom at or shortly after the Closing Date.
- Provide answers to initial questions regarding any Purchased Assets.
- Provide support to collect on any monies owed pursuant to the Accounts Receivable Aging Report provided at the Closing Date. This includes providing contacts and insight on any potential discrepancies related to purchase orders or other necessary documentation.
- Immediately notify the Purchaser if a payment is received by Lundstrom for Vendor products after the Closing Date and deliver that payment to Purchaser within five days of receipt.

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**EXHIBIT 31.1**

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

I, Brenton W. Hatch, 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
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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: August 7, 2019

By: /s/ Brenton W. Hatch  
Brenton W. Hatch  
Chief Executive Officer

**EXHIBIT 31.2**

**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: August 7, 2019

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 June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Brenton W. Hatch, Chief Executive 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: August 7, 2019

By: /s/ Brenton W. Hatch  
Brenton W. Hatch  
Chief Executive Officer

**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 June 30, 2019, 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: August 7, 2019

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