

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2023
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number **001-36378**

PROFIRE ENERGY, INC.

(Exact name of registrant as specified in its charter)

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

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

84042
(Zip Code)

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

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

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

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

Large accelerated filer Accelerated Filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

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

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

As of August 8, 2023, the registrant had 52,659,763 shares of common stock issued and 47,574,560 shares of common stock outstanding, par value \$0.001.

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

	<u>Page</u>
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)	4
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)	5
Condensed Consolidated Statements of Cash Flows (Unaudited)	7
Notes to the Condensed Consolidated Financial Statements (Unaudited)	8
Item 2. Management's Discussion and Analysis of Financial Condition And Results of Operations	18
Item 3. Quantitative and Qualitative Disclosure about Market Risk	22
Item 4. Controls and Procedures	22
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	23
Item 1A. Risk Factors	23
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 3. Defaults Upon Senior Securities	23
Item 4. Mine Safety Disclosures	23
Item 5. Other Information	23
Item 6. Exhibits	24
Signatures	24

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

	As of	
	June 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,246,092	\$ 7,384,578
Short-term investments	1,896,397	1,154,284
Accounts receivable, net	13,987,743	10,886,145
Inventories, net (note 3)	13,016,192	10,293,980
Prepaid expenses and other current assets (note 4)	2,399,676	2,314,639
Total Current Assets	39,546,100	32,033,626
LONG-TERM ASSETS		
Long-term investments	7,212,652	7,503,419
Financing lease right-of-use asset	156,943	120,239
Property and equipment, net	10,627,702	10,423,964
Intangible assets, net	1,182,859	1,268,907
Goodwill	2,579,381	2,579,381
Total Long-Term Assets	21,759,537	21,895,910
TOTAL ASSETS	\$ 61,305,637	\$ 53,929,536
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,120,546	\$ 2,955,506
Accrued liabilities (note 5)	4,374,628	3,573,994
Current financing lease liability (note 6)	66,229	53,646
Income taxes payable	887,647	205,169
Total Current Liabilities	7,449,050	6,788,315
LONG-TERM LIABILITIES		
Net deferred income tax liability	694,429	488,858
Long-term financing lease liability (note 6)	92,511	67,883
TOTAL LIABILITIES	8,235,990	7,345,056
STOCKHOLDERS' EQUITY (note 7)		
Preferred stock: \$0.001 par value, 10,000,000 shares authorized: no shares issued or outstanding	—	—
Common stock: \$0.001 par value, 100,000,000 shares authorized: 52,659,763 issued and 47,574,560 outstanding at June 30, 2023, and 52,143,901 issued and 47,105,771 outstanding at December 31, 2022	52,662	52,144
Treasury stock, at cost	(7,394,281)	(7,336,323)
Additional paid-in capital	32,514,997	31,737,843
Accumulated other comprehensive loss	(2,976,198)	(3,294,873)
Retained earnings	30,872,467	25,425,689
TOTAL STOCKHOLDERS' EQUITY	53,069,647	46,584,480
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 61,305,637	\$ 53,929,536

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
	(See Note 1)		(See Note 1)	
REVENUES (note 8)				
Sales of products, net	\$ 13,602,884	\$ 8,860,682	\$ 27,231,396	\$ 17,739,105
Sales of services, net	840,693	772,465	1,765,643	1,397,182
Total Revenues	<u>14,443,577</u>	<u>9,633,147</u>	<u>28,997,039</u>	<u>19,136,287</u>
COST OF SALES				
Cost of sales - product	6,270,174	4,530,065	12,244,513	8,912,764
Cost of sales - services	758,958	699,937	1,504,972	1,263,674
Total Cost of Sales	<u>7,029,132</u>	<u>5,230,002</u>	<u>13,749,485</u>	<u>10,176,438</u>
GROSS PROFIT	7,414,445	4,403,145	15,247,554	8,959,849
OPERATING EXPENSES				
General and administrative	3,792,127	3,786,561	7,840,093	7,178,938
Research and development	258,317	362,197	594,769	670,512
Depreciation and amortization	140,093	159,580	282,981	326,597
Total Operating Expenses	<u>4,190,537</u>	<u>4,308,338</u>	<u>8,717,843</u>	<u>8,176,047</u>
INCOME FROM OPERATIONS	3,223,908	94,807	6,529,711	783,802
OTHER INCOME (EXPENSE)				
Gain on sale of assets	181,343	214,841	234,418	310,683
Other expense	(36,866)	(337)	(46,423)	(18,420)
Interest income	123,654	20,307	181,701	41,852
Interest expense	(854)	(17,612)	(1,787)	(18,308)
Total Other Income	<u>267,277</u>	<u>217,199</u>	<u>367,909</u>	<u>315,807</u>
INCOME BEFORE INCOME TAXES	3,491,185	312,006	6,897,620	1,099,609
INCOME TAX EXPENSE	(634,028)	(27,177)	(1,450,842)	(187,619)
NET INCOME	\$ 2,857,157	\$ 284,829	\$ 5,446,778	\$ 911,990
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation gain (loss)	\$ 278,328	\$ (290,291)	\$ 272,804	\$ (131,933)
Unrealized gains (losses) on investments	(30,416)	(134,662)	45,871	(421,788)
Total Other Comprehensive Income (Loss)	<u>247,912</u>	<u>(424,953)</u>	<u>318,675</u>	<u>(553,721)</u>
COMPREHENSIVE INCOME	\$ 3,105,069	\$ (140,124)	\$ 5,765,453	\$ 358,269
BASIC EARNINGS PER SHARE	\$ 0.06	\$ 0.01	\$ 0.12	\$ 0.02
FULLY DILUTED EARNINGS PER SHARE	\$ 0.06	\$ 0.01	\$ 0.11	\$ 0.02
BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	47,393,768	47,092,275	47,284,749	47,285,782
FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	49,473,080	48,699,208	49,349,488	48,865,186

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

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2022	47,105,771	\$ 52,144	\$ 31,737,843	\$ (3,294,873)	\$ (7,336,323)	\$ 25,425,689	\$ 46,584,480
Stock based compensation	—	—	223,047	—	—	—	223,047
Stock issued in settlement of RSUs and accrued bonuses	246,116	247	378,279	—	—	—	378,526
Tax withholdings paid related to stock based compensation	—	—	(242,506)	—	—	—	(242,506)
Foreign currency translation	—	—	—	(5,524)	—	—	(5,524)
Unrealized gains on investments	—	—	—	76,287	—	—	76,287
Net income	—	—	—	—	—	2,589,621	2,589,621
Balance, March 31, 2023	47,351,887	\$ 52,391	\$ 32,096,662	\$ (3,224,110)	\$ (7,336,323)	\$ 28,015,310	\$ 49,603,930
Stock based compensation	—	—	360,446	—	\$ —	—	360,446
Stock issued in exercise of stock options	82,450	\$ 83	\$ 65,252	\$ —	\$ —	\$ —	\$ 65,335
Stock issued in settlement of RSUs	187,296	188	(188)	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	(7,175)	—	—	—	(7,175)
Treasury stock repurchased	(47,073)	\$ —	—	—	(57,958)	—	\$ (57,958)
Foreign currency translation	—	—	—	278,328	—	—	278,328
Unrealized losses on investments	—	—	—	(30,416)	—	—	(30,416)
Net income	—	—	—	—	—	2,857,157	2,857,157
Balance, June 30, 2023	47,574,560	\$ 52,662	\$ 32,514,997	\$ (2,976,198)	\$ (7,394,281)	\$ 30,872,467	\$ 53,069,647

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2021	47,643,233	\$ 51,720	\$ 30,819,394	\$ (2,100,467)	\$ (6,107,593)	\$ 21,477,929	\$ 44,140,983
Stock based compensation	—	—	138,503	—	—	—	138,503
Stock issued in settlement of RSUs and accrued bonuses	139,894	140	212,647	—	—	—	212,787
Tax withholdings paid related to stock based compensation	—	—	(91,098)	—	—	—	(91,098)
Treasury stock repurchased	(509,631)	—	—	—	(622,263)	—	(622,263)
Foreign currency translation	—	—	—	158,359	—	—	158,359
Unrealized losses on investments	—	—	—	(287,126)	—	—	(287,126)
Net income	—	—	—	—	—	627,161	627,161
Balance, March 31, 2022	47,273,496	\$ 51,860	\$ 31,079,446	\$ (2,229,234)	\$ (6,729,856)	\$ 22,105,090	\$ 44,277,306
Stock based compensation	—	—	274,390	—	—	—	274,390
Stock issued in exercise of stock options	27,200	28	21,554	—	—	—	21,582
Stock issued in settlement of RSUs	184,047	184	(184)	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	(3,524)	—	—	—	(3,524)
Treasury stock repurchased	(451,590)	—	—	—	(606,467)	—	(606,467)
Foreign currency translation	—	—	—	(290,292)	—	—	(290,292)
Unrealized losses on investments	—	—	—	(134,662)	—	—	(134,662)
Net income	—	—	—	—	—	284,829	284,829
Balance, June 30, 2022	47,033,153	\$ 52,072	\$ 31,371,682	\$ (2,654,188)	\$ (7,336,323)	\$ 22,389,919	\$ 43,823,162

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

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

	For the Six Months Ended June 30,	
	2023	2022
OPERATING ACTIVITIES		
Net income	\$ 5,446,778	\$ 911,990
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	547,996	558,832
Gain on sale of property and equipment	(234,418)	(310,683)
Bad debt expense	378,753	28,474
Stock awards issued for services	583,493	412,893
Changes in operating assets and liabilities:		
Accounts receivable	(3,034,236)	(877,417)
Income taxes receivable/payable	682,284	534,456
Inventories	(2,662,032)	(2,097,471)
Prepaid expenses and other current assets	(51,121)	(140,352)
Deferred tax asset/liability	205,571	(408)
Accounts payable and accrued liabilities	(80,409)	1,601,376
Net Cash Provided by Operating Activities	<u>1,782,659</u>	<u>621,690</u>
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	309,493	412,339
Purchase of investments	(405,578)	(231,032)
Purchase of property and equipment	(607,248)	(223,215)
Net Cash Used in Investing Activities	<u>(703,333)</u>	<u>(41,908)</u>
FINANCING ACTIVITIES		
Value of equity awards surrendered by employees for tax liability	(248,958)	(93,527)
Cash received in exercise of stock options	65,335	25,106
Purchase of treasury stock	(57,957)	(1,228,731)
Principal paid towards lease liability	(13,972)	(19,787)
Net Cash Used in Financing Activities	<u>(255,552)</u>	<u>(1,316,939)</u>
Effect of exchange rate changes on cash	37,740	(32,286)
NET CHANGE IN CASH	<u>861,514</u>	<u>(769,443)</u>
CASH AT BEGINNING OF PERIOD	<u>7,384,578</u>	<u>8,188,270</u>
CASH AT END OF PERIOD	<u>\$ 8,246,092</u>	<u>\$ 7,418,827</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	\$ 1,787	\$ 1,253
Income taxes	\$ 576,750	\$ 21,000
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Common stock issued in settlement of accrued bonuses	\$ 378,526	\$ 212,787

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements (Unaudited)
For the Six Months Ended June 30, 2023 and 2022

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

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

The accompanying condensed consolidated financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments have been made (which include only normal recurring adjustments) which are necessary to present fairly the financial position, results of operations, stockholders' equity, and cash flows at June 30, 2023 and for all periods presented herein.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements contained in its annual report on Form 10-K for the year ended December 31, 2022 ("Form 10-K"). The results of operations for the three- and six month periods ended June 30, 2023 and 2022 are not necessarily indicative of the operating results for the full years. Certain amounts in the accompanying June 30, 2022 condensed consolidated statement of income and comprehensive income (loss) have been reclassified to conform to the June 30, 2023 presentation.

NOTE 2 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Line of Business

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

The Company provides burner-management products, solutions and services primarily for the oil and gas industry within the US and Canadian markets. The Company has made progress in expansion efforts outside of these markets into other industries with combustion and burner management requirements as well as into other international locations.

Significant Accounting Policies

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

Recent Accounting Pronouncements

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

NOTE 3 – INVENTORIES

Inventories consisted of the following at each balance sheet date:

	As of	
	June 30, 2023	December 31, 2022
Raw materials	\$ 219,388	\$ 166,927
Finished goods	13,148,684	10,452,930
Subtotal	13,368,072	10,619,857
Reserve for obsolescence	(351,880)	(325,877)
Total	<u>\$ 13,016,192</u>	<u>\$ 10,293,980</u>

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

NOTE 4 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	As of	
	June 30, 2023	December 31, 2022
Prepaid inventory	\$ 1,803,652	\$ 784,420
Accrued receivables	127,551	881,176
Prepaid insurance	115,800	240,785
Interest receivables	79,407	72,761
Tax credits	33	118,035
Other	273,233	217,462
Total	\$ 2,399,676	\$ 2,314,639

NOTE 5 – ACCRUED LIABILITIES

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

	As of	
	June 30, 2023	December 31, 2022
Employee-related payables	\$ 1,904,768	\$ 2,404,848
Deferred revenue	619,612	420,827
Inventory-related payables	1,422,623	285,109
Tax-related payables	136,165	54,762
Warranty liabilities	100,156	74,103
Other	191,304	334,345
Total	\$ 4,374,628	\$ 3,573,994

NOTE 6 – LEASES

We have leases for office equipment and office space. The leases for office equipment are classified as financing leases, and the typical term is between 36 and 60 months. We have the option to extend most office equipment leases, but we do not intend to do so. Accordingly, no extensions have been recognized in the right-of-use asset or lease liability. The office equipment lease payments are not variable, and the lease agreements do not include any non-lease components, residual value guarantees, or restrictions. There are no interest rates implicit in the office equipment lease agreements, so we have used our incremental borrowing rate to determine the discount rate to be applied to our financing leases for the purpose of determining our lease liabilities. The weighted average discount rate applied to our financing leases is 4.50% and the weighted average remaining lease term is 3.0 years.

The following table shows the components of financing lease cost:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Financing Lease Cost				
Amortization of right-of-use assets	\$ 7,240	\$ 8,651	\$ 14,478	\$ 21,068
Interest on lease liabilities	854	556	1,787	1,252
Total financing lease cost	\$ 8,094	\$ 9,207	\$ 16,265	\$ 22,320

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

The Company leases one warehouse space with a two-year lease, which is recorded as an operating lease. We consider the remainder of our office space leases to be short-term, and we have elected not to recognize those on our balance sheet under the short-term recognition exemption. Operating lease expense recognized during the three- and six months ended June 30, 2023 and June 30, 2022 was \$18,352 and \$16,261, and \$37,204 and \$36,914, respectively.

Supplemental operating lease information as of June 30, 2023 is as follows:

Operating right of use assets	\$	23,753
Current operating lease liabilities		23,753
Long-term operating lease liabilities		—
Weighted-average remaining lease term in years		1.0
Weighted-average discount rate		4.5 %

As of June 30, 2023, maturities of lease liabilities are as follows:

Years ending December 31,	Amount	
2023	\$	42,744
2024		68,456
2025		39,497
2026		25,712
2027		6,959
Thereafter		—
Total future minimum lease payments	\$	183,368
Less: Amount representing interest		24,628
Present value of future payments	\$	158,740
Current portion	\$	66,229
Long-term portion	\$	92,511

NOTE 7 – STOCKHOLDERS' EQUITY

As of June 30, 2023 and December 31, 2022, the Company held 5,085,203 and 5,038,130 shares of its common stock in treasury at a total cost of \$7,394,281 and \$7,336,323, respectively.

On May 9, 2023, the Company announced that its Board of Directors had authorized a share repurchase program allowing the Company to repurchase up to \$1,000,000 worth of the Company's common stock from time to time through April 30, 2024. Any purchases under the program will be made at the discretion of management or may also be made pursuant to a Rule 10b5-1 plan. The size and timing of any purchases will depend on price, market and business conditions and other factors.

As of June 30, 2023, the Company had 785,995 restricted stock units ("RSUs"), 1,057,044 performance-based RSUs, and 673,450 stock options outstanding with \$986,064 in remaining compensation expense to be recognized over the next 1.6 years. See further details below about certain subsets of these outstanding equity-based awards.

On June 29, 2023, pursuant to the annual renewal of director compensation, the Board approved a grant of 195,966 RSUs to the Company's independent directors. Half of the RSUs vested immediately on the date of grant and the remaining 50% of the RSUs will vest on the first anniversary of the grant date or at the Company's next annual meeting of stockholders, whichever is earlier. The awards will result in total compensation expense of approximately \$243,000 to be recognized over the vesting period.

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

On April 25, 2023, the Compensation Committee approved the 2023 Executive Incentive Plan (the “2023 EIP”) for Messrs. Oviatt, Tidball, and Fisher. The 2023 EIP provides for the potential award of incentive compensation to the participants based on the Company’s financial performance in fiscal 2023. If earned, the incentive compensation will be payable in cash and stock, and the stock portion of the incentive compensation is intended to constitute an award under the Company’s 2023 Equity Incentive Plan (the “2023 Plan”). In addition to the 2023 EIP, the Board also approved as a long-term incentive plan the grants of a restricted stock unit awards to Messrs. Oviatt, Tidball, and Fisher pursuant to the 2023 Plan (the “2023 LTIP”). The 2023 Plan was adopted by the Board of Directors on April 25, 2023, subject to shareholder approval at the annual meeting of stockholders of the Company (the “Annual Meeting”). The 2023 Plan was approved by the shareholders of the Company at the Annual Meeting which was held on June 14, 2023.

2023 EIP

Under the terms of the 2023 EIP, each participating executive officer has been assigned a target incentive compensation amount for fiscal 2023. The target incentive compensation amount for Mr. Oviatt is equal to 62% of his base salary as of December 31, 2023, the target incentive compensation amount for Mr. Tidball is equal to 62% of his base salary as of December 31, 2023, and the target incentive compensation for Mr. Fisher is equal to 37% of his base salary as of December 31, 2023. Under no circumstance can the participants receive more than two times the assigned target incentive compensation.

Participants will be eligible to receive incentive compensation based upon reaching or exceeding performance goals established by the Compensation Committee for fiscal 2023. The performance goals in the 2023 EIP are based on the Company’s total revenue, EBITDA, and two non-financial factors including revenue source diversification and safety and environmental performance. Each of the revenue, EBITDA, and revenue diversification performance goals will be weighted 30% while the safety and environment goal will be weighted 10% in calculating incentive compensation amounts.

The incentive compensation amounts earned under the 2023 EIP, if any, will be paid 50% in cash and 50% in shares of restricted stock under the 2023 Plan, subject to the 2023 Plan being approved by shareholders as described above. In no event shall the total award exceed 200% of the target incentive compensation amount for each participant, or exceed any limitations otherwise set forth in the 2023 Plan. The actual incentive compensation amounts, if any, will be determined by the Compensation Committee upon the completion of fiscal 2023 and paid by March 15, 2024, subject to all applicable tax withholding.

2023 LTIP

The 2023 LTIP consists of total awards of up to 287,076 restricted stock units (“Units”) to Mr. Oviatt, up to 287,076 Units to Mr. Tidball, and up to 50,868 Units to Mr. Fisher, pursuant to two separate restricted stock unit award agreements (collectively, the “Restricted Stock Unit Award Agreements”) to be entered between the Company and each participant. One such agreement will cover 33% of each award recipient’s Units that are subject to time-based vesting, and the other such agreement will cover the remaining 67% of such award recipient’s Units that may vest based on performance metrics. Upon vesting, and subject to the 2023 Plan being approved by shareholders as described above, 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 2023 LTIP began on January 1, 2023 and terminates on December 31, 2025 (the “Performance Vesting Date”).

The Units subject to time-based vesting, including 95,692 Units to Mr. Oviatt, 95,692 Units for Mr. Tidball, and 16,956 Units to Mr. Fisher, will vest in three equal and annual installments beginning December 31, 2023 and ending on December 31, 2025 if the award recipients’ employment continues with the Company through such dates.

The performance-vesting Units, including up to 191,384 Units for Mr. Oviatt, 191,384 Units for Mr. Tidball, and 33,912 Units to Mr. Fisher, may vest over a three-year performance period beginning January 1, 2023 (the “Performance Period”) based upon the following Company performance metrics:

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

Performance Metrics	Weight	Target	Above Target	Outstanding
Total Shareholder Return (based on the Company's closing price of its common stock at the end of the Performance Period relative to its closing price as of the last trading day in 2022)	1/3	94.2%	142.7%	191.3%
Relative Total Shareholder Return (based on the Company's ranked performance in closing stock price growth relative to a peer group of companies during the Performance Period)	1/3	Third Quartile	Second Quartile	First Quartile
EBITDA as a Percentage of Total Revenue	1/3	15%	17.5%	20%

One-third of such performance-vesting Units, consisting of 63,794 Units for Mr. Oviatt, 63,794 Units for Mr. Tidball, and 11,304 Units for Mr. Fisher, may vest for each of the three performance metrics identified in the table above. The number of Units that will vest for each performance metric on the Performance Vesting Date shall be determined as follows:

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

The foregoing summary of the 2023 Executive Incentive Plan and the Restricted Stock Unit Award Agreements is qualified in its entirety by the text of the 2023 Executive Incentive Plan and each of the Restricted Stock Unit Award Agreements, which are filed as exhibits to this Quarterly Report on Form 10-Q for the quarter ending March 31, 2023.

2022 EIP and LTIP

On April 6, 2022, the Compensation Committee of the Board (the "Compensation Committee") approved the 2022 Executive Incentive Plan (the "2022 EIP") for Messrs. Oviatt, Tidball, and Fisher. The 2022 EIP provided for the potential award of incentive compensation to the participants based on the Company's financial performance in fiscal 2022. The incentive compensation was payable in cash and stock, and the stock portion of the incentive compensation constituted an award under the Company's 2014 Equity Incentive Plan, as amended (the "Plan").

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

On March 6, 2023, the Compensation Committee approved the incentive compensation amounts based on achieving certain targets pursuant to the 2022 EIP. The incentive compensation amounts earned under the 2022 EIP were paid 50% in cash and 50% in shares of restricted stock under the Plan. The incentive compensation amounts resulted in the Compensation Committee approving a one-time bonus for Company executives that was settled by issuing a total of 341,961 shares of common stock, or 192,964 shares net of tax withholding. These shares were fully vested as of March 6, 2023.

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

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

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

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

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

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

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

2022 RSUs

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

2021 LTIP

On May 28, 2021, the Board approved as a long-term incentive plan, the grants of restricted stock unit awards to Messrs. Oviatt, Tidball, Fugal, and Fisher pursuant to the Plan (the "2021 LTIP"). The 2021 LTIP consists of total awards of up to 204,543 RSUs to Mr. Oviatt, up to 204,543 RSUs to Mr. Tidball, up to 85,908 RSUs to Mr. Fugal, and up to 47,973 RSUs to Mr. Fisher, pursuant to two separate restricted stock unit award agreements (collectively, the "2021 LTIP Restricted Stock Unit Award Agreements") between the Company and each participant. One agreement covers the 33% of each award recipient's RSUs that are subject to time-based vesting, and the other agreement covers the remaining 67% of such award recipient's RSUs that may vest based on performance metrics. Upon vesting, the award agreements entitle the award recipients to receive one share of the Company's common stock for each vested RSU. The vesting period of the 2021 LTIP began on January 1, 2021 and terminates on December 31, 2023 (the "2021 LTIP Performance Vesting Date").

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

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

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

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

One-third of such performance-vesting RSUs, consisting of 45,454 RSUs for Mr. Oviatt, 45,454 RSUs for Mr. Tidball, 19,091 RSUs for Mr. Fugal, and 10,661 RSUs for Mr. Fisher, are eligible to vest for each of the three performance metrics identified in the table above. The number of RSUs that will vest for each performance metric on the 2021 LTIP Performance Vesting Date shall be determined as follows:

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

Mr. Fugal resigned, effective October 31, 2021, from his position as Vice President of Operations to pursue an opportunity as CEO of another company. Accordingly, Mr. Fugal will not receive incentive compensation under the 2021 LTIP, and his unvested RSUs have been forfeited.

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

NOTE 8 – REVENUE

Performance Obligations

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

Our customers have the right to return certain unused and unopened products within 90 days for a restocking fee. We provide a warranty on some of our products ranging from 90 days to 2 years, depending on the product. See [Note 5](#) for the amount accrued for expected returns and warranty claims as of June 30, 2023.

Contract Balances

We have elected to use the practical expedient in ASC 340-40-25-4 (regarding recognition of the incremental costs of obtaining a contract) for costs related to contracts that are estimated to be completed within one year. All of our current sales contracts and service contracts are expected to be completed within one year, and as a result, we have not recognized a contract asset account. If we had chosen not to use this practical expedient, we would not expect a material difference in the contract balances. Occasionally, we collect milestone payments up front from customers on larger jobs. These payments are classified as deferred revenue until the deliverables have been met and revenue can be properly recognized in our financial

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

statements. Each of the contracts related to these milestone payments is short-term in nature and we expect to recognize associated revenues within one year. As a result, we consider it appropriate to record deferred revenue for these transactions and do not have any other contract liability balances.

Disaggregation of Revenue

We consider all revenue recognized in the income statement to be revenue from contracts with customers. The table below shows revenue by category:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Electronics	\$ 5,530,863	\$ 3,596,755	\$ 11,616,476	\$ 7,131,762
Manufactured	3,272,774	1,765,916	6,397,599	3,673,455
Re-Sell	4,799,247	3,498,011	9,217,321	6,933,888
Service	840,693	772,465	1,765,643	1,397,182
Total Revenue	\$ 14,443,577	\$ 9,633,147	\$ 28,997,039	\$ 19,136,287

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

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

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

	For the Three Months Ended June 30,					
	2023			2022		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income available to common stockholders	\$ 2,857,157	47,393,768	\$ 0.06	\$ 284,829	47,092,275	\$ 0.01
Effect of Dilutive Securities						
Stock options & RSUs	—	2,079,312		—	1,606,933	
Diluted EPS						
Net income available to common stockholders + assumed conversions	<u>\$ 2,857,157</u>	<u>49,473,080</u>	\$ 0.06	<u>\$ 284,829</u>	<u>48,699,208</u>	\$ 0.01
	For the Six Months Ended June 30,					
	2023			2022		
	Loss (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Loss (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income (loss) available to common stockholders	\$ 5,446,778	47,284,749	\$ 0.12	\$ 911,990	47,285,782	\$ 0.02
Effect of Dilutive Securities						
Stock options & RSUs	—	2,064,739		—	1,579,404	
Diluted EPS						
Net income (loss) available to common stockholders + assumed conversions	<u>\$ 5,446,778</u>	<u>49,349,488</u>	\$ 0.11	<u>\$ 911,990</u>	<u>48,865,186</u>	\$ 0.02

PROFIRE ENERGY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022

NOTE 10 – SEGMENT INFORMATION

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

Sales	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Canada	\$ 2,050,148	\$ 1,886,332	\$ 4,186,352	\$ 3,883,583
United States	12,393,429	7,746,815	24,810,687	15,252,704
Total Consolidated	\$ 14,443,577	\$ 9,633,147	\$ 28,997,039	\$ 19,136,287

Profit (Loss)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Canada	\$ (465,768)	\$ (601,435)	\$ (956,458)	\$ (954,005)
United States	3,322,925	886,264	6,403,236	1,865,995
Total Consolidated	\$ 2,857,157	\$ 284,829	\$ 5,446,778	\$ 911,990

Long-Lived Assets	As of	
	June 30, 2023	December 31, 2022
Canada	\$ 5,130,003	\$ 5,067,965
United States	5,654,642	5,476,238
Total Consolidated	\$ 10,784,645	\$ 10,544,203

NOTE 11 – SUBSEQUENT EVENTS

In accordance with ASC 855 "Subsequent Events," Company management reviewed all material events through the date this report was issued.

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

This discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity, and capital resources during the three- and six month periods ended June 30, 2023 and 2022. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes to the financial statements contained in this quarterly report on Form 10-Q and our annual report on Form 10-K for the year ended December 31, 2022.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are based on management's beliefs and assumptions and on information currently available to management. For this purpose, any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including, but not limited to, statements relating to our future actions, intentions, plans, strategies, objectives, results of operations, cash flows and the adequacy of or need to seek additional capital resources and liquidity. Words such as "may," "should," "expect," "project," "plan," "anticipate," "believe," "estimate," "intend," "budget," "forecast," "predict," "potential," "continue," "should," "could," "will," or comparable terminology or the negative of such terms are intended to identify forward-looking statements; however, the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-looking statements by their nature involve known and unknown risks and uncertainties and other factors that may cause actual results and outcomes to differ materially depending on a variety of factors, many of which are not within our control. Such factors include, but are not limited to, economic conditions generally and in the oil and gas industry in which we and our customers participate; competition within our industry; legislative requirements or changes which could render our products or services less competitive or obsolete; our failure to successfully develop new products and/or services or to anticipate current or prospective customers' needs; price increases; limits to employee capabilities; delays, reductions, or cancellations of contracts we have previously entered into; sufficiency of working capital, capital resources and liquidity and other factors detailed herein and in our other filings with the United States Securities and Exchange Commission (the "SEC" or "Commission"). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in [Item 1A. Risk Factors](#), included elsewhere in this report.

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

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

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

Overview

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

Principal Products and Services

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

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

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

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

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

Environmental, Social and Governance Focus

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

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

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

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

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

Results of Operations

Comparison quarter over quarter

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

	For the three months ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Total Revenues	\$ 14,443,577	\$ 14,553,461	\$ 13,971,018	\$ 12,829,338	\$ 9,633,148
Gross Profit Percentage	51.3 %	53.8 %	47.0 %	47.7 %	45.7 %
Operating Expenses	\$ 4,190,537	\$ 4,527,308	\$ 4,279,751	\$ 4,000,983	\$ 4,308,337
Income from Operations	\$ 3,223,908	\$ 3,305,800	\$ 2,292,914	\$ 2,117,893	\$ 94,806
Net Income	\$ 2,857,157	\$ 2,589,621	\$ 1,825,022	\$ 1,210,748	\$ 284,829
Operating Cash Flow	\$ 1,260,879	\$ 521,780	\$ 1,712,709	\$ (1,818,322)	\$ 1,814,039

Revenues for the quarter ended June 30, 2023 increased by 50% or \$4,810,429 compared to the quarter ended June 30, 2022, which was driven by ongoing strong customer demand, increases in Profire sales prices and supply chain improvements related to Profire BMS systems and components. The second quarter of 2023 weekly average rig count for North America was 815 compared to 810 in the same period of last year. Strong oil and natural gas prices also have contributed to ongoing investments in new technology by E&P operators over the past year. Overall customer demand increased during the quarter ended June 30, 2023, in response to these industry trends.

Revenues for the quarter ended June 30, 2023 decreased by 1% or \$109,884 compared to the quarter ended March 31, 2023, but was greater than any prior year quarter, driven by continued strong customer demand and higher sales prices. The second quarter of 2023 weekly average rig count for North America decreased by 17% compared to the prior quarter.

Our gross profit margin for the second quarter of 2023 was up 5.6% from the same quarter of last year and down 2.5% from quarter ended March 31, 2023. The gross margin percentage was impacted by normal fluctuations in product, service and customer mix.

Operating expenses for the quarter ended June 30, 2023 decreased \$117,800 from the same quarter of last year, which primarily results from receipt of a the employee retention payroll tax credit, that became available to the Company through the CARES Act. The Company filed amended payroll tax returns in the third quarter of 2022 and recognized 50% of the credit on the books at that time. The Company received the credit in full during the quarter ended June 30, 2023 and recognized the remaining 50% in the quarter then ended. This benefit was offset by increases in headcount and cost inflation across the business. Operating expenses for the quarter ended June 30, 2023 decreased \$336,771 from the prior quarter ended March 31, 2023 for the same reason.

Due to the factors discussed above, we reported income from operations of \$3,223,908 for the quarter ended June 30, 2023 compared to income from operations of \$94,806 for the same quarter in 2022 and income from operations of \$3,305,800 in the quarter ended March 31, 2023.

Due to the combination of factors discussed above relating to revenues, gross profit margin and operating expenses, we reported net income of \$2,857,157 for the quarter ended June 30, 2023 compared to net income of \$284,829 for the same quarter in 2022 and net income of \$2,589,621 in the quarter ended March 31, 2023.

The Company achieved operating cash flows of \$1,260,879 during the quarter ended June 30, 2023 compared to \$1,814,039 during the same quarter of 2022 and \$521,780 in the quarter ended March 31, 2023. The fluctuations in operating cash flows are due primarily to the changes in net income and working capital balances.

Comparison of the six months ended June 30, 2023 and 2022

The table below presents certain financial data comparing the six months ended June 30, 2023 to the same period ended June 30, 2022:

	For the Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
Total Revenues	\$ 28,997,039	\$ 19,136,287	\$ 9,860,752	51.5 %
Gross Profit Percentage	52.6 %	46.8 %		5.8 %
Operating Expenses	\$ 8,717,843	\$ 8,176,047	\$ 541,796	6.6 %
Income from Operations	\$ 6,529,711	\$ 783,802	\$ 5,745,909	733.1 %
Net Income	\$ 5,446,778	\$ 911,990	\$ 4,534,788	497.2 %
Operating Cash Flow	\$ 1,782,659	\$ 621,690	\$ 1,160,969	(186.7)%

Revenues during the six-month period ended June 30, 2023, increased 51.5% compared to the same period of last year. The increase in revenue was driven by strong customer demand, increases in Profire sales prices and improvements in Profire BMS system availability. For the six months ended June 30, 2023, the weekly average rig count for North America was 896 compared to 813 in the same period of last year. Although oil and natural gas prices are lower than they were in the prior year period, they remain strong and have contributed to ongoing investments in new technology by E&P operators over the past year. Overall customer demand increased during the period ended June 30, 2023, in response to these industry trends. Our gross profit percentage increased by 5.8% during the six months ended June 30, 2023 compared to the same period in 2022, primarily due to changes in product mix, inventory adjustments and the fixed cost coverage from a higher revenue base. Operating expenses increased 6.6% due to increases in headcount and general cost inflation in the current year, offset by the employee retention payroll tax credit noted above. Due to the increase in revenue and gross margin, which exceeded the increase in operating expenses, we recognized net income of \$5,446,778 for the six months ended June 30, 2023 compared to net income of \$911,990 for the same period in 2022. The Company generated operating cash flows of \$1,782,659 during the six-month period ended June 30, 2023 compared to \$621,690 during the six-month period ended June 30, 2022 due to the changes in net income and working capital balances.

Liquidity and Capital Resources

Working capital at June 30, 2023 was \$32,097,050 compared to \$25,245,311 at December 31, 2022.

Our liquidity position is impacted by operating, investing and financing activities. During the six months ended June 30, 2023, we generated \$1,782,659 of cash from operating activities, primarily due to an increase in net income which offset an increase in accounts receivable and inventory. Operating activity trends consist of cash inflows and outflows related to changes in operating assets and liabilities. During the six months ended June 30, 2023, we used \$703,333 of cash from investing activities to purchase investments, property, and equipment. Investing activity trends consist of changes in the mix of our investment portfolio, purchases or sales of fixed assets, and acquisition activities. During the six months ended June 30, 2023, we used \$255,552 of cash in financing activities, primarily related to taxes paid on employee stock awards issued during the quarter. Financing activity trends consist of transactions related to equity awards and purchases of treasury stock pursuant to our share repurchase program. The extent to which our liquidity position will be impacted in the future depends on industry trends and developments, which are highly uncertain and cannot be predicted with confidence. As of June 30, 2023, we held \$17,355,141 of cash and investments that form our core excess liquidity which could be utilized, if required, due to the issues described above.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

This section is not required.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Principal Executive Officers and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act, as of the end of the period covered by this quarterly report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officers and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on the evaluation performed, our management, including the Principal Executive Officers and Principal Financial Officer, concluded that the disclosure controls and procedures were effective as of June 30, 2023.

Changes in Internal Control over Financial Reporting

Our management, with the participation of our Principal Executive Officers and Principal Financial Officer, evaluated the changes in our internal control over financial reporting that occurred during the quarterly period covered by this quarterly report on Form 10-Q. Based on that evaluation, management concluded that no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended June 30, 2023, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the risks discussed in our annual report on Form 10-K for the year ended December 31, 2022, which risks could materially affect our business, financial condition, or future results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material, adverse effect on our business, financial condition or future results.

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

The table below sets forth additional information regarding our share repurchases during the three months ended June 30, 2023:

Period	(a) Total Number of Shares Purchased	(b) Weighted Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans
April	—	—	—	—
May	—	—	—	2,000,000
June	47,073	\$ 1.23	47,073	\$ 1,942,051
Total	<u>47,073</u>		<u>47,073</u>	

Item 3. Defaults Upon Senior Securities

This item is not applicable.

Item 4. Mine Safety Disclosures

This item is not applicable.

Item 5. Other Information

This item is not applicable.

Item 6. Exhibits

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

Exhibit 10.1* ⁺	Profire Energy, Inc. 2023 Equity Incentive Plan
Exhibit 31.1*	Certification of Co-Principal Executive Officer Pursuant to Rule 13a-14(a) Ryan W. Oviatt
Exhibit 31.2*	Certification of Co-Principal Executive Officer Pursuant to Rule 13a-14(a) Cameron M. Tidball
Exhibit 31.3*	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)
Exhibit 32.1*	Certification of Principal Executive Officers pursuant to 18 U.S.C. Section 1350
Exhibit 32.2*	Certification of Ryan W. Oviatt, Principal Financial Officer pursuant to 18 U.S.C. Section 1350
Exhibit 101.INS*	XBRL Instance Document
Exhibit 101.SCH*	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF*	XBRL Taxonomy Definition Linkbase Document
Exhibit 101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

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

SIGNATURES

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

PROFIRE ENERGY, INC.

Date:	August 9, 2023	By:	<u>/s/ Ryan W. Oviatt</u> Ryan W. Oviatt Co-Chief Executive Officer and Chief Financial Officer
Date:	August 9, 2023	By:	<u>/s/ Cameron M. Tidball</u> Cameron M. Tidball Co-Chief Executive Officer

PROFIRE ENERGY, INC.

2023 EQUITY INCENTIVE PLAN

Section 1. Purpose

The purpose of the Plan is to promote the interests of the Company and its stockholders by aiding the Company in attracting and retaining employees, officers, consultants, advisors and non-employee Directors capable of assuring the future success of the Company, to offer such persons incentives to put forth maximum efforts for the success of the Company's business and to compensate such persons through various stock or cash-based arrangements and provide them with opportunities for stock ownership in the Company, thereby aligning the interests of such persons with the Company's stockholders.

Section 2. Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award or Dividend Equivalent granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing an Award granted under the Plan (including a document in an electronic medium) executed in accordance with the requirements of Section 9(b).

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(f) "Committee" shall mean the Compensation Committee of the Board or such other committee designated by the Board to administer the Plan. The Committee shall be comprised of not less than such number of Directors as shall be required to permit Awards granted under the Plan to qualify under Rule 16b-3, and each member of the Committee shall be a "non-employee director" within the meaning of Rule 16b-3.

(g) "Company" shall mean Profire Energy, Inc., a Nevada corporation, and any successor corporation.

(h) "Consultant" means any natural person engaged as a consultant or advisor by the Company or an Affiliate (as determined by the Committee) to render bona fide services to such entity and such services are not in connection with the sale of shares of Stock in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities.

- (i) "Director" shall mean a member of the Board.
- (j) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the Plan.
- (k) "Eligible Person" means any Employee, Consultant or Director. An Award may be granted to an Employee, Consultant or Director, in connection with hiring, retention or otherwise, prior to the date the Employee, Consultant or Director first performs services for the Company or the Subsidiaries, provided that such Awards shall not become vested prior to the date the Employee, Consultant or Director first performs such services.
- (l) "Employee" means any person, including officers and Directors, employed by the Company or an Affiliate (as determined by the Committee). Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.
- (m) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (n) "Fair Market Value" with respect to one Share as of any date shall mean (a) if the Share is listed on any established stock exchange, the price of one Share at the close of the regular trading session of such market or exchange on such date, as reported by The Wall Street Journal or a comparable reporting service, or, if no sale of Shares shall have occurred on such date, on the preceding date on which there was a sale of Shares; (b) if the Shares are not so listed on any established stock exchange, the average of the closing "bid" and "asked" prices quoted by the OTC Bulletin Board, the National Quotation Bureau, or any comparable reporting service on such date or, if there are no quoted "bid" and "asked" prices on such date, on the next preceding date for which there are such quotes for a Share; or (c) if the Shares are not publicly traded as of such date, the per share value of a Share, as determined by the Board, or any duly authorized Committee of the Board, in its sole discretion, by applying principles of valuation with respect thereto.
- (o) "Incentive Stock Option" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision.
- (p) "Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
- (q) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option to purchase shares of the Company.
- (r) "Participant" shall mean an Eligible Person designated to be granted an Award under the Plan.
- (s) "Performance Award" shall mean any right granted under Section 6(d) of the Plan.
- (t) "Person" shall mean any individual or entity, including a corporation, partnership, limited liability company, association, joint venture or trust.



(u) “Plan” shall mean the Profire Energy, Inc. 2023 Equity Incentive Plan, as amended from time to time.

(v) “Prior Stock Plan” shall mean the Profire Energy, Inc. 2014 Equity Incentive Plan, as amended from time to time.

(w) “Restricted Stock” shall mean any Share granted under Section 6(c) of the Plan.

(x) “Restricted Stock Unit” shall mean any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(y) “Rule 16b-3” shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation.

(z) “Section 409A” shall mean Section 409A of the Code, or any successor provision, and applicable Treasury Regulations and other applicable guidance thereunder.

(aa) “Securities Act” shall mean the Securities Act of 1933, as amended.

(bb) “Share” or “Shares” shall mean the common stock of the Company (or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan).

(cc) “Specified Employee” shall mean a specified employee as defined in Section 409A(a)(2)(B) of the Code and the final regulations under Section 409A, determined in accordance with procedures established by the Company and applied uniformly with respect to all plans maintained by the Company that are subject to Section 409A.

(dd) “Stock Appreciation Right” shall mean any right granted under Section 6(b) of the Plan.

Section 3. Administration

(a) Power and Authority of the Committee. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or the method by which payments or other rights are to be calculated in connection with) each Award; (iv) determine the terms and conditions of any Award or Award Agreement, including any terms relating to the forfeiture of any Award and the forfeiture, recapture or disgorgement of any cash, Shares or other amounts payable with respect to any Award; (v) amend the terms and conditions of any Award or Award Agreement, subject to the limitations under Section 7; (vi) accelerate the exercisability of any Award or the lapse of any restrictions relating to any Award, subject to the limitations in Section 7, (vii) determine whether, to what extent and under what circumstances Awards may be exercised in cash, Shares, other securities, other Awards or other property (excluding promissory notes), or canceled, forfeited or suspended.

subject to the limitations in Section 7; (viii) determine whether, to what extent and under what circumstances amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee, subject to the requirements of Section 409A; (ix) interpret and administer the Plan and any instrument or agreement, including an Award Agreement, relating to the Plan; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan; and (xii) adopt such modifications, rules, procedures and subplans as may be necessary or desirable to comply with provisions of the laws of non-U.S. jurisdictions in which the Company or an Affiliate may operate, including, without limitation, establishing any special rules for Affiliates, Eligible Persons or Participants located in any particular country, in order to meet the objectives of the Plan and to ensure the viability of the intended benefits of Awards granted to Participants located in such non-United States jurisdictions. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or Award Agreement shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or beneficiary of any Award or Award Agreement, and any employee of the Company or any Affiliate.

(b) Delegation. The Committee shall have the right, from time to time, to delegate to one or more officers of the Company the authority of the Committee to grant and determine the terms and conditions of Awards granted under the Plan, subject to the requirements of applicable law and such other limitations under applicable exchange rules. In no event shall any such delegation of authority be permitted with respect to Awards to any members of the Board or to any Eligible Person who is subject to Rule 16b-3 under the Exchange Act. The Committee shall also be permitted to delegate, to any appropriate officer or employee of the Company, responsibility for performing certain ministerial functions under the Plan. In the event that the Committee's authority is delegated to officers or employees in accordance with the foregoing, all provisions of the Plan relating to the Committee shall be interpreted in a manner consistent with the foregoing by treating any such reference as a reference to such officer or employee for such purpose. Any action undertaken in accordance with the Committee's delegation of authority hereunder shall have the same force and effect as if such action were undertaken directly by the Committee and shall be deemed for all purposes of the Plan to have been taken by the Committee.

(c) Power and Authority of the Board. Notwithstanding anything to the contrary contained herein, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan.

(d) Indemnification. To the full extent permitted by law, (i) no member of the Board, the Committee or any person to whom the Committee delegates authority under the Plan shall be liable for any action or determination taken or made in good faith with respect to the Plan or any Award made under the Plan, and (ii) the members of the Board, the Committee and each person to whom the Committee delegates authority under the Plan shall be entitled to indemnification by the Company with regard to such actions and determinations. The provisions of this paragraph shall be in addition to such other rights of indemnification as a member of the Board, the Committee or any other person may have by virtue of such person's position with the Company.



Section 4. Shares Available for Awards

(a) Shares Available. Subject to adjustment as provided in Section 4(c) of the Plan, the aggregate number of Shares that may be issued under all Awards under the Plan shall be the sum of (i) 6,000,000 (the authorized net increase of Shares in connection with the adoption of the Plan), (ii) 119,834 (the remaining Shares available for future awards under the Prior Stock Plan as of April 25, 2023), and (iii) any Shares subject to any outstanding award under the Prior Stock Plan that, after April 25, 2023, are not purchased or are forfeited or reacquired by the Company, or otherwise not delivered to the Participant due to termination or cancellation of such award. The aggregate number of Shares that may be issued under all Awards under the Plan shall be reduced by Shares subject to awards issued under the Plan in accordance with the share counting rules described in Section 4(b) below. On and after stockholder approval of this Plan, no awards shall be granted under the Prior Stock Plan, and all outstanding awards previously granted under the Prior Stock Plan shall remain outstanding and subject to the terms of the Prior Stock Plan.

(b) Counting Shares. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan. For purposes of determining the number of Shares covered on the date of grant by an Option or a Stock Appreciation Right, the aggregate number of Shares with respect to which the Option or Stock Appreciation Right is to be exercised shall be counted against the number of Shares available for Awards under the Plan (without regard to the number of actual Shares issued upon exercise or settlement). If any Shares covered by an Award or to which an Award relates are not purchased or are forfeited or are reacquired by the Company (including shares of Restricted Stock and Restricted Stock Units, whether or not dividends have been paid on such shares), or if an Award otherwise terminates or is cancelled without delivery of any Shares, then the number of Shares counted pursuant to Section 4(b) of the Plan against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture, reacquisition by the Company, termination or cancellation, shall again be available for granting Awards under the Plan. Notwithstanding anything to the contrary in this Section 4, the following Shares will not again become available for issuance under the Plan: (i) any Shares which would have been issued upon any exercise of an Option but for the fact that the exercise price was paid by a “net exercise” pursuant to Section 6(a)(iii)(B) or any Shares tendered in payment of the exercise price of an Option; (ii) any Shares withheld by the Company or Shares tendered to satisfy any tax withholding obligation with respect to an Option or Stock Appreciation Right; (iii) Shares covered by a Stock Appreciation Right issued under the Plan that are not issued in connection with settlement in Shares upon exercise; or (iv) Shares that are repurchased by the Company using Option exercise proceeds.

(c) Adjustments. In the event that any dividend (other than regular cash dividends) or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is necessary in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust

any or all of (i) the number and type of Shares (or other securities or other property) that thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the purchase price or exercise price with respect to any Award and (iv) the limitations contained in Section 4(d) below; provided, however, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number. Such adjustment shall be made by the Committee or the Board, whose determination in that respect shall be final, binding and conclusive.

(d) Award Limitations Under the Plan.

- (i) Limitation for Options, SARs and Performance Awards Denominated in Shares. No Eligible Person may be granted any Options, Stock Appreciation Rights or Performance Awards denominated in Shares, for more than 750,000 Shares (subject to adjustment as provided for in Section 4(c) of the Plan), in the aggregate in any calendar year.
- (ii) Limit on Awards to Non-Employee Directors. Directors who are not also employees of the Company or an Affiliate may not be granted Awards in in any calendar year of more than 200,000 Shares, subject to adjustment as provided in Section 4(c) of the Plan. The foregoing limit shall not apply to any Award made pursuant to any election by the Director to receive an Award in lieu of all or a portion of annual and committee retainers and annual meeting fees.

Section 5. Eligibility

Any Eligible Person shall be eligible to be designated as a Participant. In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account the nature of the services rendered by the respective Eligible Persons, their present and potential contributions to the success of the Company or such other factors as the Committee, in its discretion, shall deem relevant. Notwithstanding the foregoing, an Incentive Stock Option may only be granted to full-time or part-time employees (which term as used herein includes, without limitation, officers and Directors who are also employees), and an Incentive Stock Option shall not be granted to an employee of an Affiliate unless such Affiliate is also a “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code or any successor provision.

Section 6. Awards

(a) Options. The Committee is hereby authorized to grant Options to Eligible Persons with the following terms and conditions (each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Non-Qualified Stock Option) and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

- (i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee and shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.

the Fair Market Value of a Share on the date of grant of such Option;

provided, however, that the Committee may designate a purchase price below Fair Market Value on the date of grant if the Option is granted in substitution for a stock option previously granted by an entity that is acquired by or merged with the Company or an Affiliate.

- (ii) Option Term. The term of each Option shall be fixed by the Committee at the time but shall not be longer than 10 years from the date of grant.
- (iii) Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method or methods by which, and the form or forms, including, but not limited to, cash, Shares (actually or by attestation), other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the applicable exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.
 - (A) Promissory Notes. Notwithstanding the foregoing, the Committee may not accept a promissory note as consideration.
 - (B) Net Exercises. The Committee may, in its discretion, permit an Option to be exercised by delivering to the Participant a number of Shares having an aggregate Fair Market Value (determined as of the date of exercise) equal to the excess, if positive, of the Fair Market Value of the Shares underlying the Option being exercised on the date of exercise, over the exercise price of the Option for such Shares.
- (iv) Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, the following additional provisions shall apply to the grant of stock options which are intended to qualify as Incentive Stock Options:
 - (A) The aggregate number of Shares that may be issued under all Incentive Stock Options under the Plan shall be 6,000,000.
 - (B) Notwithstanding a designation for a grant of Options as Incentive Stock Options, however, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code) exceeds \$100,000, such Options will be treated as Non-Qualified Stock Options. For purposes of this Section, Incentive Stock Options will be taken into account in the order in which they were granted, the Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted and calculation will be performed in accordance with



Section 422 of the Code and Treasury Regulations promulgated thereunder.

- (C) All Incentive Stock Options must be granted within ten years from the earlier of the date on which this Plan was adopted by the Board or the date this Plan was approved by the stockholders of the Company.
- (D) Unless sooner exercised, all Incentive Stock Options shall expire and no longer be exercisable no later than 10 years after the date of grant; provided, however, that in the case of a grant of an Incentive Stock Option to a Participant who, at the time such Option is granted, owns (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its Affiliates, such Incentive Stock Option shall expire and no longer be exercisable no later than five years from the date of grant.
- (E) The purchase price per Share for an Incentive Stock Option shall be not less than 100% of the Fair Market Value of a Share on the date of grant of the Incentive Stock Option; provided, however, that, in the case of the grant of an Incentive Stock Option to a Participant who, at the time such Option is granted, owns (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its Affiliates, the purchase price per Share purchasable under an Incentive Stock Option shall be not less than 110% of the Fair Market Value of a Share on the date of grant of the Incentive Stock Option.
- (F) Any Incentive Stock Option authorized under the Plan shall contain such other provisions as the Committee shall deem advisable, but shall in all events be consistent with and contain all provisions required in order to qualify the Option as an Incentive Stock Option.
- (v) Automatic Exercise of Options. Notwithstanding the foregoing, unless otherwise set forth in an Award Agreement, if on the last day of the term of an Option the Fair Market Value of one Share exceeds the option exercise price per Option and the Option is exercisable but has not been exercised, the Option shall be deemed to have been exercised to the extent it was exercisable on such day with payment made by withholding Shares otherwise issuable in connection with the exercise of the Option. In such event, the Company shall deliver the number of Shares for which the Option was deemed exercised, less the number of Shares required to be withheld for the payment of the total purchase price and required withholding taxes; provided, however, any fractional Share shall be settled in cash.



(b) Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Eligible Persons subject to the terms of the Plan and any applicable Award Agreement. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right; provided, however, that the Committee may designate a grant price below Fair Market Value on the date of grant if the Stock Appreciation Right is granted in substitution for a stock appreciation right previously granted by an entity that is acquired by or merged with the Company or an Affiliate. Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee (except that the term of each Stock Appreciation Right shall be subject to the term limitation in Section 6(a)(ii) and the automatic exercise provisions in Section 6(a)(v) applicable to Options). The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) Restricted Stock and Restricted Stock Units. The Committee is hereby authorized to grant an Award of Restricted Stock and Restricted Stock Units to Eligible Persons with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate. Notwithstanding the foregoing, rights to dividend or Dividend Equivalent payments shall be subject to the limitations described in Section 6(e).

(ii) Issuance and Delivery of Shares. Any Restricted Stock granted under the Plan shall be issued at the time such Awards are granted and may be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company or held in nominee name by the stock transfer agent or brokerage service selected by the Company to provide such services for the Plan. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the restrictions applicable to such Restricted Stock. Shares representing Restricted Stock that are no longer subject to restrictions shall be delivered (including by updating the book-entry registration) to the Participant promptly after the applicable restrictions lapse or are waived. In the case of Restricted Stock Units, no Shares shall be issued at the time such Awards are granted. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock



Units evidencing the right to receive Shares, such Shares shall be issued and delivered to the holder of the Restricted Stock Units.

- (iii) Forfeiture. Except as otherwise determined by the Committee, upon a Participant's termination of employment or resignation or removal as a Director (in either case, as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock 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 Shares of Restricted Stock or Restricted Stock Units.

(d) Performance Awards. The Committee is hereby authorized to grant to Eligible Persons Performance Awards. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock and Restricted Stock Units), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of one or more objective performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee.

(e) Dividend Equivalents. The Committee is hereby authorized to grant Dividend Equivalents to Eligible Persons under which the Participant shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan and any applicable Award Agreement, such Dividend Equivalents may have such terms and conditions as the Committee shall determine. Notwithstanding the foregoing, (i) the Committee may not grant Dividend Equivalents to Eligible Persons in connection with grants of Options or Stock Appreciation Rights to such Eligible Persons, and (ii) no dividend or Dividend Equivalent payments shall be made to a Participant with respect to any Performance Award or other Award subject to performance-based vesting conditions prior to the date on which all conditions or restrictions relating to such Award (or portion thereof to which the dividend or Dividend Equivalent relates) have been satisfied, waived or lapsed.

(f) General.

- (i) Consideration for Awards. Awards may be granted for no cash consideration or for any cash or other consideration as may be determined by the Committee or required by applicable law.
- (ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in



tandem with or in substitution for any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

- (iii) Forms of Payment under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, other securities (but excluding promissory notes), other Awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.
- (iv) Limits on Transfer of Awards. Except as otherwise provided by the Committee in its discretion and subject to such additional terms and conditions as it determines, no Award (other than fully vested and unrestricted Shares issued pursuant to any Award) and no right under any such Award shall be transferable by a Participant other than by will or by the laws of descent and distribution, and no Award (other than fully vested and unrestricted Shares issued pursuant to any Award) or right under any such Award 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. If the Committee does permit the transfer of an Award other than a fully vested and unrestricted Share, such transfer shall be for no value and in accordance with the rules of Form S-8. The Committee may establish procedures as it deems appropriate for a 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 any Award in the event of the Participant's death.
- (v) Restrictions; Securities Exchange Listing. All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may cause appropriate entries to be made with respect to, or legends to be placed on the certificates for, such Shares or other securities to reflect such restrictions. The Company shall not be required to deliver any Shares or other securities covered by an Award unless and 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.

- (vi) Prohibition on Option and Stock Appreciation Right Repricing. Except as provided in Section 4(c) hereof, the Committee may not, without prior approval of the Company's shareholders, seek to effect any re-pricing of any previously granted, "underwater" Option or Stock Appreciation Right by: (i) amending or modifying the terms of the Option or Stock Appreciation Right to lower the exercise price; (ii) canceling the underwater Option or Stock Appreciation Right and granting either (A) replacement Options or Stock Appreciation Rights having a lower exercise price; or (B) Restricted Stock, Restricted Stock Units, Performance Award or Other Stock-Based Award in exchange; or (iii) cancelling or repurchasing the underwater Option or Stock Appreciation Right for cash or other securities. An Option or Stock Appreciation Right will be deemed to be "underwater" at any time when the Fair Market Value of the Shares covered by such Award is less than the exercise price of the Award.
- (vii) Section 409A Provisions. Notwithstanding anything in the Plan or any Award Agreement to the contrary, to the extent that any amount or benefit that constitutes "deferred compensation" to a Participant under Section 409A and applicable guidance thereunder is otherwise payable or distributable to a Participant under the Plan or any Award Agreement solely by reason of the occurrence of a change in control or 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 change in control, disability or separation from service meet the definition of a change in ownership or effective control, disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable proposed or 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. 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.
- (viii) Acceleration of Vesting or Exercisability. No Award Agreement shall accelerate the exercisability of any Award or the lapse of restrictions relating to any Award in connection with a change-in-control event unless such acceleration occurs upon the consummation of (or effective



immediately prior to the consummation of, provided that the consummation subsequently occurs) such change-in-control event.

Section 7. Amendment and Termination; Corrections

(a) Amendments to the Plan and Awards. The Board may from time to time amend, suspend or terminate this Plan, and the Committee may amend the terms of any previously granted Award, provided that no amendment to the terms of any previously granted Award may (except as expressly provided in the Plan) adversely alter or impair the terms or conditions of the Award previously granted to a Participant under this Plan without the written consent of the Participant or holder thereof. Any amendment to this Plan, or to the terms of any Award previously granted, is subject to compliance with all applicable laws, rules, regulations and policies of any applicable governmental entity or securities exchange, including receipt of any required approval from the governmental entity or stock exchange. For greater certainty and without limiting the foregoing, the Board may amend, suspend, terminate or discontinue the Plan, and the Committee may amend or alter any previously granted Award, as applicable, without obtaining the approval of stockholders of the Company in order to:

- (i) amend the eligibility for, and limitations or conditions imposed upon, participation in the Plan;
- (ii) amend any terms relating to the granting or exercise of Awards, including but not limited to terms relating to the amount and payment of the exercise price, or the vesting, expiry, assignment or adjustment of Awards, or otherwise waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively;
- (iii) make changes that are necessary or desirable to comply with applicable laws, rules, regulations and policies of any applicable governmental entity or stock exchange (including amendments to Awards necessary or desirable to avoid any adverse tax results under Section 409A, and no action taken to comply with Section 409A shall be deemed to impair or otherwise adversely alter or impair the rights of any holder of an Award or beneficiary thereof); or
- (iv) amend any terms relating to the administration of the Plan, including the terms of any administrative guidelines or other rules related to the Plan.

For greater certainty, prior approval of the stockholders of the Company shall be required for any amendment to the Plan or an Award that would:

- (i) require stockholder approval under the rules or regulations of the Securities and Exchange Commission, the NASDAQ Stock Market or any other securities exchange that are applicable to the Company;
- (ii) increase the number of shares authorized under the Plan as specified in Section 4(a) of the Plan;

- (iii) increase the number of shares or value subject to the limitations contained in Section 4(d) of the Plan;
- (iv) permit repricing of Options or Stock Appreciation Rights, which is currently prohibited by Section 6(f)(vi) of the Plan;
- (v) permit the award of Options or Stock Appreciation Rights at a price less than 100% of the Fair Market Value of a Share on the date of grant of such Option or Stock Appreciation Right, contrary to the provisions of Section 6(a)(i) and Section 6(b) of the Plan; or
- (vi) increase the maximum term permitted for Options and Stock Appreciation Rights as specified in Section 6(a)(ii) and Section 6(b).

(b) Corporate Transactions. In the event of any change in control event, reorganization, merger, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Shares or other securities of the Company or any other similar corporate transaction or event involving the Company (or the Company shall enter into a written agreement to undergo such a transaction or event), any such event defined herein as a "Corporate Transaction", the Committee or the Board may, in its sole discretion, provide for one or more of the following to be effective upon the consummation of the event (or effective immediately prior to the consummation of the event, provided that the consummation of the event subsequently occurs), and no action taken under this Section 7(b) shall be deemed to impair or otherwise adversely alter or impair the rights of any holder of an Award or beneficiary thereof:

- (i) either (A) termination of any Award, whether or not vested, in exchange for an amount of cash and/or other property, if any, equal to the gain that would have been attained upon the exercise of the Award or realization of the Participant's rights or (B) the replacement of the Award with other rights or property of comparable value selected by the Committee or the Board, in its sole discretion;
- (ii) that the Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;
- (iii) that, subject to Section 6(f)(viii), the Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the applicable Award Agreement; or
- (iv) that the Award cannot vest, be exercised or become payable after a date certain in the future, which may be the effective date of the event.

(c) Correction of Defects, Omissions and Inconsistencies. The Committee may, without prior approval of the stockholders of the Company, correct any defect, supply any

without prior approval of the stockholders of the Company, correct any defect, supply any

omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Plan.

Section 8. Income Tax Withholding

In order to comply with all applicable federal, state, local or foreign income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state, local or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant. In order to assist a Participant in paying all or a portion of the applicable taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (a) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes (but only to the extent necessary to satisfy minimum statutory withholding requirements) or (b) delivering to the Company Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

Section 9. General Provisions

(a) No Rights to Awards. No Eligible Person, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) Award Agreements. No Participant shall have rights under an Award granted to such Participant unless and until an Award Agreement shall have been signed by the Participant (if requested by the Company), or until such Award Agreement is delivered and accepted through an electronic medium in accordance with procedures established by the Company. An Award Agreement need not be signed by a representative of the Company unless required by the Committee. Each Award Agreement shall be subject to the applicable terms and conditions of the Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Committee.

(c) Plan Provisions Control. In the event that any provision of an Award Agreement conflicts with or is inconsistent in any respect with the terms of the Plan as set forth herein or subsequently amended, the terms of the Plan shall control.

(d) No Rights of Stockholders. Except with respect to Shares issued under Awards (and subject to such conditions as the Committee may impose on such Awards pursuant to Section 6(c)(i) or Section 6(e)), neither a Participant nor the Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any



Shares issuable upon the exercise or payment of any Award, in whole or in part, unless and until such Shares have been issued.

(e) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation plans or arrangements, and such plans or arrangements may be either generally applicable or applicable only in specific cases.

(f) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained as an employee of the Company or any Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate a Participant's employment at any time, with or without cause, in accordance with applicable law. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement. Nothing in this Plan 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. 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 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, each Participant shall be deemed to have accepted all the conditions of the Plan and the terms and conditions of any rules and regulations adopted by the Committee and shall be fully bound thereby.

(g) Governing Law. The internal law, and not the law of conflicts, of the State of Nevada shall govern all questions concerning the validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award.

(h) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award 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 Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(i) No Trust or Fund Created. Neither the Plan nor any Award 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 a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(j) Other Benefits. No compensation or benefit awarded to or realized by any Participant under the Plan shall be included for the purpose of computing such Participant's compensation or benefits under any pension, retirement, savings, profit sharing, group insurance,



disability, severance, termination pay, welfare or other benefit plan of the Company, unless required by law or otherwise provided by such other plan.

(k) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Share or whether such fractional Share or any rights thereto shall be canceled, terminated or otherwise eliminated.

(l) Headings. Headings are given to the sections and subsections of the Plan 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 Plan or any provision thereof.

Section 10. Clawback or Recoupment

All Awards under this Plan shall be subject to forfeiture or other penalties pursuant to any Company clawback policy, as may be adopted or amended from time to time, and such forfeiture and/or penalty conditions or provisions as determined by the Committee.

Section 11. Effective Date of the Plan

The Plan was adopted by the Board on April 25, 2023. Awards may be granted under the Plan on and after the date the Plan was adopted by the Board, subject, however, to approval by the stockholders of the Company at the annual meeting of stockholders of the Company to be held on June 14, 2023; provided, that, no Award shall be exercisable, vested or settled until such stockholder approval is obtained; provided, further, that any Awards granted prior to such stockholder meeting shall be forfeited if such stockholder approval is not obtained. On and after stockholder approval of the Plan, no awards shall be granted under the Prior Stock Plan, but all outstanding awards previously granted under the Prior Stock Plan shall remain outstanding and subject to the terms of the Prior Plan.

Section 12. Term of the Plan

No Award shall be granted under the Plan, and the Plan shall terminate, on April 25, 2033 or any earlier date of discontinuation or termination established pursuant to Section 7(a) of the Plan. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such dates, and the authority of the Committee provided for hereunder with respect to the Plan and any Awards, and the authority of the Board to amend the Plan, shall extend beyond the termination of the Plan.



EXHIBIT 31.1

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

I, Ryan W. Oviatt, certify that:

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

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

Date: August 9, 2023

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

EXHIBIT 31.2

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

I, Cameron M. Tidball, certify that:

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

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

Date: August 9, 2023

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

EXHIBIT 31.3

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

I, Ryan W. Oviatt, certify that:

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

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

Date: August 9, 2023

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

EXHIBIT 32.1

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

In connection with this quarterly report on Form 10-Q of Profire Energy, Inc. (the "Company") for the period ended June 30, 2023, 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: August 9, 2023

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

Date: August 9, 2023

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

EXHIBIT 32.2

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

In connection with this quarterly report on Form 10-Q of Profire Energy, Inc. (the "Company") for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Ryan W. Oviatt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 9, 2023

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