

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period

Commission File Number 001-36378

PROFIRE ENERGY, INC.

(Name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

20-0019425

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

321 South 1250 West Suite 1

Lindon, UT 84042

(Registrant's principal executive offices)

(801) 796-5127

(Registrant's telephone number, including area code)

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

Common Stock, \$0.001 par value

(Title of each class)

NASDAQ

(Name of each exchange on which registered)

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Emerging Growth Company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.

7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which our common stock was last sold as of the last business day of our most recently completed second fiscal quarter was approximately \$31,234,204.

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

As of March 8, 2021, the registrant had 51,423,007 shares of common stock, par value \$0.001, issued and 48,010,629 shares outstanding.

Documents Incorporated by Reference: Portions of the Profire Energy, Inc. Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

PROFIRE ENERGY, INC.
FORM 10-K
TABLE OF CONTENTS

Explanatory Note	4
Cautionary Note Regarding Forward-Looking Statements	4
PART I	
Item 1. Business	5
Item 1A. Risk Factors	9
Item 1B. Unresolved Staff Comments	22
Item 2. Properties	22
Item 3. Legal Proceedings	22
Item 4. Mine Safety Disclosures	22
PART II	
Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	23
Item 6. Selected Financial Data	23
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	26
Item 8. Financial Statements and Supplementary Data	27
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	55
Item 9A. Controls and Procedures	55
Item 9B. Other Information	56
PART III	
Item 10. Directors, Executive Officers, and Corporate Governance	57
Item 11. Executive Compensation	57
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	57
Item 13. Certain Relationships and Related Transactions and Director Independence	57
Item 14. Principal Accounting Fees and Services	57
PART IV	
Item 15. Exhibits, Financial Statement Schedules	58
Signatures	60

Explanatory Note

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

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

PART I

Item 1. Business

Overview

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

Principal Products and Services

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

Oil and gas companies, including upstream, midstream, downstream, pipeline, and gathering operators, utilize burner-management systems to achieve increased safety, greater operational efficiencies, and improved compliance with industry regulations. Without a burner-management system, a field employee must discover and reignite an extinguished burner flame, then restart the application manually. Therefore, without a proper burner-management system, all application monitoring must be accomplished in-person, directly on-site. This requirement for on-site monitoring, in an environment with limited field personnel, can result in the potential interruption of production for long periods of time and increased risks associated with reigniting a flame, which can lead to site hazards, including explosions and the possibility of venting gas into the atmosphere. In addition, without a burner -management system, burners often operate for longer durations, frequently with lower efficiency, resulting in increased equipment fatigue and greater expense related to fuel consumption. We continue to assess regulatory requirements on behalf of our customers. We believe that burner-management systems and services offer solutions for customers to meet compliance standards where applicable. In addition to product sales, we dispatch specialized service technicians to provide maintenance and installation support throughout the United States and Canada.

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

Our systems and solutions have been widely adopted by exploration and production companies (E&P), midstream operators, pipeline operators, as well as downstream transmission and utility providers. Our customers include, EQT, Antero, Chevron, Concho Resources, Devon Energy, XTO, CNRL, Cenovus, Hess, Pioneer Natural Resources, Williams, Dominion, ATCO, and others. Our systems have also been sold and installed in other parts of the world including many countries in South America, Europe, Africa, the Middle East, and Asia. Though firmly established and primarily focused on North American oil and gas markets, we continue to invest in expansion efforts in international markets and the broader combustion industries.

Environmental, Social and Governance Focus

As guiding principles and core to our strategy, our products and solutions are developed with a focus on safety, environmental impacts, reliability and efficiency. Protecting human life, protecting the environment, and protecting our

customers' investments are key guiding principles. Our products play a key role in supporting our customers' existing and future initiatives regarding improving workplace safety and environmental impacts.

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

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

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

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

Principal Markets and Distribution Methods

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

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

Although our primary focus is on serving the oil and gas industry, we continue to look for expansion opportunities and development projects to diversify our product and market footprint in other industries. Some industries of focus may include power generation, agriculture, construction and infrastructure, mining, biogas, and soil reclamation.

Competition

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

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

Sources and Availability of Raw Materials

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

Some of the components that we resell, such as some of our valve products, are available from a limited number of suppliers. If our access to such products becomes constricted, we could experience a material adverse impact on our results of operations or financial condition. Because many of the component parts we use are relatively low-priced and readily available, we do not anticipate that a sudden or dramatic increase in the price (or decrease in supply) of any particular part would have a material adverse effect on our results of operations or financial condition, even if we are unable to increase our sales prices proportionate to any particular price increase.

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

Our burner-management system manufacturers are located in Alberta, Canada. We have implemented a redundancy strategy which includes multiple contract manufacturers and sufficient inventory reserves to meet fluctuations in demand as well as disaster recovery.

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

Dependence upon Major Customers

During the fiscal years ended December 31, 2020 and December 31, 2019, no single customer accounted for more than 10% of our total revenues. Nonetheless, the loss of a major customer could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Patents, Trademarks and Other Intellectual Property

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

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

Need for Governmental Approval of our Principal Products or Services

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

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

Effects of Existing or Probable Governmental Regulation on our Business

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

- B149.3-10, which has evolved in recent years and is effective for Alberta, governs the safety precautions that must be met concerning the ignition of the pilot and the main burner in Alberta. It

- requires a programmable control to be used, if the controller complies with certain certification requirements promulgated by the CSA.
- Regulation 7 of the Air Quality Control Commission regulations in Colorado requires that combustion devices be equipped with an auto-igniter which will automatically attempt to relight the pilot flame in the combustion chamber of a control device. The auto-igniter requirement is to reduce the risk of volatile organic compound emissions.
- R307-503, as passed by the Utah Department of Air Quality, mandates that all open and enclosed flares have an auto-igniter designed to automatically attempt to relight the pilot flame of a flare in order to combust volatile organic compound emissions. The rule cover Utah's two largest oil- and gas-producing counties.
- Order 25417, in North Dakota requires producers to condition crude oil before transportation and prove oil temperature is above 110 degrees Fahrenheit, to burn off toxic gases from the oil.

Our burner-management systems help companies comply with with the aforementioned regulations and other clean air and emissions reduction initiatives and requirements. On behalf of our customers, we monitor regulatory requirements that impact their businesses and industries. We have assigned sales and service professionals to specific geographic areas to ensure we have a strong presence in the States and Provinces with specific safety and emissions regulations.

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

Research and Development

We place strong emphasis on product-oriented research and development relating to the development of new or improved products and systems. During the fiscal years ended December 31, 2020 and December 31, 2019, we spent \$1,299,103 and \$1,933,112, respectively, on research and development programs.

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

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

During the fiscal years ended December 31, 2020 and December 31, 2019, respectively, we did not incur material direct costs to comply with applicable environmental laws. There can be no assurance, however, that this will continue to be the case in the future as environmental laws and regulations relating to the oil and natural gas industry are routinely subject to change.

Corporate Structure

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

Employees

As of December 31, 2020, we had a total of 88 employees, 82 of whom were full-time employees.

Executive Officers of the Registrant

Name	Age	Positions Held
Brenton W. Hatch	70	Executive Chairman (2020 to present) Chief Executive Officer and President (2008-2020)
Ryan Oviatt	47	Co-Chief Executive Officer and Co-President (2020 to present) Chief Financial Officer (2015 to present)
Cameron Tidball	44	Co-Chief Executive Officer and Co-President (2020 to present) Chief Business Development Officer (2018-2020)
Jay Fugal	37	Vice President of Operations (2018 to present)
Patrick Fisher	43	Vice President of Product Development (2019 to present)

Available Information

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

Item 1A. Risk Factors

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

Risks Relating to Our Business

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

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

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

- significantly reduced prices for oil production, resulting from a world-wide decrease in demand and a resulting oversupply of existing production;
- further decreases in the demand for oil production, resulting from significantly decreased levels of global, regional and local travel as a result of federal, state and local government-imposed quarantines, including shelter-in-place mandates, enacted to slow the spread of the virus;
- increased likelihood that our customers will reduce capital expenditures due to reduced oil prices, decreases in demand for oil production and other factors that could curtail production;
- increased potential that our customers may seek to invoke force majeure provisions as a result of significantly adverse market conditions to avoid the performance of contractual obligations;

- increased costs and staffing requirements related to facility modifications, social distancing measures or other best practices implemented in connection with federal, state or local government, and voluntarily imposed quarantines or other regulations or guidelines concerning physical gatherings; and
- increased legal and operational costs related to compliance with significant changes in federal, state, and local laws and regulations.

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

Oil Prices could continue to be volatile due to the COVID-19 Pandemic and other factors.

Oil prices can have significant impact on the demand for our products. The global COVID-19 pandemic negatively impacted global oil demand to an unprecedented degree. Although oil prices have recovered significantly and reached pre-pandemic levels in February 2021, future oil prices remain highly uncertain due to the COVID-19 pandemic and other factors. Efforts to reduce global oil production may not be successful, and the oil market could continue to be oversupplied. Uncertainty regarding the supply and demand for oil is likely to lead to increased volatility in the price of oil, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

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

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

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

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

- the level of oil and gas production;
- the demand for oil and gas related products;
- domestic and worldwide economic conditions;
- political instability in the Middle East and other oil-producing regions;
- the actions of the Organization of Petroleum Exporting Countries (OPEC);
- the price of foreign imports of oil and gas, including liquefied natural gas;
- natural disasters or weather conditions, such as hurricanes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If the laws and regulations governing oil and natural gas exploration and production were to become less stringent, we could experience a decline in the demand for our products, which we expect would materially and adversely impact our results of operations and financial condition. These regulations are subject to change and new regulations may curtail or eliminate customer activities in certain areas where we currently operate.

Furthermore, our operations are affected by local, provincial, state, federal, and foreign laws and other regulations relating to oil, gas and electric standards. Such standards can be related to safety, environmental protection, or other regulatory dimensions for the oil and gas industry. Less stringent standards could adversely impact our business and financial conditions.

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

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

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

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

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

Most of our products are used in hazardous production applications and involve exposure to inherent risks, including explosions and fires, where an accident or a failure of a product could result in liability for personal injury, loss of life, property damage, pollution or other environmental hazards or loss of production. Litigation may arise from a catastrophic occurrence at a location where our equipment and services are used. This litigation could result in large claims for damages,

including consequential damages, and could impair the market's acceptance of our products. The frequency and severity of such incidents could affect our operating costs, insurability and relationships with customers, employees and regulators. These occurrences could result in substantial costs and diversion of Management's attention and resources, which could have an adverse effect on our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Even if the patent applications we rely on are issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and patents may be challenged in the courts or patent offices in the United States and internationally. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop, or prevent us from stopping, others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, or otherwise provide us with a competitive advantage.

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

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

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

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

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

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

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

Our commercial success depends upon our ability and the ability of our distributors, contract manufacturers, and suppliers to manufacture, market, and sell our products, and to use our proprietary technologies without infringing, misappropriating, or otherwise violating the proprietary rights or intellectual property of third parties. While we are not aware of any issued or pending patent applications that could restrict our ability to operate, we may in the future become party to, or be threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing or future intellectual property rights. If we are found to infringe a third party's intellectual property rights, we may be temporarily or permanently prohibited from commercializing our products that are held to be infringing. We might, if possible, also be forced to redesign our products so that we no longer infringe the third-party intellectual property rights, or we could be required to obtain a license from such third party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle pending or threatened litigation. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us, and we could be required to pay significant royalties and other fees. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our products or force us to cease some of our business operations, which could materially harm our business.

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

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

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

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

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

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

New technologies could render our existing products obsolete.

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

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

Our development to date has largely depended, and in the future will continue to largely depend, on the efforts of our senior management. We currently do not have key-person insurance on any of our senior management team. Thus, the loss of any member of our senior management could impair our ability to execute our business plan and could therefore have a material adverse effect on our business, results of operations, and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

While we believe that our security technology and processes provide adequate measures of protection against security breaches and reduce cybersecurity risks, disruptions in, or failures of, information technology systems are possible and could have a negative impact on our operations or business reputation. Failure of our systems, including failures due to cyber-attacks that would prevent the ability of systems to function as intended, could cause transaction errors, loss of customers and sales, and could have negative consequences to our business, our employees, and those with whom we do business.

Risks Relating to our Common Stock

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

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

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

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

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

As of December 31, 2020, our executive officers, directors, and certain beneficial owners owned approximately 33% of our common stock. As a result, our insiders have sufficient voting power to significantly influence the outcome of many matters requiring stockholder approval. These matters may include:

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

- amending our articles of incorporation and bylaws.

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

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

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

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

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

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

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

We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal control over financial reporting and to disclose any changes in internal control over financial reporting. In [Item 9A](#) of this report, we disclose that with respect to the standards of Section 404 of the Sarbanes-Oxley Act of 2002, the internal controls-standard to which we are subject, we concluded that our internal control over financial reporting was effective as of December 31, 2020. For additional information on this item, please see [Item 9A. Controls and Procedures](#).

Although we concluded that our internal controls over financial reporting were effective as of December 31, 2020, we have identified and reported material weaknesses in prior periods, and we cannot be certain that our internal control practices will ensure that we will have or maintain adequate internal control over our financial reporting in future periods. Any failure to have or maintain such internal controls could adversely impact our ability to report our financial results accurately and on a timely basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations.

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

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

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

Our articles of incorporation authorize the issuance of up to 10,000,000 shares of “blank check” preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. Our Board of Directors is empowered, without stockholder approval, to authorize the issuance of a series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute the interest of, or impair the voting power of, our common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control. For example, it would be possible for our Board of Directors to authorize preferred stock with voting or other rights or preferences that could impede the success of any attempt to effect a change in control of our Company. Any aspect of the foregoing, alone or together, could delay or prevent unsolicited takeovers and changes in control or changes in our management.

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

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

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

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

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

In addition to the control share law, Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and “interested stockholders” for two years after the “interested stockholder” first becomes an “interested stockholder,” unless the corporation’s Board of Directors approves the combination in advance. For purposes of Nevada law, an “interested stockholder” is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The definition of the term “business combination” is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation’s assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the

corporation and its other stockholders. The effect of Nevada's business combination law is to potentially discourage parties interested in taking control of our Company from doing so if it cannot obtain the approval of our Board of Directors.

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

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

On April 24, 2020, we received written notice from the Listing Qualifications Department (the "Staff") of the Nasdaq Stock Market ("Nasdaq") notifying us that we were not in compliance with Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement") because the closing bid price for our common stock closed below \$1.00 per share for the previous 30 consecutive business days. We did not regain compliance during the initial compliance period, as extended by Nasdaq due to conditions related to the COVID-19 pandemic, which ended on December 28, 2020, and we requested an additional 180 calendar day period to regain compliance with the Minimum Bid Price Requirement. On January 27, 2021, Nasdaq notified us that we had regained compliance with the Minimum Bid Price Requirement and the matter was now closed.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

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

Location	Lease Expiration	Use	Square Footage
Lindon, Utah	Owned	Corporate HQ & Warehouse Assembly	50,500
Spruce Grove, Alberta	Owned	Office & Warehouse Assembly	16,000
Acheson, Alberta	Owned	Office & Warehouse Assembly	25,500
Greeley, Colorado	Owned	Office & Warehouse Storage	2,750
Victoria, Texas	July 21, 2021	Office & Warehouse Assembly	3,250
Homer City, Pennsylvania	May 10, 2022	Office & Warehouse Storage	2,100
Millersburg, Ohio	Month-to-Month	Office & Warehouse Assembly	1,600

On November 27, 2020, we sold one of the bays from our old office building located in Spruce Grove, Alberta. The remaining three bays were subsequently sold on January 22, 2021. See "Recent Developments" for further details.

Item 3. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in matters may arise from time to time that may harm our business. As of December 31, 2020, Management is not aware of any pending legal, judicial or administrative proceedings to which the Company or any of its subsidiaries is a party or of which any properties of the Company or its subsidiaries is the subject that we believe could have a material impact on our operations or financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information for Registrant's Common Equity and Holders

The Company's common stock is traded on the NASDAQ Capital Market under the symbol "PFIE." As of March 8, 2021, there were approximately 81 shareholders of record for our common stock. The number of record shareholders was determined from the records of our stock transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, registered clearing houses or agencies, banks, or other fiduciaries.

Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans

The table below displays information relating to equity compensation:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,442,823	\$ 0.52	628,891
Equity compensation plans not approved by security holders	—	—	—
Total	1,442,823	\$ 0.52	628,891

Issuer Purchases of Equity Securities

On November 5, 2018, the Company announced that its Board of Directors had authorized a share repurchase program allowing the Company to repurchase up to \$2,000,000 worth of the Company's common stock from time to time through October 31, 2019 at Management's discretion. The Company continued to repurchase stock during October 2019 until the share repurchase program expired. As of the date of this report, the Company does not have an active share repurchase program.

Item 6. Selected Financial Data

This section is not required.

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

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

Recent Developments

On November 27, 2020, we sold one of the bays from our old office building located in Spruce Grove, Canada. The remaining three bays were subsequently sold on January 22, 2021. We received overall cash proceeds from these two sales of \$1,154,714 CAD which resulted in a gain on the sale of this building. Due to the timing of these two sales transactions, a gain

on the sale of the first bay was recorded in our 2020 results and a gain from the sale of the remaining three bays was recorded in January 2021.

Results of Operations

Revenues, Cost of Goods Sold, and Gross Profit

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

	For the Year Ended December 31, 2020	% of Revenue	For the Year Ended December 31, 2019	% of Revenue	\$ Change	% Change
Total Revenues	21,458,609	100 %	38,981,313	100 %	\$ (17,522,704)	(45) %
Total Cost of Goods Sold	11,932,408	56 %	19,452,954	50 %	\$ (7,520,546)	(39) %
Gross Profit	9,526,201	44 %	19,528,359	50 %	\$ (10,002,158)	(51) %

Total revenues decreased by 45% which was primarily driven by macro industry changes associated with the COVID-19 pandemic during 2020. The average oil price in 2020 was \$39.16 per barrel compared to \$56.99 per barrel in 2019, representing a decrease of 31.3%. The 2020 weekly average onshore rig count for North America was 505 compared to 1,052 in 2019. As a result of these macro trends, we believe many exploration and production companies pulled back on capital expenditure budgets or deferred planned spending. We continue to focus our resources in geographic areas that we believe have the greatest potential for improved revenues and return on investment. However, continued volatility in commodity prices, or weak oil prices during 2021, could cause our customers to reduce operating and capital expenditures even more, which would adversely affect our revenues.

Total cost of goods sold decreased due to the decrease in revenues. As a percentage of revenue, cost of goods sold increased during 2020 due to the fixed portion of cost of goods and services being higher as a percentage of revenue given the drop in sales volume during the year. We continue to work with our suppliers to control our inventory costs, which has the largest impact on margin. As a result of these changes, total gross profit decreased by \$10,002,158 during 2020 compared to 2019. As a percentage of revenues, total gross profit decreased due to factors described above.

Operating Expenses

The table below presents information on operating expenses:

	For the Year Ended December 31, 2020	% of Revenue	For the Year Ended December 31, 2019	% of Revenue	\$ Change	% Change
General and administrative expenses	10,641,122	50 %	13,454,195	35 %	\$ (2,813,073)	(21) %
Research and development	1,299,103	6 %	1,933,112	5 %	\$ (634,009)	(33) %
Depreciation and amortization expense (inclusive of amounts in COGS)	1,163,722	5 %	1,464,844	4 %	\$ (301,122)	(21) %

General and administrative expenses decreased by \$2,813,073 or 21% during 2020 compared to 2019 but increased as a percentage of revenue because revenues decreased 45% during the same period. Throughout 2020 we took actions to reduce expenses and adjust our cost structure to reduce the fixed cost burden on our business. These efforts contributed to the decrease in general and administrative expenses during the year. In the current environment, we continue to evaluate our cost structure in an effort to manage costs closely and improve profitability.

Research and development expenses decreased by \$634,009 or 33% during 2020 compared to 2019 and increased slightly as a percentage of revenue. We continue to prioritize research and development projects to ensure that we remain a leader in technology and automation in the oil and gas industry. We intend to continue our research and development efforts during 2021 in order to further expand, diversify and enhance our product offerings.

Depreciation and amortization expense (inclusive of amounts in COGS) decreased by \$301,122 or 21% in 2020 compared to 2019 primarily due to an asset impairment we recorded during 2019 with respect to one of our patents relating to chemical management systems. As a result of deterioration in market conditions related to chemical management systems during 2019, we determined that the patent was impaired and recorded an impairment of \$417,777, which represented the excess of the carrying value of this patent over its estimated fair value. Refer to Note 4 and Note 5 of the financial statements included in this report for further details on property and equipment, depreciation expense, intangible assets and amortization expense.

Liquidity and Capital Resources

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

We acquired land for a new office building and research and development facility in Canada in June of 2018. In the first quarter of 2020, we completed the construction of this new building in Acheson, Canada. Excluding the cost of the land, the total cost of the building was approximately \$4,600,000 USD. Since our new building was completed during the year, we sold our old office building in Canada as described in Recent Developments above.

The table below presents information on cash and investments:

	December 31, 2020	December 31, 2019	\$ Change	% Change
Cash and cash equivalents	9,148,312	7,358,856	\$ 1,789,456	24 %
Short-term investments	2,388,601	1,222,053	\$ 1,166,548	95 %
Short-term investments - other	—	2,600,000	\$ (2,600,000)	(100)%
Long-term investments	6,064,294	7,399,963	\$ (1,335,669)	(18)%
Total	17,601,207	18,580,872	\$ (979,665)	(5)%

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

The table below presents information regarding cash flows:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019	\$ Change	% Change
Net Cash Provided by Operating Activities	\$ 264,400	\$ 7,713,202	\$ (7,448,802)	(97)%
Net Cash Provided by (Used in) Investing Activities	\$ 1,766,664	\$ (7,437,441)	\$ 9,204,105	124 %
Net Cash Used in Financing Activities	\$ (210,435)	\$ (3,050,303)	\$ 2,839,868	93 %
Effect of exchange rate on Cash	\$ (31,173)	\$ 31,466	\$ (62,639)	(199)%
Net Increase (Decrease) in Cash	\$ 1,789,456	\$ (2,743,076)	\$ 4,532,532	165 %

Our liquidity position is impacted by operating, investing and financing activities. During the year ended December 31, 2020, we generated \$264,400 of positive cash flow from operating activities, primarily due to cash received from customer sales and cash held from slower purchasing of inventory during the year, partially offset by cash outflows for accounts payable and accrued liabilities. Operating activity trends consist of cash inflows and outflows related to changes in operating assets and liabilities. During the year ended December 31, 2020, we generated \$1,766,664 of positive cash flow from investing activities, primarily due to investment sales, partially offset by costs incurred for the construction of the new office building in Canada and purchases of other fixed assets. Investing activity trends consist of changes in the mix of our investment portfolio, purchases or sales of fixed assets, and acquisition activities. During the year ended December 31, 2020, we used \$210,435 of cash in financing activities, primarily related to equity awards issued to management. Financing activity trends consist of transactions related to equity awards and purchases or sales of treasury stock.

The global COVID-19 pandemic has impacted our business in 2020 and as a result, we have focused on cost control measures as we navigate the uncertainty caused by the pandemic and the resulting oil market supply and demand imbalance. We have focused on decreasing operating, investing and financing costs. We have reduced labor costs, travel and other non-essential expenditures in this current environment. We have also completed the construction of our new office building in Canada, and as a result we expect fewer costs related to fixed asset purchases in the near future. Our stock repurchase program expired in 2019, and our Board of Directors did not adopt a new repurchase program during 2020 in order to reduce costs related to financing activities. The extent to which the global COVID-19 pandemic will continue to affect our liquidity position will depend on future developments, which are highly uncertain and cannot be predicted with confidence. As of December 31, 2020, we hold \$17,601,207 of cash and investments that form our core excess liquidity which could be utilized, if required, due to the issues described above.

Off-Balance Sheet Arrangements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

This section is not required.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Profire Energy, Inc. and Subsidiaries (“the Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income, stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2020 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate audit opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Long-Lived Asset Impairment Assessment

As described in note 1 to the consolidated financial statements, the Company performs impairment testing for its long-lived assets when events or changes in circumstances indicate that its carrying amount may not be recoverable and exceeds its fair value. Due to challenging industry economic conditions, the Company tested its long-lived assets during the year ended December 31, 2020.

We identified the evaluation of the impairment analysis for long-lived assets as a critical audit matter because of the significant estimates and assumptions management used in the discounted cash flow analysis. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort.

Our audit procedures related to the following:

- Testing management's process for developing the fair value estimate.
- Evaluating the appropriateness of the discounted cash flow model used by management.
- Testing the completeness and accuracy of underlying data used in the fair value estimate.
- Evaluating the significant assumptions used by management related to revenues, gross margin, other operating expenses, income taxes, long term growth rate, and discount rate to discern whether they are reasonable considering (i) the current and past performance of the entity; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Professionals with specialized skill and knowledge were utilized by the Firm to assist in the evaluation of the discounted cash flow model and discount rate assumptions.

Goodwill Impairment Assessment

As described in note 1 to the consolidated financial statements, the Company tests goodwill for impairment annually at the reporting unit level, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Reporting units are tested for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recorded based on the difference between the fair value and carrying amount, not to exceed the associated carrying amount of goodwill. The Company's annual impairment test occurred on December 31, 2020.

We identified the evaluation of the impairment analysis for goodwill as a critical audit matter because of the significant estimates and assumptions management used in the discounted cash flow analysis performed by management to determine fair value of the reporting unit. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort.

Our audit procedures related to the following:

- Testing management's process for developing the fair value estimate.
- Evaluating the appropriateness of the discounted cash flow model used by management.
- Testing the completeness and accuracy of underlying data used in the fair value estimate.
- Evaluating the significant assumptions used by management related to revenues, gross margin, other operating expenses, income taxes, long term growth rate, and discount rate to discern whether they are reasonable considering (i) the current and past performance of the entity; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Professionals with specialized skill and knowledge were utilized by the Firm to assist in the evaluation of the discounted cash flow model and discount rate assumptions.

/s/ Sadler, Gibb & Associates, LLC

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

Salt Lake City, UT
March 10, 2021

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	As of	
	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,148,312	\$ 7,358,856
Short-term investments (note 2)	2,388,601	1,222,053
Short-term investments - other (note 2)	—	2,600,000
Accounts receivable, net	3,719,508	5,597,701
Inventories, net (note 3)	8,414,772	9,571,807
Prepaid expenses and other current assets (note 4)	1,678,428	1,672,422
Income tax receivable	486,154	77,385
Total Current Assets	25,835,775	28,100,224
LONG-TERM ASSETS		
Long-term investments (note 2)	6,064,294	7,399,963
Financing right-of-use asset	50,094	107,991
Property and equipment, net (note 5)	12,021,811	12,071,019
Intangible assets, net (note 6)	1,771,870	1,989,782
Goodwill (note 6)	2,579,381	2,579,381
Total Long-Term Assets	22,487,450	24,148,136
TOTAL ASSETS	\$ 48,323,225	\$ 52,248,360
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,178,979	\$ 2,633,520
Accrued liabilities (note 7)	1,196,870	2,089,391
Current financing lease liability (note 8)	39,451	59,376
Income taxes payable	—	403,092
Total Current Liabilities	2,415,300	5,185,379
LONG-TERM LIABILITIES		
Net deferred income tax liability	522,870	439,275
Long-term financing lease liability (note 8)	12,669	52,120
TOTAL LIABILITIES	2,950,839	5,676,774
STOCKHOLDERS' EQUITY (note 9)		
Preferred stock: \$0.001 par value, 10,000,000 shares authorized: no shares issued or outstanding	—	—
Common stock: \$0.001 par value, 100,000,000 shares authorized: 51,384,961 issued and 47,972,583 outstanding at December 31, 2020, and 50,824,355 issued and 47,411,977 outstanding at December 31, 2019	51,385	50,824
Treasury stock, at cost	(5,353,019)	(5,353,019)
Additional paid-in capital	30,293,472	29,584,172
Accumulated other comprehensive loss	(2,148,924)	(2,415,460)
Retained earnings	22,529,472	24,705,069
TOTAL STOCKHOLDERS' EQUITY	45,372,386	46,571,586
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 48,323,225	\$ 52,248,360

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

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

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
REVENUES (note 11)		
Sales of goods, net	\$ 19,395,639	\$ 36,208,153
Sales of services, net	2,062,970	2,773,160
Total Revenues	<u>21,458,609</u>	<u>38,981,313</u>
COST OF SALES		
Cost of goods sold-product	10,378,367	17,587,664
Cost of goods sold-services	1,554,041	1,865,290
Total Cost of Goods Sold	<u>11,932,408</u>	<u>19,452,954</u>
GROSS PROFIT	9,526,201	19,528,359
OPERATING EXPENSES		
General and administrative expenses	10,641,122	13,454,195
Research and development	1,299,103	1,933,112
Depreciation and amortization expense	666,187	976,652
Total Operating Expenses	<u>12,606,412</u>	<u>16,363,959</u>
INCOME (LOSS) FROM OPERATIONS	(3,080,211)	3,164,400
OTHER INCOME (EXPENSE)		
Gain on sale of fixed assets	306,871	114,641
Other income (expense)	(67,078)	5,044
Interest income	181,254	283,476
Total Other Income	<u>421,047</u>	<u>403,161</u>
INCOME (LOSS) BEFORE INCOME TAXES	(2,659,164)	3,567,561
INCOME TAX BENEFIT (EXPENSE) (Note 13)	483,567	(1,546,069)
NET INCOME (LOSS)	<u>\$ (2,175,597)</u>	<u>\$ 2,021,492</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation gain	\$ 240,013	\$ 335,695
Unrealized gains on investments	26,523	144,528
Total Other Comprehensive Income	<u>266,536</u>	<u>480,223</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ (1,909,061)</u>	<u>\$ 2,501,715</u>
BASIC EARNINGS (LOSS) PER SHARE (note 14)	<u>\$ (0.05)</u>	<u>\$ 0.04</u>
FULLY DILUTED EARNINGS (LOSS) PER SHARE (note 14)	<u>\$ (0.05)</u>	<u>\$ 0.04</u>
BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	<u>47,778,063</u>	<u>47,490,937</u>
FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	<u>47,778,063</u>	<u>48,133,749</u>

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2018	47,932,305	\$ 49,708	\$ 28,027,742	\$ (2,895,683)	\$ (2,609,485)	\$ 22,683,577	\$ 45,255,859
Stock based compensation	—	—	390,826	—	—	—	390,826
Stock issued in exercise of stock options	66,508	66	9,290	—	—	—	9,356
Stock issued in settlement of RSUs and accrued bonuses	310,912	311	379,550	—	—	—	379,861
Stock issued in acquisition (note 10)	739,130	739	1,019,261	—	—	—	1,020,000
Tax withholdings paid related to stock based compensation	—	—	(242,497)	—	—	—	(242,497)
Treasury stock repurchased	(1,636,878)	—	—	—	(2,743,534)	—	(2,743,534)
Foreign currency translation	—	—	—	335,695	—	—	335,695
Unrealized gains on investments	—	—	—	144,528	—	—	144,528
Net Income For the Year Ended December 31, 2019	—	—	—	—	—	2,021,492	2,021,492
Balance, December 31, 2019	47,411,977	\$ 50,824	\$ 29,584,172	\$ (2,415,460)	\$ (5,353,019)	\$ 24,705,069	\$ 46,571,586
Stock based compensation	—	—	443,127	—	—	—	443,127
Stock issued in exercise of stock options	2,000	2	2,018	—	—	—	2,020
Stock issued in settlement of RSUs and accrued bonuses	558,606	559	418,814	—	—	—	419,373
Tax withholdings paid related to stock based compensation	—	—	(154,659)	—	—	—	(154,659)
Foreign currency translation	—	—	—	240,013	—	—	240,013
Unrealized gains on investments	—	—	—	26,523	—	—	26,523
Net Loss For the Year Ended December 31, 2020	—	—	—	—	—	(2,175,597)	(2,175,597)
Balance, December 31, 2020	47,972,583	\$ 51,385	\$ 30,293,472	\$ (2,148,924)	\$ (5,353,019)	\$ 22,529,472	\$ 45,372,386

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
OPERATING ACTIVITIES		
Net income (loss)	\$ (2,175,597)	\$ 2,021,492
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	1,176,707	1,467,007
Gain on sale of fixed assets	(306,871)	(114,641)
Bad debt expense	184,293	315,256
Stock awards issued for services	443,127	390,826
Changes in operating assets and liabilities:		
Accounts receivable	2,268,435	1,965,207
Income taxes receivable/payable	(404,345)	(665,649)
Inventories	1,216,200	1,630,632
Prepaid expenses and other current assets	157,053	(1,184,385)
Deferred tax asset/liability	83,595	524,367
Accounts payable and accrued liabilities	(2,378,197)	1,363,090
Net Cash Provided by Operating Activities	<u>264,400</u>	<u>7,713,202</u>
INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	514,448	116,785
Sale of investments	2,799,547	1,494,568
Purchase of fixed assets	(1,547,331)	(4,664,619)
Payments for acquisitions, net of cash acquired	—	(4,384,175)
Net Cash Provided by (Used in) Investing Activities	<u>1,766,664</u>	<u>(7,437,441)</u>
FINANCING ACTIVITIES		
Value of equity awards surrendered by employees for tax liability	(154,659)	(242,497)
Cash received in exercise of stock options	2,020	9,356
Purchase of treasury stock	—	(2,743,534)
Principal paid towards lease liability	(57,796)	(73,628)
Net Cash Used in Financing Activities	<u>(210,435)</u>	<u>(3,050,303)</u>
Effect of exchange rate changes on cash	<u>(31,173)</u>	<u>31,466</u>
NET INCREASE (DECREASE) IN CASH	1,789,456	(2,743,076)
CASH AT BEGINNING OF PERIOD	7,358,856	10,101,932
CASH AT END OF PERIOD	<u>\$ 9,148,312</u>	<u>\$ 7,358,856</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	\$ 6,090	\$ 6,497
Income taxes	\$ 402,510	\$ 1,793,281
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Common stock issued in settlement of accrued bonuses	\$ 419,373	\$ 379,861
Issuance of common stock - Midflow acquisition	\$ —	\$ 1,020,000

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Line of Business

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

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

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, nor is expected to have, a material impact on the Company's financial position, results of operations, or cash flows.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reportable amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

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

Foreign Currency and Comprehensive Income

The functional currencies of the Company and its Subsidiary in Canada are the U.S. Dollar ("USD") and the Canadian Dollar ("CAD"), respectively. The financial statements of the Subsidiary were translated to USD using year-end exchange rates for the balance sheet, and average exchange rates for the statements of operations. Equity transactions were translated using historical rates. The period-end exchange rates of 0.7843 and 0.7673 were used to convert the Company's December 31, 2020 and December 31, 2019 balance sheets, respectively, and the statements of operations used weighted average rates of 0.7809 and 0.7608 for the years ended December 31, 2020 and December 31, 2019, respectively. All amounts in the financial statements and footnotes are presumed to be stated in USD, unless otherwise identified. Foreign currency translation gains or losses as a result of fluctuations in the exchange rates are reflected in the Consolidated Statement of Income and Comprehensive Income (Loss), and the Consolidated Statements of Stockholders' Equity.

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

Cash and Cash Equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. Certificates of deposit held for investment that are not debt securities are included in "investments-other." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short term investments-other." Certificates of deposit with remaining maturities greater than one year are classified as "long term investments-other." Our cash and cash equivalents held in FDIC insured institutions can exceed the federally insured limit periodically and at the end of reporting periods. Our balances exceeded federally insured amounts by \$7,169,564 and \$5,180,136 as of December 31, 2020 and December 31, 2019, respectively.

Accounts Receivable

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

Receivables from the sale of goods and services are stated at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts. The allowance is calculated based on past collectability and customer relationships. The Company recorded an allowance for doubtful accounts of \$136,585 and \$169,705 as of December 31, 2020 and December 31, 2019, respectively. Uncollectible accounts are written off after all collection efforts have been exhausted and Credit Committee approval is granted. Bad debt expense recognized was \$184,293 and \$315,256 for the years ended December 31, 2020 and December 31, 2019, respectively.

Inventories

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

Investments

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

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

Long-Lived Assets

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

Goodwill

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

Other Intangible Assets

The Company accounts for Other Intangible Assets under the guidance of ASC 350, "Intangibles—Goodwill and Other." Under such guidance, other intangible assets with definite lives are amortized over their estimated useful lives and tested annually for impairment or more frequently as circumstances warrant. Intangible assets with indefinite lives are tested annually for impairment.

Treasury Stock

Treasury stock repurchased and held by the Company is recorded as a separate line item on the Consolidated Balance Sheets. Treasury stock is held at cost until retired or reissued. Legal, brokerage, and other costs to acquire shares are not included in the cost of treasury stock. When treasury stock is reissued or retired, any gains are included as part of

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

additional paid-in capital. Losses upon reissuance or retirement reduce additional paid-in capital to the extent that previous net gains from the same class of stock have been recognized and any losses above that are recognized as part of retained earnings.

Revenue Recognition

As part of the adoption of ASC 606, "Revenue from Contracts with Customers" on January 1, 2018, the Company's revenue recognition policy has been updated. Refer to [Note 11](#) for further details.

Cost of Sales

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

Advertising Costs

The Company classifies expenses for advertising as general and administrative expenses and recognizes the expense when incurred. The Company incurred advertising costs of \$27,098 and \$76,833 during the years ended December 31, 2020 and December 31, 2019, respectively.

Stock-Based Compensation

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

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Sales to the Company's four largest customers represented approximately 15% and 14% of total sales during the years ended December 31, 2020 and December 31, 2019, respectively.

Income Taxes

The Parent is subject to US income taxes on a stand-alone basis. The Parent and its Subsidiary file separate stand-alone tax returns in each jurisdiction in which they operate. The Subsidiary is a corporation operating in Canada and is subject to Canadian income taxes on its stand-alone taxable income.

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

Shipping and Handling Fees and Costs

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

Defined Contribution Retirement Plan

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

The Company matches employee contributions to our 401(k) plan up to 4% of their annual salary. The expense is recognized as part of general and administrative expenses on the income statement and was \$192,485 and \$195,999 for the years ended December 31, 2020 and December 31, 2019, respectively.

Property and Equipment

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

Research and Development

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

Fair Value of Financial Instruments

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

Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is calculated by adjusting the weighted average number of shares of common stock outstanding for the dilutive effect, if any, of common stock equivalents. Common stock equivalents whose effect would be antidilutive are not included in diluted earnings per share. The Company uses the treasury stock method to determine the dilutive effect, which assumes that all common stock equivalents have been exercised at the beginning of the period and that the funds obtained from those exercises were used to repurchase shares of common stock of the Company at the average closing market price during the period. Refer to [Note 14](#) for further details on the earning per share calculation.

NOTE 2 - FINANCIAL INSTRUMENTS AND INVESTMENTS

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

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

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

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value. Management is of the opinion that the Company is not exposed to significant interest or credit risks arising from financial instruments and any declines in the value of investments are temporary in nature. Money market funds and certificates of deposits are shown at cost on the balance sheet and their adjusted cost approximates their fair value.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

The following tables show the adjusted cost, unrealized gains (losses) and fair value of the Company's cash and cash equivalents and investments held as of December 31, 2020 and 2019:

December 31, 2020						
	Adjusted Cost	Pre-Tax Unrealized Gains/(Losses)	Fair Value	Cash and Cash Equivalents	Short Term	Long Term
Level 1						
Money Market Funds	\$ 4,315,394	\$ —	\$ 4,315,394	\$ 4,315,394	\$ —	\$ —
Other Funds	1,889,552	12,205	1,901,757	—	—	1,901,757
	<u>6,204,946</u>	<u>12,205</u>	<u>6,217,151</u>	<u>4,315,394</u>	<u>—</u>	<u>1,901,757</u>
Level 2						
Corporate Bonds	1,610,092	22,222	1,632,314	—	754,586	877,728
Municipal Bonds	4,890,027	28,797	4,918,824	—	1,634,015	3,284,809
	<u>6,500,119</u>	<u>51,019</u>	<u>6,551,138</u>	<u>—</u>	<u>2,388,601</u>	<u>4,162,537</u>
Total	<u>\$ 12,705,065</u>	<u>\$ 63,224</u>	<u>\$ 12,768,289</u>	<u>\$ 4,315,394</u>	<u>\$ 2,388,601</u>	<u>\$ 6,064,294</u>

December 31, 2019						
	Adjusted Cost	Pre-Tax Unrealized Gains/(Losses)	Fair Value	Cash and Cash Equivalents	Short Term	Long Term
Level 1						
Money Market Funds	\$ 1,318,986	\$ —	\$ 1,318,986	\$ 1,318,986	\$ —	\$ —
Other Funds	1,889,553	2,210	1,891,763	—	—	1,891,763
	<u>3,208,539</u>	<u>2,210</u>	<u>3,210,749</u>	<u>1,318,986</u>	<u>—</u>	<u>1,891,763</u>
Level 2						
Certificates of Deposit	2,600,000	—	2,600,000	—	2,600,000	—
Corporate Bonds	2,102,484	12,903	2,115,387	—	451,605	1,663,782
Municipal Bonds	4,603,677	11,189	4,614,866	—	770,448	3,844,418
	<u>9,306,161</u>	<u>24,092</u>	<u>9,330,253</u>	<u>—</u>	<u>3,822,053</u>	<u>5,508,200</u>
Total	<u>\$ 12,514,700</u>	<u>\$ 26,302</u>	<u>\$ 12,541,002</u>	<u>\$ 1,318,986</u>	<u>\$ 3,822,053</u>	<u>\$ 7,399,963</u>

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

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Unrealized Holding Gains	\$ 36,922	\$ 195,306

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

The maturities for bonds held by the Company as of December 31, 2020 are presented in the table below:

<u>Maturity</u>	<u>Fair Value</u>
Less Than One Year	\$ 2,388,601
1-2 years	1,893,603
2-5 years	2,268,934
5-10 years	—
Over 10 years	—
	<u>\$ 6,551,138</u>

NOTE 3 – INVENTORIES

Inventories consisted of the following at each balance sheet date:

	<u>As of</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Raw materials	\$ 328,772	\$ —
Finished goods	9,229,298	10,517,858
Work in process	—	—
Subtotal	9,558,070	10,517,858
Reserve for obsolescence	(1,143,298)	(946,051)
Total	<u>\$ 8,414,772</u>	<u>\$ 9,571,807</u>

NOTE 4 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	<u>As of</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets classified as held for sale	\$ 623,805	\$ —
Prepaid inventory	542,313	1,291,577
Prepaid insurance	217,465	133,611
Interest receivables	65,984	80,609
Vehicle trade-in credits	55,733	—
Other	173,128	166,625
Total	<u>\$ 1,678,428</u>	<u>\$ 1,672,422</u>

In the first quarter of 2020, we completed the construction of a new office building and research and development facility in Acheson, Canada. As a result, during the second quarter of 2020 we started the process of selling the old office building in Spruce Grove, Canada. In the table above, the assets classified as held for sale as of December 31, 2020, consist of the old building. On November 27, 2020, we sold one of the bays of the old office building. The remaining three bays were subsequently sold on January 22, 2021. The amount shown above as Assets Held for Sale is recorded at cost, less accumulated depreciation.

NOTE 5 – PROPERTY AND EQUIPMENT

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

	As of		Est. Useful Life
	December 31, 2020	December 31, 2019	
Furniture and fixtures	\$ 649,022	\$ 541,949	7 years
Computers	394,945	365,941	3 years
Software	246,958	244,212	2 years
Machinery and equipment	477,468	744,627	7 years
Vehicles	2,453,042	3,126,140	5 years
Land and buildings	11,742,322	12,135,104	30 years
Total property and equipment	<u>15,963,757</u>	<u>17,157,973</u>	
Accumulated depreciation	<u>(3,941,946)</u>	<u>(5,086,954)</u>	
Net property and equipment	<u>\$ 12,021,811</u>	<u>\$ 12,071,019</u>	

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

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Cost of goods sold - product depreciation	\$ 342,780	\$ 294,622
Cost of goods sold - service depreciation	154,755	193,570
Operating expense depreciation	391,958	340,634
Amortization expense	274,229	636,018
Total depreciation & amortization expense	<u>\$ 1,163,722</u>	<u>\$ 1,464,844</u>

NOTE 6 – INTANGIBLE ASSETS

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

Definite-lived intangible assets

	As of	
	December 31, 2020	December 31, 2019
Definite-lived intangible assets	\$ 2,100,000	\$ 2,140,502
Less: Accumulated amortization	<u>(328,130)</u>	<u>(150,720)</u>
Total definite-lived intangible assets, net	<u>\$ 1,771,870</u>	<u>\$ 1,989,782</u>

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

During 2020, definite-lived intangible assets decreased primarily driven by amortization expense for the year.

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

For the Years Ending December 31,	Amount
2021	\$ 222,732
2022	\$ 217,871
2023	\$ 204,190
2024	\$ 148,565
2025	\$ 80,899
Greater than 5 years	\$ 897,613

Indefinite-lived intangible assets

	As of	
	December 31, 2020	December 31, 2019
Goodwill	\$ 2,579,381	\$ 2,579,381

Goodwill is reviewed annually for impairment during the fourth quarter of the year, or whenever there are significant indicators of potential impairment. Since the beginning of 2020, the COVID-19 pandemic has spread across the globe and disrupted economies around the world, including the oil and gas industry in which we operate. This situation has caused a reduction in WTI oil prices and in the stock prices of most publicly traded companies, including Profire. These factors caused us to review goodwill for impairment periodically throughout 2020. During each impairment review, we performed a quantitative assessment by comparing the fair value of the reporting unit related to goodwill with its carrying value. In order to evaluate the fair value of our reporting unit more fully, we used a discounted cashflow model to calculate the fair value of our reporting unit as of December 31, 2020. We believe this is a meaningful valuation tool since market participants would likely use similar techniques to assess the value of our business. In each impairment test we performed during 2020, the estimated fair value of our reporting unit has exceeded its carrying value. As such, the Company did not have any goodwill impairment for the year ended December 31, 2020.

NOTE 7 – ACCRUED LIABILITIES

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

	As of	
	December 31, 2020	December 31, 2019
Employee-related payables	\$ 789,573	\$ 1,657,826
Inventory-related payables	158,519	—
Warranty liabilities	71,852	166,301
Acquisition liabilities	—	162,907
Other	176,926	102,357
Total	<u>\$ 1,196,870</u>	<u>\$ 2,089,391</u>

NOTE 8 – LEASES

We have leases for office equipment and office space. The leases for office equipment are classified as financing leases and the typical term is 36 months. We have the option to extend most office equipment leases, but we do not intend to do so. Accordingly, no extensions have been recognized in the right-of-use asset or lease liability. The office equipment lease payments are not variable and the lease agreements do not include any non-lease components, residual value guarantees, or restrictions. There are no interest rates implicit in the office equipment lease agreements, so we have used our incremental borrowing rate to determine the discount rate to be applied to our financing leases. The weighted average discount rate applied to our financing leases is 4.50% and the weighted average remaining lease term is 15.2 months.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

The following table shows the components of financing lease cost:

Financing Lease Cost	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Amortization of right-of-use assets	\$ 56,318	\$ 77,134
Interest on lease liabilities	6,090	5,805
Total financing lease cost	<u>\$ 62,408</u>	<u>\$ 82,939</u>

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

Years ending December 31,	Amount
2021	\$ 40,921
2022	12,803
2023	—
2024	—
2025	—
Thereafter	
Total future minimum lease payments	<u>\$ 53,724</u>
Less: Amount representing interest	1,604
Present value of future payments	<u>\$ 52,120</u>
Current portion	\$ 39,451
Long-term portion	\$ 12,669

Because our office space leases are substantially all considered to be short-term, we have elected not to recognize them on our balance sheet under the short-term recognition exemption. During the year ended December 31, 2020, we recognized \$75,147 in short-term lease costs associated with office space leases.

NOTE 9 – STOCKHOLDERS' EQUITY

As described in [Note 1](#), treasury stock is recorded at cost until reissued or retired. As of December 31, 2020, and December 31, 2019, the Company held 8,412,378 and 3,412,378 shares in treasury at a total cost of \$5,353,019 and \$5,353,019, respectively. There were no treasury stock repurchases during 2020. All purchases of treasury stock during 2019 were made at market prices.

2020 EIP and LTIP

Due to economic uncertainties including those caused by the COVID-19 pandemic, the Board of Directors of the Company (the "Board"), with the support of the Company's executives, has elected to not adopt an executive incentive plan ("EIP") or long-term incentive plan ("LTIP") for 2020. The Board and executives believe this is an appropriate short-term measure that will help to align the Company's cost structure with the current extraordinary conditions affecting the industry in which we operate.

2019 EIP

On April 22, 2019, the Board of Directors (the "Board") of the Company approved the 2019 Executive Incentive Plan (the "EIP") for Brenton W. Hatch, the Company's then President and Chief Executive Officer, Ryan W. Oviatt, the Company's Chief Financial Officer, Cameron M. Tidball, the Company's then 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 provided for the potential award of bonuses to the participants based on the Company's financial performance in fiscal year 2019. On March 4, 2020, the Company's Board of Directors approved a one-time executive bonus for meeting targets

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

pursuant to the 2019 EIP. Under the terms of the EIP, each participating executive officer was assigned a target bonus amount for the fiscal year 2019. Pursuant to the Company's performance each participating executive officer received a bonus based upon reaching or exceeding performance goals established by the Board and the Compensation Committee of the Board. Mr. Hatch received a bonus of \$512,371, Mr. Oviatt received a bonus of \$112,081, Mr. Tidball received a bonus of \$104,908, Mr. Fugal received a bonus of \$51,237, and Mr. Fisher received a bonus of \$48,190. The bonus amounts earned under the EIP were paid 50% in cash and 50% was settled by issuing 343,748 shares of common stock under the Company's 2014 Equity Incentive Plan 237,665 shares of common stock net of 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 agreement covers 33% of each award recipient's Units that are subject to time-based vesting, and the other agreement covers the remaining 67% of such award recipient's Units that may vest based on performance metrics. Upon vesting, the award agreements entitle the award recipients to receive one share of the Company's common stock for each vested Unit. The vesting period of the 2019 LTIP began on January 1, 2019 and terminates on December 31, 2021. As of December 31, 2020, we do not expect any of the performance-based Units to vest.

2020 RSUs

On June 17, 2020, pursuant to the annual renewal of Director compensation, the Board approved a grant of 270,966 RSUs to Independent Directors. Half of the RSUs vested immediately on the date of grant and the remaining 50% of the RSUs will vest on the first anniversary of the grant date or at the Company's next Annual Meeting of Stockholders, whichever is earlier. The awards will result in total compensation expense of \$252,000 to be recognized over the vesting period.

On July 30, 2020, Mr. Arlen B. Crouch notified the Chairman of the Board of the Company of his decision to resign, effective August 3, 2020, from his position as a member of the Board. Mr. Crouch's resignation did not result from any disagreements with Management or the Board. On Mr. Crouch's resignation date all of his unvested RSUs were forfeited and the related compensation expense recaptured. On July 30, 2020, the Board appointed Colleen Larkin Bell to serve as a director to fill the vacancy resulting from Mr. Crouch's resignation, effective August 3, 2020. Ms. Bell will serve as Chair of the Nominating Committee and will serve on the Audit and Compensation Committees. As compensation for her service on the Board and Committee Assignments, on August 21, 2020, the board approved a grant of 92,934 RSUs. Half of the RSUs vested immediately on the date of the grant and the remaining 50% of the RSUs will vest on the first anniversary of the grant date. The awards will result in total compensation expense of \$2,953 to be recognized over the vesting period.

2019 RSUs

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

On June 12, 2019, the Board approved a grant of 183,942 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 first anniversary of the grant date or at the Company's next Annual Meeting of Stockholders, whichever is earlier. The awards will result in total compensation expense of \$252,000 to be recognized over the vesting period.

2020 Stock Options

On March 17, 2020 (the "March Grant Date"), the Board approved a grant of options to purchase 15,200 shares of the Company's common stock at a strike price of \$0.81 to various employees (the "March 2020 Options"). The Options terminate four years from the March Grant Date and the March 2020 Options become exercisable as to one-third of the shares of common stock covered thereby on each anniversary of the March Grant Date for the next three years following the March Grant Date. The March 2020 Options resulted in a total compensation expense of \$40,280.

On July 2, 2020 (the "July Grant Date"), upon the recommendation of the Compensation Committee, the Board approved the grant of a non-qualified stock option to purchase 100,000 shares of the Company's common stock to each of Mr. Oviatt and

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

Mr. Tidball under the Company's 2014 Plan and pursuant to the standard form of Notice of Stock Option Grant and Stock Option Agreement under the plan (the "July Options"). The exercise price of the July Options is equal to the closing bid price of the Company's common stock on July 2, 2020 or \$0.8439 per share. The July Options shall vest equally over a period of three years from the July Grant Date. Vesting occurs on the anniversary date of the July Grant Date, with one-third of the total shares vesting on each of the first three anniversaries of the July Grant Date. Vesting is contingent upon the executive's continued employment with the Company on each applicable vesting date. The July Options expire on July 2, 2024. These July Options will result in a total compensation expense of \$79,431 to be recognized over the vesting period.

On August 21, 2020 (the "August Grant Date"), the Board approved a grant of options to purchase 630,000 shares of the Company's common stock at a strike price of \$0.785 to various employees (the "August Options"). The Options terminate four years from the August Grant Date and the August Options shall become exercisable as to one-third of the shares of common stock covered thereby on each anniversary of the August Grant Date for the next three years following the August Grant Date. The August Options will result in a total compensation expense of \$233,111 to be recognized over the vesting period.

NOTE 10 – ACQUISITIONS

Millstream Energy Products

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.

The acquisition was accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The purchase price of \$2,219,782 was funded through existing cash. A portion of the cash purchase amount equal to \$140,257 was held back for 6 months pending satisfaction of seller obligations under the purchase agreement and was paid to the seller on February 20, 2020. The seller is also entitled to receive a 4.5% royalty on proprietary MEP product revenue generated during the next five-year period from June 18, 2019, to June 18, 2024.

Profire hired a valuation firm to perform the purchase price allocation based on the net assets received and the price paid. Based on the fair value of the net assets at the time of purchase, the Company recorded intangible assets in the amount of \$990,000 and goodwill of \$17,681. Intangible assets include customer relationships, the trade name and developed technology.

The purchase price calculation is as follows:

Cash	\$	2,079,525
Liabilities		140,257
	\$	<u>2,219,782</u>

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

Accounts receivable	\$	207,145
Inventory		1,119,143
Intangible assets		990,000
Goodwill		17,681
Accounts payable		(114,187)
	\$	<u>2,219,782</u>

Transaction and related costs directly related to the acquisition of MEP, consisting primarily of professional fees and integration expenses, have amounted to approximately \$136,811, were expensed as incurred and are included in general and administrative expenses.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

Midflow Services

On August 5, 2019, we acquired all of the outstanding membership interests of Midflow Services, LLC ("Midflow"). Midflow is based in Millersburg, Ohio. Midflow provides packaged combustion solutions and services to the upstream and midstream oil and gas industry.

The acquisition was accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The purchase price of \$3,439,371 was funded through a combination of existing cash and shares of the Company's common stock. The cash portion of the purchase price included \$500,000 placed in an escrow account for 12 months pending satisfaction of certain obligations under the purchase agreement. These obligations were fully satisfied and the cash was released in August 2020.

Profire hired a valuation firm to perform the purchase price allocation based on the net assets received and the price paid. Based on the fair value of the net assets at the time of purchase, the Company recorded intangible assets in the amount of \$1,110,000 and goodwill of \$1,564,000. Intangible assets include customer relationships, the trade name and developed technology.

The purchase price calculation is as follows:

Cash	\$ 2,419,371
Stock	1,020,000
	\$ 3,439,371

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

Cash	\$ 172,850
Accounts receivable	324,989
Inventory	269,746
Prepaid expenses	13,180
Property and equipment	126,000
Intangible assets	1,110,000
Goodwill	1,564,000
Accounts payable	(134,956)
Accrual liabilities	(6,438)
	\$ 3,439,371

Transaction costs directly related to the acquisition of Midflow, consisting primarily of professional fees and integration expenses, amounted to approximately \$4,087. All of these costs were expensed as incurred and are included in general and administrative expenses.

NOTE 11 - 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 applicable sales contract or service contract.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

Our customers have the right to return certain unused and unopened products within 90 days for a restocking fee. We provide a warranty on some of our products ranging from 90 days to 2 years, depending on the product. The amount accrued for expected returns and warranty claims was immaterial as of December 31, 2020.

Contract Balances

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

Significant Judgments

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

Disaggregation of Revenue

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

	Year Ended December 31, 2020		Year Ended December 31, 2019	
Electronics	\$	7,689,187	\$	15,674,290
Manufactured		878,962		1,829,991
Re-Sell		10,827,490		18,703,872
Service		2,062,970		2,773,160
Total Revenue	\$	21,458,609	\$	38,981,313

NOTE 12 – STOCK-BASED COMPENSATION

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

The Company uses the Black-Scholes method for measuring compensation cost of stock options and the intrinsic value method for measuring compensation cost of restricted stock and restricted stock units. Total compensation cost for share-based payments recognized in income was \$443,127 and \$390,826 during the years ended December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020, the Company had \$507,959 in unamortized compensation expense with a weighted average of 2.18 years remaining. The Company received \$2,020 and \$9,356 in cash from the exercise of share options during the years ended December 31, 2020 and December 31, 2019, respectively. For the tax effect on total compensation expense and the exercise of options, see [Note 13](#) for the income tax provision.

During the years ended December 31, 2020 and December 31, 2019, the intrinsic value of options exercised was \$936 and \$155,406, respectively. The total fair value of options, restricted stock, and restricted stock units vested during the years ended December 31, 2020 and December 31, 2019 was \$418,682 and \$945,722, respectively. During the years ended

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

December 31, 2020 and December 31, 2019 the Company granted 1,309,100 and 654,290 awards, respectively, with weighted-average grant date fair values of \$0.52 and \$1.62, respectively.

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

Total Outstanding and Exercisable Awards December 31, 2020

Grant Price Low		Grant Price High		Awards Outstanding			Awards Exercisable			
				Quantity	Remaining Contractual Life (Years)	Exercise Price	Quantity	Remaining Contractual Life (Years)	Exercise Price	
\$	—	\$	0.39	508,123	1.65	\$	—	—	—	
\$	0.40	\$	0.80	630,000	3.64	\$	0.79	—	\$	—
\$	0.81	\$	0.84	304,700	3.36	\$	0.83	—	\$	—
				<u>1,442,823</u>	<u>2.88</u>	<u>\$</u>	<u>0.52</u>	<u>—</u>	<u>\$</u>	<u>—</u>

Total Outstanding and Exercisable Awards December 31, 2019

Grant Price Low		Grant Price High		Awards Outstanding			Awards Exercisable				
				Quantity	Remaining Contractual Life (Years)	Exercise Price	Quantity	Remaining Contractual Life (Years)	Exercise Price		
\$	—	\$	1.00	590,194	2.34	\$	—	—	—		
\$	1.01	\$	2.00	138,333	0.40	\$	1.01	138,333	0.40	\$	1.01
\$	2.01	\$	4.03	44,600	0.33	\$	4.03	44,600	0.33	\$	4.03
				<u>773,127</u>	<u>1.88</u>	<u>\$</u>	<u>0.41</u>	<u>182,933</u>	<u>0.85</u>	<u>\$</u>	<u>1.75</u>

Information regarding stock options for the year ended December 31, 2020 is summarized in the tables below:

Stock Options	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	182,933	\$ 1.75		1.26		\$ 60,867
Granted	945,200	\$ 0.80		0.37		\$ 23
Exercised/Released	(2,000)	\$ 1.01	\$ 1.48	0.48		\$ 936
Canceled/Forfeited	(10,500)	\$ 0.81		0.35		\$ —
Expired	(180,933)	\$ 1.75		1.27		\$ —
Outstanding, end of period	<u>934,700</u>	\$ 0.80		0.37	3.56	\$ 48,695
Vested and unvested exercisable, end of the period	—	\$ —		—	—	\$ —
Vested and expected to vest, end of the period	934,700	\$ 0.80		\$ 0.37	3.56	\$ 48,695

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

Stock Options	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	—	\$ —	\$ —	
Granted	945,200	\$ 0.80	\$ 0.37	
Canceled/Forfeited	(10,500)	\$ 0.81	\$ 0.35	
Expired	—			
Vested, outstanding shares	—	\$ —	\$ —	
Unvested Outstanding, end of period	<u>934,700</u>	\$ 0.80	\$ 0.37	2.56

Information regarding restricted stock units for the year ended December 31, 2020 is summarized in the tables below:

Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	270,735	\$ —		\$ 1.69		\$ 392,566
Granted	363,900	\$ —	\$ 0.95	\$ 0.89		\$ 324,952
Exercised/Released	(328,502)	\$ —		\$ 1.18		\$ 311,658
Cancelled/Forfeited	(50,711)	\$ —		\$ 1.03		\$ 41,576
Outstanding, end of period	<u>255,422</u>	\$ —		\$ 1.34	2.20	\$ 217,747
Vested and exercisable, end of the period	—					\$ —
Vested and expected to vest, end of the period	255,422	\$ —		\$ 1.34	2.20	\$ 217,747

Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	270,735	\$ —	\$ 1.69	
Granted	363,900	\$ —	\$ 0.89	
Cancelled/Forfeited	(50,711)	\$ —	\$ 1.03	
Vested, outstanding shares	(328,502)	\$ —	\$ 1.18	
Unvested Outstanding, end of period	<u>255,422</u>	\$ —	\$ 1.34	1.64

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

Information regarding performance based restricted stock units for the year ended December 31, 2020 is summarized in the tables below:

Performance Based Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	319,459	\$ —		\$ 1.97		\$ 463,216
Granted	—	\$ —		\$ —		\$ —
Exercised/Released	(16,689)	\$ —	\$ 1.22	\$ 1.90		\$ 20,361
Cancelled/Forfeited	(50,069)	\$ —		\$ 1.90		\$ 61,084
Outstanding, end of period	<u>252,701</u>	\$ —		\$ 1.99	1.09	\$ 215,428
Vested and exercisable, end of the period	—					\$ —
Vested and expected to vest, end of the period	—	\$ —		\$ —	—	\$ —

Performance Based Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	319,459	\$ —	\$ 1.97	
Granted	—	\$ —	\$ —	
Cancelled/Forfeited	(50,069)	\$ —	\$ 1.90	
Vested, outstanding shares	(16,689)	\$ —	\$ 1.90	
Unvested Outstanding, end of period	<u>252,701</u>	\$ —	\$ 1.99	

NOTE 13 – PROVISION FOR INCOME TAXES

During the years ended December 31, 2020 and December 31, 2019, the Company did not expect to incur any interest or penalties related to income taxes. Accordingly, the Company had no accruals for interest and penalties at December 31, 2020, nor December 31, 2019. When our taxes for the year ended December 31, 2019 were finalized there was an immaterial amount of penalties and interest that was ultimately paid during 2020. We do not expect any material penalties or interest will result from the filing of our 2020 tax return. If the Company were to incur any such material charges, it would elect to recognize interest related to underpayment of income taxes in interest expense and recognize any penalties in operating expenses.

The Company is current on its U.S. and Canadian income tax filings. Tax years that remain open for examination are 2018 through 2020 in the U.S. and 2015 through 2020 in Canada. At December 31, 2020, and December 31, 2019, the Company had operating loss carryforwards at its Canadian subsidiaries of \$3,317,130 and \$2,299,951 respectively which have not been recorded on the balance sheet.

The Company invests in available-for-sale securities that are reported on the balance sheet at fair value, with the gains/losses reported net of tax as part of Other Comprehensive Income (OCI). The tax expense allocated to OCI during the year ended December 31, 2020 was \$9,319 and the tax benefit allocated to OCI during the year ended December 31, 2019 was \$37,103.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

The Company has not provided a valuation allowance at December 31, 2020 nor December 31, 2019 for deferred tax assets and thus the valuation allowance did not change between December 31, 2019 and December 31, 2020. Realization of the deferred tax asset is dependent on generating sufficient taxable income to offset the tax items that will be deductible in the future. Although realization is not assured, Management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

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

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Current		
Federal	\$ (388,728)	\$ 961,991
State	(97,426)	241,101
Foreign	(73,417)	(130,610)
Total Current	(559,571)	1,072,482
Deferred		
Federal	61,388	382,513
State	14,616	91,074
Total Deferred	76,004	473,587
Total Provision for (Benefit from) Income Taxes	\$ (483,567)	\$ 1,546,069

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

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Federal statutory tax rate	21.0 %	21.0 %
State statutory tax rate, net of federal effect	4.0 %	4.0 %
Depreciation expense	3.2 %	2.6 %
Tax-exempt income	1.8 %	(1.5) %
Unrealized gains and losses on investments	(0.3) %	1.1 %
Stock-based compensation	(1.5) %	4.8 %
Goodwill and intangible asset amortization	(3.1) %	(0.5) %
Non-U.S. operations	(8.0) %	12.6 %
Other	1.1 %	(0.8) %
Effective tax rate	18.2 %	43.3 %

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

The table below shows the components of deferred taxes:

	As of	
	December 31, 2020	December 31, 2019
Bad debt	\$ 32,158	\$ 39,180
Inventory reserve	294,505	243,281
Amortization	30,887	9,377
Deferred tax asset	<u>\$ 357,550</u>	<u>\$ 291,838</u>
Unrealized gain on investments	\$ 16,158	\$ 6,839
Depreciation	302,459	446,208
Goodwill	145,533	—
Stock compensation	416,270	278,066
Deferred tax liability	<u>\$ 880,420</u>	<u>\$ 731,113</u>
Net Deferred Tax Liability	<u>\$ (522,870)</u>	<u>\$ (439,275)</u>

NOTE 14 – BASIC AND DILUTED EARNINGS PER SHARE

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

	2020			2019		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income (loss) available to common stockholders	\$ (2,175,597)	47,778,063	\$ (0.05)	\$ 2,021,492	47,490,937	\$ 0.04
Effect of Dilutive Securities						
Stock options & RSUs	—	—		—	642,812	
Diluted EPS						
Net income (loss) available to common stockholders + assumed conversions	<u>\$ (2,175,597)</u>	<u>47,778,063</u>	\$ (0.05)	<u>\$ 2,021,492</u>	<u>48,133,749</u>	\$ 0.04

Stock options and RSU's to purchase 1,442,823 shares of common stock at a weighted average exercise price of \$0.52 per share were outstanding during the year ended December 31, 2020, but were not included in the computation of diluted EPS because the effect would be anti-dilutive. These stock options and RSU's, which expire between March 2021 and August 2024, were still outstanding at December 31, 2020.

Stock options to purchase 44,600 shares of common stock at a weighted average exercise price of \$1.03 per share were outstanding during the year ended December 31, 2019, but were not included in the computation of diluted EPS because the effect would be anti-dilutive.

NOTE 15 – SEGMENT INFORMATION

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

	For the Year Ended December 31,	
	2020	2019
<u>Revenues</u>		
Canada	\$ 3,506,537	\$ 5,742,296
United States	17,952,072	33,239,017
Total Consolidated	\$ 21,458,609	\$ 38,981,313

	For the Year Ended December 31,	
	2020	2019
<u>Profit (Loss)</u>		
Canada	\$ (943,635)	\$ (2,241,856)
United States	(1,231,962)	4,263,348
Total Consolidated	\$ (2,175,597)	\$ 2,021,492

Long-lived assets, which are comprised of net property and equipment and financing right-of-use assets, consisted of the following at each balance sheet date:

	As of	
	December 31, 2020	December 31, 2019
<u>Long-lived assets</u>		
Canada	\$ 6,049,790	\$ 6,068,061
United States	6,022,115	6,110,949
Total Consolidated	\$ 12,071,905	\$ 12,179,010

NOTE 16 – QUARTERLY INFORMATION (UNAUDITED)

Quarterly data for the periods below consisted of the following:

	For the Quarters Ending			
	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020
Total revenues	\$ 7,447,142	\$ 4,359,479	\$ 4,000,106	\$ 5,651,882
Gross profit	3,164,676	2,086,865	1,520,423	2,754,237
Loss from operations	(665,060)	(1,077,453)	(1,329,498)	(8,200)
Income tax benefit	(225,056)	(35,628)	(180,252)	(42,631)
Net income (loss)	(365,264)	(808,503)	(1,057,748)	55,918
Basic earnings (loss) per common share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ —
Diluted earnings (loss) per common share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ —

	For the Quarters Ending			
	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019
Total revenues	\$ 10,833,058	\$ 10,124,031	\$ 9,905,761	\$ 8,118,463
Gross profit	5,764,872	5,187,038	5,169,296	3,407,153
Income (loss) from operations	2,138,061	996,559	1,141,452	(1,111,672)
Income tax expense	577,525	117,939	290,943	559,662
Net income (loss)	1,668,618	985,504	921,748	(1,554,378)
Basic earnings (loss) per common share	\$ 0.04	\$ 0.02	\$ 0.02	\$ (0.03)
Diluted earnings (loss) per common share	\$ 0.03	\$ 0.02	\$ 0.02	\$ (0.03)

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

NOTE 17 – COMMITMENTS AND CONTINGENCIES

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

The Company has operating leases for office space in Texas and Pennsylvania. Expense recognized for operating leases was \$75,147 and \$60,590 for the years ended December 31, 2020 and December 31, 2019, respectively. The future minimum lease payments for operating leases as of December 31, 2020, consisted of the following:

<u>Years ending December 31,</u>	<u>Operating Leases</u>
2021	\$ 31,475
2022	11,000
2023	—
2024	—
2025	—
Thereafter	—
Total	\$ 42,475

NOTE 18 – SUBSEQUENT EVENTS

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

On November 27, 2020, we sold one of the bays from our old office building located in Spruce Grove, Canada. The remaining three bays were subsequently sold on January 22, 2021. We received overall cash proceeds from these two sales of \$1,154,714 CAD which resulted in a gain on the sale of this building. Due to the timing of these two sales transactions, a gain on the sale of the first bay was recorded in our 2020 results and a gain from the sale of the remaining three bays was recorded in January 2021.

As previously reported on April 24, 2020, Profire Energy, Inc. (the "Company") received written notice from the Listing Qualifications Department (the "Staff") of the Nasdaq Stock Market ("Nasdaq") notifying the Company that it was not in compliance with Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement") because the closing bid price for the Company's common stock closed below \$1.00 per share for the previous 30 consecutive business days. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company was provided an initial grace period to regain compliance. Given the extraordinary market conditions in the financial markets, Nasdaq determined to toll the compliance period for the bid price requirement through June 30, 2020. The compliance period resumed on July 1, 2020, and the Company had 180 calendar days, or until December 28, 2020 (the "Original Compliance Date"), to regain compliance with the Minimum Bid Price Requirement. As reported on December 29, 2020, the Company received notice from the Staff of Nasdaq granting the Company's request for an additional 180 calendar day period, or until June 28, 2021, to regain compliance. The Staff's determination was based on the Company meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market with the exception of the bid price requirement, and the Company's written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary. On January 27, 2021, the Company received a letter from Nasdaq notifying the Company that for the previous 10 consecutive business days, from January 12, 2021 to January 26, 2021, the closing bid price of the Company's common stock was \$1.00 per share or greater. Accordingly, the notice confirmed that the Company has regained compliance with the Minimum Bid Price Requirement and the matter is now closed.

On February 18, 2021 the Company's Board of Directors, upon the recommendation of the Compensation Committee of the Board, approved a restricted stock award of 18,852 shares of common stock to each of Cameron M. Tidball and Ryan W. Oviatt. Messers Tidball and Oviatt entered into Restricted Stock Award Agreements as approved by the Plan. These restricted stock awards, which vested immediately, were settled by the issuance of a total of 27,334 shares of common stock, net of tax withholding.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and December 31, 2019

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Co-Chief Executive Officers and our Chief Financial Officer, evaluated the design and effectiveness of our internal controls over financial reporting and disclosure controls and procedures (pursuant to Rule 13a-15(b-c) under the Securities Exchange Act of 1934, as amended ("Exchange Act") as of December 31, 2020. These controls are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, Management concluded that our controls were effective as of December 31, 2020.

Management's Report on Internal Control over Financial Reporting

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

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

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

Based upon this assessment, the Company's management concluded that our internal control over financial reporting was effective as of December 31, 2020.

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

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal controls over financial reporting during the fiscal year ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation

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

Limitations on the Effectiveness of Internal Controls

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated herein by reference to our Definitive Proxy Statement for the Annual Meeting of Stockholders to be filed no later than 120 days after December 31, 2020 (the "Proxy Statement").

Item 11. Executive Compensation

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

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

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

Item 13. Certain Relationships and Related Transactions and Director Independence

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

Item 14. Principal Accounting Fees and Services

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

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

* Filed herewith

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

** The XBRL related information in Exhibit 101 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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

Item 16. Form 10-K Summary

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

SIGNATURES

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

PROFIRE ENERGY, INC.

Date: March 10, 2021 By: /s/Ryan W. Oviatt
Ryan W. Oviatt

Co-Chief Executive Officer and Chief Financial Officer

Date: March 10, 2021 By: /s/ Cameron M. Tidball

Cameron M. Tidball
Co-Chief Executive Officer

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

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Cameron M. Tidball</u> Cameron M. Tidball	Co-Chief Executive (Co-Principal Executive Officer)	March 10, 2021
<u>/s/ Ryan W. Oviatt</u> Ryan W. Oviatt	Co-Chief Executive Officer & Chief Financial Officer Director (Co-Principal Executive Officer and Principal Financial and Accounting Officer)	March 10, 2021
<u>/s/ Brenton W. Hatch</u> Brenton W. Hatch	Executive Chairman of the Board	March 10, 2021
<u>/s/ Colleen Larkin Bell</u> Colleen Larkin Bell	Director	March 10, 2021
<u>/s/ Daren J. Shaw</u> Daren J. Shaw	Director	March 10, 2021
<u>/s/ Ronald R. Spoehel</u> Ronald R. Spoehel	Director	March 10, 2021

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

This RESTRICTED STOCK UNIT AWARD AGREEMENT (this “Agreement”) is made 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 up to 44,142 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 14,714 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.

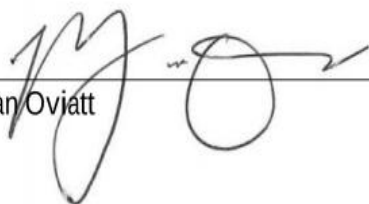
[Signature page follows]

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:


Ryan Oviatt

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 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 17,215 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:

<u>On each of the following dates</u>	<u>Number of Units Vested</u>
December 31, 2019	5,738
December 31, 2020	5,738
December 31, 2021	5,739

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.



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:


Cameron Tidball

[Signature page to Restricted Stock Unit Award Agreement]

Subsidiaries of the Registrant as of December 31, 2020

Entity Name	Jurisdiction of Incorporation
Profire Combustion, Inc.	Alberta, Canada
Prochem, ULC	Alberta, Canada
Profire Holdings, LLC	Utah
Midflow Services, LLC	Ohio

Registered with the Public Company
Accounting Oversight Board

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Profire Energy, Inc.
Lindon, UT

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-190049 and 333-200565) and the Post-Effective Amendment on Form S-3 No. 333-193086 of Profire Energy, Inc. of our report dated March 10, 2021 relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ Sadler, Gibb & Associates, LLC

March 10, 2021

EXHIBIT 31.1

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

I, Ryan W. Oviatt, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 10, 2021

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

EXHIBIT 31.2

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

I, Cameron M. Tidball, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 10, 2021

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

EXHIBIT 31.3

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

I, Ryan W. Oviatt, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 10, 2021

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 annual report on Form 10-K of Profire Energy, Inc. (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Ryan W. Oviatt and I, Cameron M. Tidball, Co-Chief Executive Officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 10, 2021

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

Date: March 10, 2021

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

EXHIBIT 32.2

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

In connection with this annual report on Form 10-K of Profire Energy, Inc. (the "Company") for the year ended December 31, 2020, 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: March 10, 2021

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