

PROFIRE ENERGY INC  
Form 10-K  
June 13, 2016

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U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

(Mark One)

Annual report pursuant to section 13 or 15(d) of the securities exchange act of 1934

For the fiscal year ended March 31, 2016

OR

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.

(Name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

20-0019425

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

321 South 1250 West, Suite 1

Lindon, Utah 84042

(Address of principal executive offices)

Telephone Number – Area Code (801) 796-5127

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

Title of each class                      Name of each exchange on which registered

Common Stock, \$0.001 par value    NASDAQ

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes    No

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

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

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

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

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

Large accelerated Filer  Accelerated Filer   
Non-accelerated Filer  (Do not check if a smaller reporting company) Smaller Reporting Company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which our common stock was last sold, as of the last business day of the our most recently completed second fiscal quarter was approximately \$23,789,064.

As of June 6, 2016, the registrant had 53,316,134 shares of common stock, par value \$0.001, issued and outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement—which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the registrant's fiscal year ended March 31, 2016—are incorporated by reference into Part III of this report.

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PROFIRE ENERGY, INC.

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

Information Concerning Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are based on management's beliefs and assumptions and on information currently available to management. For this purpose, any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including, but not limited to, statements relating to our future actions, intentions, plans, strategies, objectives, results of operations, cash flows and the adequacy of or need to seek additional capital resources and liquidity. Without limiting the foregoing, words such as "may", "should", "expect", "project", "plan", "anticipate", "believe", "estimate", "intend", "budget", "forecast", "predict", "potential", "continue", "should", "could", "will" or comparable terminology or the negative of such terms are intended to identify forward-looking statements, however, the absence of these words does not necessarily mean that a statement is not forward-looking. These 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 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; employee limitations; or 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.

Forward-looking statements are predictions and not guarantees of future performance or events. 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. Our actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements and we hereby qualify all our forward-looking statements by these cautionary statements.

These forward-looking statements speak only as of their dates and should not be unduly relied upon. We undertake no obligation to amend this report or revise publicly these forward-looking statements (other than pursuant to reporting obligations imposed on registrants pursuant to the Exchange Act) to reflect subsequent events or circumstances, whether as the result of new information, future events or otherwise.

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

## PART I

### Item 1. Business

#### Overview

Profire is an oilfield technology company, providing products that enhance the efficiency, safety, and compliance of the oil and gas industry. We specialize in the creation of burner-management systems, used on a variety of oilfield natural-draft fire tube vessels, and primarily sell our products and services throughout North America. Our experienced team of industry service professionals also provides supporting services for our products.

We were originally incorporated in the State of Nevada on May 5, 2003. Since October 2008, we have been primarily engaged in the business of developing combustion management technologies for the oil and gas industry.

#### Fiscal Year Highlights

This was a difficult fiscal year not only for the Company, but also for our industry. The commodity price decline, and its impact on capital spending throughout the oil and gas industry, impacted customers greatly and consequently impacted our ability to grow in line with our historical patterns. However, in the midst of the industry downturn we have launched a product platform, the PF3100, which we hope will enable the Company to enter new markets and industries. Consistent with our historical objectives, the Company has avoided debt and continued to generate positive cash flow, allowing the Company many options for the use of capital in future periods. Along with the hiring of our new CFO, we believe we have taken positive steps this year to better serve the needs of our customers and ultimately deliver long-term value to all of the Company's stakeholders.

#### Principal Products and Services

In the oil and natural gas industry, there are numerous demands for heat generation and control. Oilfield vessels of all kinds, including line-heaters, dehydrators, separators, treaters, amine reboilers, and free-water knockout systems require heat to satisfy their various functions, which is provided by a burner flame inside the vessel. This burner flame is integral to the operation of the vessel because these vessels use the flame's heat to facilitate the proper function of the vessel. Such functions include separating, storing, transporting and purifying oil and gas (or even water). For example, the viscosity of oil and moisture content (and temperature) of gas are critical to a number of oilfield processes, and are directly affected by the heat provided by the burner flame inside the vessel. Our burner-management systems help ignite, monitor, and manage this burner flame, reducing the need for employee interaction with the burner, such as for the purposes of re-ignition or temperature monitoring.

As a result, oil and gas producers can achieve increased safety, greater operational efficiencies, and improved compliance with changing industry regulations. We believe, despite the industry down turn, there is a growing trend in the oil and gas industry toward enhanced control, process automation, and data logging, partly for potential regulatory-satisfaction purposes. We continue to assess compliance-interest in the industry, especially given the budgetary constraints we have observed over the last year. We believe that enhanced burner-management products and services can help our customers be compliant with such regulatory requirements, where applicable. In addition to selling products, we train and dispatch service technicians to address this industry need in Canada and throughout the United States.

After providing installation and maintenance services for several years, we decided to pursue the development of burner-management technologies, and we began work on a proprietary burner-management system to ignite, monitor, and manage the burner flames used in oilfield vessels. Our principal objectives in developing our proprietary burner-management system were to:

- provide a safe, efficient and code-compliant method to ignite, monitor, and/or manage burner flames in the industry; and
- ensure the system could be easily controlled by oilfield operators.

With these objectives in mind, we initially developed our first burner-management system in 2005. Since 2005, we have released several iterations of our initial burner-management system, increasing features and capabilities, while maintaining compliance with Canadian Standards Association (CSA) and Underwriters Laboratories (UL) ratings.

Our burner-management systems have become widely used in Western Canada, and well-received in the United States market, with sales to such companies as Anadarko, Chesapeake Energy, ConocoPhillips, Devon Energy, Encana, Exxon-Mobil, Petro-Canada, Shell and others. Our systems have also been sold or installed in other parts of the world, including France, Italy, Ukraine, India, Nigeria, the Middle East, Australia, and Brazil. While we have an interest in expanding our long-run international distribution capabilities, our current principal focus is on the North American oil and gas market.

#### Recent Product Extension: PF3100

In September of 2015, the Company unveiled its next generation burner-management system which is designed to operate, monitor, and control more complex, multi-faceted oilfield applications. The newly announced management system, the PF3100, is an advanced management system designed to work with any number of Profire-engineered modules, specific to different applications, thus allowing the system to expertly manage a wide variety of applications and possibly whole new environments in future years.

Throughout the industry, Programmable Logic Controllers (PLC) are used to operate and manage custom-built oilfield applications. Though capable, PLC's can be expensive, tedious, and difficult to use. Our unique solution, the PF3100, can help manage and synchronize custom applications helping oilfield producers meet deadlines and improve profitability through an off-the-shelf solution with dynamic customization. The Company has begun selling the PF3100 for initial use in the oil and gas industry's natural-draft market, with additional modules, including forced-air modules, planned for the near-future.

The Company frequently assesses market needs through participating in industry conferences and soliciting feedback from existing and potential customers and looks for opportunities to provide quality solutions to the oil and gas producing companies it serves. Upon identifying a potential market need, the Company begins researching the market and developing products that might have feasibility for future sale.

#### Additional Complementary Products

In addition to our burner-management systems, we also sell complementary oilfield products to help facilitate improved oilfield safety and efficiency. Such products help manage fuel flow (e.g., valves and fuel trains), meter air flow (e.g., airplates), generate power on-site (e.g., solar packages), ignite and direct flame (e.g., flare stack igniter and nozzles), and other necessary functions. We have invested heavily to develop innovative complementary products, which we anticipate will help bolster continued long-term growth.

Some of these products are resold from third parties (e.g., solar packages), while some are proprietary (e.g., flare stack igniter) or patent-pending (e.g., inline pilot and valve technologies). We intend to continue developing proprietary products to help enhance our margin on some of these complementary products.

### Chemical-Management Systems

In addition to the burner-management systems and complementary technologies we have sold historically, we extended our product line by acquiring the assets of VIM Injection Management ("VIM") in November 2014, which extended our brand to include chemical-management systems.

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

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

Inaccurate injection levels are problematic because the chemicals injected are expensive; over-injection causes unnecessary expense for producers. However, under-injection can often result in the creation of poor product (i.e., with wax, hydrate, or corrosion agents) and cause problems with pipeline audits.

Our chemical-management systems monitor and manage this chemical-injection process to ensure that optimal levels of chemicals are injected. This improves the efficiency of the pump and production quality of the well, improves safety for workers that would otherwise be exposed to these chemicals, and improves compliance with pipeline operators. Like our burner-management systems, our chemical-management systems can be monitored and managed remotely via SCADA or other remote-communication systems. We have a pending process-patent for our chemical-management systems.

### Principal Markets and Distribution Methods

In our experience, the oil and gas industry does not typically centralize purchasing decisions of relatively inexpensive products, such as our products and services. Therefore, we place a strong emphasis on developing relationships with customers at the field-level, with the intention to eventually show regional- or corporate-management the benefits of our systems in the fields in which we have had a presence, with the hope of expediting the adoption process for that customer. It should be noted, however, that operating and capital budgets—set by head offices of our customers—can have an effect on the ability of our field-level customers to purchase our products. In light of the increasingly challenging industry environment, we have seen a significant reduction in the capital budgets of our customers over the past year.

Because of this relationship-based purchasing structure, we emphasize sales directly to the producers rather than distributor-derived sales. However, we have had success in working with Original Equipment Manufacturers (OEM) which manufacture the production and processing equipment on which our products are utilized. While these OEMs manufacture many vessels which are intended for new wells, some of their products are intended to replace old or defective vessels on existing wells. Furthermore, we have had success in working with strategic partners that deliver instrumentation and electrical (I&E) services in the industry. When drilling activity is high in the industry, these OEMs and I&Es can provide us with a relatively easy-to-scale sales channel.



Much of our historical revenue has been generated in working with producers directly. OEMs and I&Es have also been a historically strong revenue contributor, and we realize continued benefits and scalability from those relationships. Finally, we continue to seek out quality distributor-relationships for the establishment of an additional, scalable long-term revenue channel. We feel this distribution channel will become more effective in revenue-generation as the industry becomes more aware of our products and services. Additionally, distributors are our preferred method of establishing sales-channels in international markets.

Due to the aforementioned relationship-based purchasing structure of our customers, we believe that hiring qualified sales personnel has helped us generate interest for our products. We hope to leverage our presence in various regions of North America, such as the Marcellus, Permian, Bakken, and Eagle Ford, among others, where we have working relationships with key customers, and customer-accessibility is enhanced by having nearby Profire offices. Although sales of our products and services have not been dependent on regulation of our products, especially where enforcement of such regulation has often been unpredictable, we do feel that it has enhanced our sales environment in certain geographies. In the current industry environment, enforcement has appeared to become less restrictive. We do consider legislative and regulatory trends when contemplating strategic decisions, such as new products, office locations, and distribution channels. We believe that increased regulation—especially when coupled with consistent enforcement—may influence potential customers to purchase our products or services.

Initially our sales efforts were focused primarily in Western Canada, with an office in Edmonton, Alberta. Given our success in that market, we determined to expand our sales efforts to other markets, including the U.S. market. Pursuant to our development strategy, we purchased office and warehouse space in the United States in Lindon, Utah in 2010. We currently have six offices located throughout the United States and one office in Canada. Given the current condition of the oil and gas industry, in the short-run it is unlikely that we will be able to continue our historical sales-growth trajectory, though we are still optimistic about the long-term sales-growth prospects and industry-adoption of our products as our customer base continues to increase. Recurring revenue possibilities and other high-scalability initiatives will become increasingly important for us as we pursue new levels of market penetration, stabilize revenue and net income and prepare for future growth.

In addition to developing a larger presence in international markets in future years, the PF3100 platform will serve as the base for products intended for applications outside of the oil and gas industry (as well as for new applications within the oil and gas industry). We believe diversifying into industries outside of oil and gas will better position the Company to continue to grow and create enhanced shareholder value in the future. We have created an internal committee focused on expanding our product footprint to other industries and may engage with third-party consultants to assist in exploring the most appealing markets and opportunities. Despite the industry down turn, we are committed to investing resources to this process and hope to report significant progress in the coming reporting periods.

## Competition

Based on our experience, we believe most of the other companies in our industry are either smaller service companies or product retailers who sell products but have a limited sales and service department to both promote and support their products. A significant portion of our sales comes from our legacy burner-management systems where there are several companies marketing similar burner-management products. They include SureFire, Platinum, and ACL. Some larger conglomerates, such as Siemens, Honeywell, and others, manufacture burner-management systems for very sophisticated refinery environments and some larger (e.g., forced-air) systems in the oilfield, but they have not, historically, emphasized sales for natural draft smaller- and mid-size oilfield applications. Relative to our competition, we believe our product-offering tends to be about average in price, but with above-average capability, reliability, and product-support.

Our competitors tend to be focused regionally, with operations that are limited to areas close to their headquarters. While we believe price is a significant component of competition within our industry, we believe the most important competitive factors are performance, quality, reliability, durability, and installation/service expertise. To that end, we have primarily sought to first create high-quality and innovative products, then to constrain costs without compromising those primary characteristics. We believe this approach will help us continue to remain highly competitive in the industry, especially in the long-run. To help assure our customers of our commitment to quality and safety, our burner-management systems have been certified to comply with CSA and UL ratings.

We recognize the related industry-markets we plan to enter are highly competitive, and as our segment within the industry grows and matures we expect additional companies will seek to enter. Many of these companies may be more highly capitalized, more experienced, more recognized or better situated to take advantage of market opportunities. To that end, we emphasize the concept of scalability throughout our organization, in an effort to help our systems, processes, and people be prepared for continued competitiveness as we grow. Additionally, because we were an early-mover in the burner-management market, we have the advantage of established relationships with both suppliers and customers, which helps create a barrier to new entrants.

#### Sources and Availability of Raw Materials

We have a limited number of contracts in place with parties from whom we acquire the parts used to manufacture our products. However, we believe there are adequate alternative sources for the parts needed to manufacture our products available to us should they be needed. In the past, we have not experienced any sudden or dramatic increase in the prices of the major parts or components for our systems. However, some of the components that we resell, such as some of our valve products, are available from a limited number of suppliers. If our access to such products became constricted, we could experience a material adverse impact on our results of operations or financial condition. We anticipate our dependency on these limited componentry suppliers could diminish in the future with increased proprietary-product development. As we anticipate continued development of proprietary products—we expect to review vendor relationships to help ensure we are working with suppliers that best meet our needs and the needs of our customers.

Because many of the component parts we use are relatively low-priced and readily available, we do not anticipate that a sudden or dramatic increase in the price (or decrease in supply) of any particular part would have a material adverse effect on our results of operations or financial condition even if we were unable to increase our sales prices proportionate to any particular price increase. If we experienced a significant increase in the cost of a significant number of the parts we use to build our systems, such could have a material adverse impact on our results of operations or financial condition until we are able to adjust our sales prices accordingly, which could potentially help mitigate the effect of such cost increases.

We contract with a third-party fabricator to manufacture our burner-management and chemical-management systems, along with other proprietary products. We believe this has provided us with improved manufacturing efficiencies. Additionally, the use of a third-party fabricator enables the Company to concentrate our capital on liquidity maintenance, research and development projects, and other strategies that align with our core competencies instead of investments in manufacturing equipment. Under the direction of our product engineers, the manufacturer is able to procure all electronic parts, specialty cases and components, and from those components assemble the complete system. Using specialty equipment and processes provided by us, the system is tested on-site by the manufacturer, and if the finished product is acceptable, it is shipped to us for distribution. We subsequently perform our own quality-control testing, and ensure the programming for each system is ready for the anticipated environment of the customer. Shipments to us (from our manufacturer) are usually limited to approximately 300 systems, so that in the event any one shipment is lost or damaged, inventory levels are not seriously impacted. The entire process is typically completed within sixty days of the manufacturer receiving our purchase order.



In 2014, our manufacturer established an additional office, located in Arizona, which enhances our supply chain efficiency, and also provides a contingency in the event that our manufacturer's main location in Alberta, Canada is rendered dysfunctional or inefficient. While we have a contract in place with this manufacturer, should we lose its services, for whatever reason, we believe we inventory sufficient product to meet our customers' needs in the event of short-term supply chain disruptions. We also believe we have adequate alternative manufacturing sources available, and that while such a loss might result in a temporary short-term disruption, we do not anticipate it would result in a materially adverse impact in our ability to meet demand for our products or results of operations, financial condition and cash flows for a significant period of time. We periodically seek alternative manufacturing options to ensure our current fabricator is competitive in price, manufacturing quality and fulfillment speed, to ensure we have the ability to scale our production levels based on customer demand and market conditions.

#### Dependence upon Major Customers

During the fiscal years ended March 31, 2016 and 2015, the following customers accounted for more than 10% of our total revenues. The loss of this major customer could have a material adverse effect on our business, financial condition, results of operations and cash flows:

<u>Customer</u>	For the Years Ending March 31,	
	2016	2015
Chesapeake Energy	9%	11%

#### Patents, Trademarks and Other Intellectual Property

Although we believe that the success of our business depends more on the technical competence, creativity and marketing abilities of our employees than on any individual patent, trademark, or copyright, we have pursued the acquisition of intellectual property for a number of our products.

We have filed or acquired several patent applications for various product innovations both domestically and internationally. Management will continue to assess the strategic and financial value of each potential patent as we develop various intellectual properties. The provisional and/or non-provisional applications we have filed thus far are intended to protect:

- inline pilot technologies to increase efficiency and reliability of pilot light performance in a variety of climates;
- software technology within a modular burner management system; and
- certain valve-related technologies.

Additionally, a patent was issued related to our chemical-management system and its process for supplying a chemical agent to a process fluid. The Company was also issued a patent for an internal coil technology, though we do not feel that this issued patent will have a material benefit for the Company.

### Need for Governmental Approval of our Principal Products or Services

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

### Effects of Existing or Probable Governmental Regulation on our Business

We believe that our products can improve regulatory compliance of our customers. Regulations concerning emissions, safe burner ignition methods, data logging, or other regulatory dimensions that could be related to our products, may impact our customers and markets. Examples of such regulations are provided below:

B149.3-10, which has evolved in recent years and is effective for Alberta, governs the safety precautions that must be met concerning the ignition of the pilot and the main burner in Canada. It allows a programmable control to be used, if the controller complies with certain certification requirements promulgated by the CSA.

Regulation 7, which was passed during fiscal year 2014 by the Colorado Department of Public Health and Environment, requires that combustion devices installed after May 1, 2014, be equipped with an auto-igniter and all existing combustion devices to be equipped with an auto-igniter by May 1, 2016.

R307-503-3 (b) & (c), which was passed during fiscal year 2014 by the Utah Department of Air Quality, mandated that all new open and enclosed burners must have an auto-igniter beginning January 1, 2015. The rule requires the two largest oil- and gas-producing counties in the state to retrofit all existing enclosed burners with auto-igniters by December 1, 2015, and all other counties to comply by April 1, 2017.

Order 25417, which was passed by North Dakota's Industrial Council, is a new rule effective April 1, 2015, requiring producers to condition crude oil before transportation and prove oil temperature is above 110 degrees Fahrenheit, to burn off toxic gases from the oil.

Our burner management systems design enables our products to help companies become compliant with the aforementioned and other regulations. While these laws are relatively new to the states and the industry, we intend to continue following their implementation and enforcement in the coming months and years. However, given the current industry environment, there does not seem to be a focus on enforcement by these governing bodies, and we recognize that much of this is out of our control. We have assigned a number of sales/service professionals to these specific geographic areas, to ensure we have a strong presence in the states and basins with specific regulation. We are following other potential regulatory changes that could affect our business, and intend to plan for (and respond to) any resulting changes appropriately.

Though we do not solely depend on such regulation to grow our business, we consider it to be a helpful tailwind in our long-term growth. We believe that increased regulation—especially when coupled with consistent enforcement—may influence potential customers to purchase our products or services.

In light of this regulatory environment, we have historically focused on providing products and services that exceed existing regulatory and industry-safety standards; therefore, we believe demand for our products may increase as regulators continue to tighten safety and efficiency standards in the industry. In addition to satisfying regulatory and safety requirements, we believe oil and gas companies continue to recognize the operational efficiencies that can be realized through the use of our burner management systems and related products.

Although we feel that sales of our products and services have not historically depended solely on regulation of our products—especially where enforcement has often been unpredictable—we do feel that such regulation has enhanced our sales environment in certain geographies. Significant changes in the regulatory environment could materially impact our results of operations and financial condition. For example, we believe there could be an increase in our sales if the U.S. were to adopt regulations that subsequently increased the demand for burner management products. We also believe that, historically, a significant portion of our Canadian sales have been aided by such regulation in Canada, resulting in a higher estimated penetration rate for our products there, and we anticipate such regulatory pressures to continue. Consequently, if the regulatory environment were to become significantly less stringent, we could experience a significant decline in the demand for our products in Canada, which we would expect could materially and adversely impact our results of operations and financial condition.

As of the date of this report, we are not aware of any pending or anticipated major regulatory changes in the near future.

#### Research and Development

We place strong emphasis on product-oriented research and development relating to the development of new or improved products and systems. During the years ended March 31, 2016 and March 31, 2015, we spent \$899,013 and \$1,832,671 respectively, on research and development programs. None of these research and development costs were borne by our customers pursuant to customer-sponsored research activities relating to the development of new products, services or techniques or the improvement of existing products, services or techniques.

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

Our business is affected by local, provincial, state, federal and foreign laws and other regulations relating to the gas and electric safety standards and codes presently extant in the oil and gas industry, as well as laws and regulations relating to worker safety and environmental protection. We cannot predict the level of enforcement of existing laws and regulations or how such laws and regulations may be interpreted by enforcement agencies or court rulings, whether additional laws and regulations will be adopted, or the effect such changes may have on us, our business or financial condition.

Additionally, our customers are affected by laws and regulations relating to the exploration for and production of natural resources such as oil and natural gas. These regulations are subject to change, and new regulations may curtail or eliminate customer activities in certain areas where we currently operate. We cannot determine the extent to which new legislation may impact customer activity levels, and ultimately, the demand for our products and services.

During the fiscal years ended March 31, 2016 and 2015 we did not incur material direct costs to comply with applicable environmental laws. There can be no assurance, however, that this will continue to be the case in the future as environmental laws and regulations relating to the oil and natural gas industry are routinely subject to change.

#### Employees

As of March 31, 2016, we had a total of 93 employees, 89 of whom were full-time employees. Of our total employees, 19 were sales department personnel, including sales administration and management, and 14 were service department personnel. In addition, we have also subcontracted a limited number of individuals to provide service- and administrative-related services.

## Reports to Security Holders

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A and other information with the Commission. The public may read and copy any materials we file with the Commission at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 on official business days during the hours of 10:00 am to 3:00 pm. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Alternatively, you may access these reports, proxy statements and information statements and other information regarding issuers that file electronically with the Commission at its website [www.sec.gov](http://www.sec.gov). We provide free access to our filings with the Commission, as soon as reasonably practicable after filing, on our website located at [www.ProfireEnergy.com](http://www.ProfireEnergy.com).

### Item 1A. Risk Factors

In addition to the risks discussed throughout this report we are subject to the following risks.

Forward-looking statements may prove to be inaccurate.

In our effort to make the information in this report more meaningful, this report contains both historical and forward-looking statements. All statements other than statements of historical fact are forward-looking statements within the meanings of Section 27A of the Securities Act of 1933 and Section 21E of the 1934 Act. Forward-looking statements in this report are not based on historical facts, but rather reflect the current expectations of our management concerning future results and events. We have attempted to qualify our forward-looking statements with appropriate cautionary language to take advantage of the judicially-created doctrine of "bespeaks caution" and other protections.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements to be different from any future results, performance and achievements expressed or implied by these statements. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements in this annual report. Other unknown or unpredictable factors also could have material adverse effects on our future results.

#### Risks Relating to our Business

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

Our principal customers are oil and natural gas exploration and production companies. Thus, the results of our operations and financial condition depend on the level of capital spending by our customers. The energy industry's level of capital spending is tied to the prevailing commodity prices of natural gas and crude oil. Low commodity prices have the potential to reduce the amount of crude oil and natural gas that our customers can economically produce, and volatility in commodity prices may make our customers reluctant to invest in oilfields where our products would be used. Although our products can enhance the operational efficiency of producing wells, a prolonged or substantial downturn in market price could lead to reductions or delays in the capital spending of our clients and therefore reduce the demand for our products and services, which could materially and adversely impact our results of operations, financial condition and cash flow.

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

- the level of oil and gas production;
- the demand for oil and gas related products;
- domestic and worldwide economic conditions;
- political instability in the Middle East and other oil producing regions;
- the actions of the Organization of Petroleum Exporting Countries;
- the price of foreign imports of oil and gas, including liquefied natural gas;
- natural disasters or weather conditions, such as hurricanes;
- technological advances affecting energy consumption;
- the level of oil and gas inventories;
- the cost of producing oil and gas;
- the price and availability of alternative fuels;
- merger and divestiture activity among oil and gas producers; and
- governmental regulations.

The volatility of the oil and gas industry and the consequent impact on the transportation, refinement and production of oil and natural gas could cause a decline in the demand for our products and services, which could have a material adverse effect on our business. Major declines in oil and natural gas prices since July 2014 (when prices were at approximately \$100 per barrel) have resulted in substantial declines in capital spending and drilling programs across the industry. As a result of the declines in oil and natural gas prices, most exploration and production companies have shut down or substantially reduced drilling programs and have asked vendors to make pricing concessions.

Changes in the dependence on crude oil and natural gas as major energy sources worldwide could materially and adversely impact our business and financial condition.

Our principal customers are oil and natural gas exploration and production companies. If new energy sources are further developed and adopted, our principal customers could experience a decline in demand for their products. If demand for our customer's products decreases, the business and financial condition of our customers could be materially and adversely impacted. Significant negative financial impact of our customers could reduce the demand for our products and services, which could have a material adverse effect on our business.

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

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



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

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

foreign currency exchange risks resulting from changes in foreign currency exchange rates and the execution of controls in this area;

limitations on our ability to reinvest earnings from operations in one country to fund our operations in other countries.

The Canadian dollar lost substantial value compared to the United States Dollar (USD) during fiscal year 2016. Foreign exchange rate fluctuations negatively impacted our financial results in fiscal year 2016 and if there is prolonged downturn in the Canadian Dollar/USD exchange rate it could have a material adverse impact on our business and financial condition.

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

As our segment within the oil and gas exploration and production industry grows and matures we expect additional companies will seek to enter this market. New entrants to our industry may be more highly capitalized, more experienced, better recognized or better situated to take advantage of market opportunities. Any failure by us to adequately compete against current and future competitors could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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



There can be no assurance as to the extent to which the anticipated benefits of these acquisitions will be realized, if at all, or that significant time and costs beyond those anticipated will not be required with the integration of new acquisitions to the existing business. If we are unable to accomplish the integration and management successfully, or achieve a substantial portion of the anticipated benefits of these acquisitions within the time frames anticipated by management, it could have a material adverse effect on our business and financial condition.

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

Our proposed business strategies described in this Annual Report on Form 10-K incorporate our management's current analysis of potential markets, opportunities and difficulties that we face.

We cannot assure any party that our underlying assumptions accurately reflect current trends and conditions in our industry or that our current business strategy will be successful. Our business strategies may change substantially from time to time or may be abandoned as our management reassesses opportunities and reallocates resources. If we are unable to develop or implement our strategies, we may not operate profitably in future periods.

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

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

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

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

If the laws and regulations governing oil and natural gas exploration and production were to become less stringent, we could experience a significant decline in the demand for our products, which we would expect would materially and adversely impact our results of operations and financial condition. These regulations are subject to change and new regulations may curtail or eliminate customer activities in certain areas where we currently operate. We cannot determine the extent to which new legislation may impact customer activity levels, and ultimately, the demand for our products and services.

Further, our operations are affected by local, provincial, state, federal and foreign laws and other regulations relating to oil, gas and electric standards. Such standards can be related to safety, environmental protection, or other regulatory dimensions for the oil and gas industry. We cannot predict the level of enforcement of existing laws and regulations, how such existing laws and regulations may be interpreted by enforcement agencies or court rulings, whether additional laws and regulations will be adopted, or the effect such changes may have on us, our business or financial condition.

Anti-fracking regulations could have a material adverse impact on our business or financial condition.

Certain states and municipalities have regulated, or are considering regulating, hydraulic fracturing ("fracking"), which, if accomplished, could impact some of our customers and their operations. While we do not believe that these fracking related regulations or considerations of future related regulations negatively impacted our activities to date, there can be no assurance that these actions, if taken on a wider scale, may not have a material adverse effect on our business or financial condition.

Failure to comply with applicable environmental and other laws and regulations could adversely affect our business and harm our results of operations.

We may use hazardous materials in our research and development and manufacturing processes, which are subject to federal, state, local and foreign regulations. These regulations govern the use, storage, handling and disposal of these materials and hazardous waste products that we generate. Although we believe that our procedures for using, handling, storing and disposing of hazardous materials comply with legally prescribed standards, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials and we may incur liability as a result of any such contamination or injury. In the event of an accident, including a discharge of hazardous materials into the environment, we could be held liable for damages or penalized with fines, and the liability could exceed our insurance and other resources. We have also incurred and may continue to incur expenses related to compliance with environmental laws. Such future expenses or liability could have a significant negative impact on our business, financial condition and results of operations. Further, we cannot assure you that the cost of complying with these laws and regulations will not materially increase in the future.

We are also subject to various other federal, state, local and foreign laws and regulations. Failure to comply with applicable laws and regulations, including new or revised safety or environmental standards, could give rise to significant liability and require us to incur substantial expenses and could materially harm our results of operations. Our international operations involve additional risks not associated with our domestic operations.

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

- multiple, conflicting, and changing laws and regulations, export and import restrictions, and employment laws;
- regulatory requirements, and other government approvals, permits, and licenses;
- potentially adverse tax consequences;
- political and economic instability, including wars and acts of terrorism, political unrest, boycotts, curtailments of trade and sanctions, and other business restrictions;
- expropriation, confiscation or nationalization of assets;
- renegotiation or nullification of existing contracts;
- difficulties and costs in recruiting and retaining individuals skilled in international business operations;
- foreign exchange restrictions;

- foreign currency fluctuations;
- foreign taxation;
- the inability to repatriate earnings or capital;
- changing foreign and domestic monetary policies;
- cultural and communication challenges;
- industry-process changes in heating and flow of oil;
- regional economic downturns; and
- foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction that may harm our ability to compete.

Sanctions by the U.S. government against certain companies and individuals may hinder our ability to conduct business with potential or existing customers internationally.

While we have not historically derived significant revenue from business outside the United States and Canada, the continuation or escalation of the geopolitical instability around the world could negatively impact our future operations, sales, and future growth prospects in those regions. The U.S. government has imposed sanctions through several executive orders restricting U.S. companies from conducting business with specified individuals and companies. These sanctions imposed by the U.S. government may be expanded in the future to restrict us from engaging with existing and potential customers. If we are unable to conduct business with new or existing customers or pursue opportunities, our business, including revenue, profitability and cash flows, could be adversely affected.

Our business has potential liability for litigation, personal injury and property damage claims assessments.

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

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

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

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

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

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

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

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

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

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

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

Historically, we have depended on a few major customers for a significant portion of our revenue, and our revenue could decline if we are unable to maintain those relationships, if customers reduce their orders for their products, or if we are unable to secure new customers.

Historically, we have derived a significant portion of our revenue from a limited number of customers. While we continually seek to broaden our customer base, it is likely that for the foreseeable future we will remain dependent on these customers to supply a substantial portion of our revenue. Relationships with our customers are based on purchase orders rather than long-term formal supply agreements, and customers can discontinue or materially reduce orders without warning or penalty. Demand for our products is tied directly to the health of the oil industry. Accordingly, factors that affect the oil industry have a direct effect on our business, including factors outside of our control, such as sales slowdowns due to economic concerns, or as a result of natural disasters. The loss of one or more of our significant customers, or reduced demand from one or more of our significant customers, would result in an adverse effect on our revenue, our profitability, and our ability to continue our business operations.

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

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

Our operating results for certain components of our business may fluctuate on a seasonal basis.

Revenues from the sale of our products can fluctuate depending on the season. The demand for oil, natural gas and other fuels peak during the winter months. Since oil and natural gas producers make up our customer base, the demand for our products could fluctuate seasonally with the demand for oil and natural gas and drilling seasonality. Demand for natural gas and other fuels could vary significantly from our expectations depending on the location of our customers.

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

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





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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New technologies could render our existing products obsolete.

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

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

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

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

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

If we are unable to expand into new markets, our ability to grow our business as profitability as planned could be materially and adversely effected.

As market conditions improve, we intend to continue to pursue our aggressive growth strategy for the foreseeable future. Future operating results will depend largely upon our ability to expand to new markets and increase sales. To support this growth, we have and will continue to expand our marketing expenditures, add new employees and open additional offices in as prudent manner as possible. There can be no assurance that we will be able to expand our market share in our existing markets or successfully enter new or contiguous markets especially in light of the current industry volatility. Nor can there be any assurance that such expansion will not adversely affect our profitability and results of operations. If we are unable to enter into new markets, our business could be materially and adversely affected.

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

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

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

There can be no assurance that we will be able to achieve our planned expansion, that our products will gain access to new markets or be accepted in new marketplaces, that we will achieve greater market penetration in existing markets or that we will achieve planned operating results or results comparable to those we experience in existing markets, in the new markets we enter.

#### Risks Relating to our Stock

Our stock options and other equity-based awards to employees may not have their intended effect.

A portion of our total compensation program for key personnel has historically included awards of options to buy our common stock or other equity-based awards. If the price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract key personnel. In addition, any changes made to our equity compensation policies, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures could affect our ability to retain and motivate existing personnel and recruit new personnel.

Our common stock lacks liquidity.

A significant percentage of our outstanding common stock is "restricted" and therefore subject to the resale restrictions set forth in Rule 144 of the rules and regulations promulgated by the SEC under the Securities Act of 1933. These factors could adversely affect the liquidity, trading volume, price and transferability of our common stock.

The market price of our common stock has been and may continue to be volatile.

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

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

The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly. In particular, the market price of our common stock may be influenced by variations in oil and gas prices, because demand for our products and services is closely related to those products. The stock market in general experiences, from time to time, extreme price and volume fluctuations. Periodic and/or continuous market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Price volatility may be worse if the trading volume of our common stock is low. Our existing shareholders could experience further dilution if we elect to raise equity capital to meet our liquidity needs or to finance strategic transactions.

As part of our future growth strategy, we may desire to raise capital and or utilize our common stock to effect strategic business transactions, either of which will likely require that we issue equity (or debt) securities which would result in dilution to our existing stockholders. Although we anticipate attempting to minimize the dilutive impact of any future capital-raising activities or business transactions, we cannot offer any assurance that we will be effectively able to do so.

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

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

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, and current and potential stockholders may lose confidence in our financial reporting. We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses in those internal controls. In Item 9A, we disclose that with respect to the standards of Sarbanes-Oxley Section 404, the internal controls-standard to which we were subjected to, we reported material weaknesses in our internal controls over financial reporting. For additional information on this item, please see Item 9A. Controls and Procedures. Although we believe our historical efforts have strengthened our internal control over financial reporting (and we concluded that our financial statements were reliable, notwithstanding the material weakness we reported), we cannot be certain that our revised internal control practices will ensure that we will have or maintain adequate internal control over our financial reporting in future periods. Any failure to have or maintain such internal controls could adversely impact our ability to report our financial results accurately and on a timely basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and NASDAQ, we could face severe consequences from those authorities. In either case, there could result a material adverse effect on our business. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

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

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

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

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

Our management has a substantial ownership interest in our common stock and the availability of our common stock to the investing public may be limited.

The availability of our common stock to the investing public may be limited to those shares not held by our executive officers, directors and their affiliates, which could negatively impact our trading prices and affect the ability of our minority stockholders to sell their shares. Future sales by executive officers, directors and their affiliates of all or a portion of their shares could also negatively affect the trading price of our common stock.

Our management has significant influence over matters requiring shareholder approval.

Our management owns approximately 53% of our common stock, as of May 26, 2016. As a result, our management has sufficient voting power to control the outcome of many matters requiring shareholder approval. These matters may include:

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

This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our common stock that might otherwise give our other stockholders the opportunity to realize a premium over the then-prevailing market price of our common stock. This concentration of ownership may also adversely affect our share price. The interests of our management may differ from the interests of our other stockholders. Furthermore, this concentration of ownership may delay, prevent or deter a change in control, or deprive you of a possible premium for your common stock as part of a sale of our company.

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

Our common stock is listed on The NASDAQ Capital Market. There are a number of continued listing requirements that we must satisfy in order to maintain our listing on The NASDAQ Capital Market. If we fail to maintain compliance with all applicable continued listing requirements for The NASDAQ Capital Market and NASDAQ determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, our ability to obtain financing to repay any future debt we could incur and fund our operations.

On May 13, 2016, Profire Energy, Inc. (the "Company") received a letter ("Notice") from The NASDAQ Stock Market LLC ("Nasdaq") notifying the Company that, because the closing bid price for its Common Stock has been below \$1.00 per share for the prior 30 consecutive business days, it no longer complies with the minimum bid price requirement for continued listing on The Nasdaq Capital Market. Nasdaq Marketplace Rule 5550(a)(2) requires a minimum bid price of \$1.00 per share (the "Minimum Bid Price Requirement"). Based on the closing bid price of the Company's Common Stock for the 30 consecutive business days prior to the date of NASDAQ's letter, the Company does not meet the Minimum Bid Price Requirement. If we have not regained compliance with such standard prior to November 9, 2016, we will consider whether to apply to transfer our common stock to the NASDAQ Capital Market. The ability to transfer to the NASDAQ Capital Market would be dependent upon our meeting the applicable listing requirements for that exchange, which we currently do not. If we are eligible to, and decide to, transition to the NASDAQ Capital Market, the transition would not impact our obligation to file periodic reports and other reports with the Securities and Exchange Commission under applicable federal securities laws. If we do not transfer our securities to the NASDAQ Capital Market or regain compliance with Rule 5450(b)(3)(C) by November 9, 2016, the NASDAQ staff will issue a notice that our securities are subject to delisting. We would then have the right to appeal the decision to a NASDAQ Listing Qualifications Panel. We have not yet determined what other actions we may pursue to regain compliance with the above NASDAQ continued listing requirement, and there can be no assurance that we will be able to regain compliance with such requirement.





If our common stock were to be delisted from NASDAQ, trading of our common stock most likely would be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the OTC Bulletin Board. Such trading would likely reduce the market liquidity of our common stock. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of, our common stock. If our common stock is delisted from NASDAQ and the trading price remains below \$5.00 per share, trading in our common stock might also become subject to the requirements of certain rules promulgated under the Exchange Act, which require additional disclosure by broker-dealers in connection with any trade involving a stock defined as a "penny stock" (generally, any equity security not listed on a national securities exchange or quoted on NASDAQ that has a market price of less than \$5.00 per share, subject to certain exceptions). Many brokerage firms are reluctant to recommend low-priced stocks to their clients. Moreover, various regulations and policies restrict the ability of stockholders to borrow against or "margin" low-priced stocks, and declines in the stock price below certain levels may trigger unexpected margin calls. Additionally, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current price of the common stock can result in an individual stockholder paying transaction costs that represent a higher percentage of total share value than would be the case if our share price were higher. This factor may also limit the willingness of institutions to purchase our common stock. Finally, the additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from facilitating trades in our common stock, which could severely limit the market liquidity of the stock and the ability of investors to trade our common stock. As a result, the ability of our stockholders to resell their shares of common stock, and the price at which they could sell their shares, could be adversely affected. The delisting of our stock from NASDAQ would also make it more difficult for us to raise additional capital.

#### Item 1B. Unresolved Staff Comments

None.

#### Item 2. Properties

At year end, we operated within approximately an aggregate of 80,550 square feet of space in seven facilities. The following table lists the location of each of our eight facilities (three of which we own, and four of which are leased by us), the current lease expiration date (to the extent applicable), the facility's principal use, and the approximate square footage of the facility:

Location	Expires	Use	Approx. SF
Lindon, Utah	Owned	Corp HQ & Warehouse Assembly	50,500
Spruce Grove, Alberta	Owned	Office & Warehouse Assembly	16,000
Greeley, Colorado	Owned	Office & Warehouse Storage	2,750
Tioga, Pennsylvania	30-Apr-16	Office & Warehouse Storage	2,500
Victoria, Texas	31-May-16	Office & Warehouse Storage	2,600
Houston, Texas	31-Jul-16	Office & Warehouse Assembly	5,000
Shelocta, Pennsylvania	30-Nov-16	Office & Warehouse Storage	1,200

Our Tioga and Victoria locations were closed subsequent to year end, after integrating its operations with our Lindon facility. We believe our current facilities are adequate to meet our current and future needs for at least the next twelve months.

## Item 3. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in matters may arise from time to time that may harm our business. As of the date of this annual report on Form 10-K management is not aware of any pending legal, judicial or administrative proceedings to which the Company or any of its subsidiaries is a party or of which any properties of the Company or its subsidiaries is the subject.

## Item 4. Mine Safety Disclosures

None.

## PART II

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

Our common stock is presently quoted on The NASDAQ Capital Market under the symbol "PFIE", and has been since March 27, 2015. Our common stock was previously quoted on the OTCQB and OTCBB.

The published high and low bid quotations for the periods were furnished to us by NASDAQ, and reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

For the Year Ending March 31, 2016	High	Low
Fourth Quarter	\$1.15	\$0.65
Third Quarter	\$1.43	\$0.89
Second Quarter	\$1.17	\$0.76
First Quarter	\$1.83	\$1.03
For the Year Ending March 31, 2015		
Fourth Quarter	\$2.94	\$1.21
Third Quarter	\$4.23	\$0.76
Second Quarter	\$5.39	\$3.00
First Quarter	\$5.89	\$2.99

## Holders

As of June 6, 2016, there were 53,316,134 shares of our common stock outstanding, with 85 shareholders of record. The number of record shareholders was determined from the records of our stock transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, registered clearing houses or agencies, banks or other fiduciaries.

## Dividends

We have not declared a cash dividend on any class of common equity in the last two fiscal years. There are no restrictions on our ability to pay cash dividends, other than any state law that may be applicable. Under Nevada law, dividends may be paid to the extent that a corporation's assets exceed its liabilities and it is able to pay its debts as they become due in the usual course of business. Our Board does not anticipate paying any dividends in the foreseeable future; it intends to retain the earnings that could be distributed, if any, for operations.

## Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this report.

## Performance Graph

As a smaller reporting company, as defined in Rule 12b-2 promulgated under the Exchange Act, and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

## Issuer Purchases of Equity Securities

During the quarter ended March 31, 2016 neither we, nor any affiliated purchasers, purchased any of our equity securities.

## Item 6. Selected Financial Data

As a smaller reporting company, as defined in Rule 12b-2 promulgated under the Exchange Act, and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

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

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

Some of the statements set forth in this section are forward-looking statements relating to our future results of operations. Our actual results may vary from the results anticipated by these statements. Please see "Information Concerning Forward-Looking Statements" on page 4.

### Results of Operations

#### Comparison of the years ended March 31, 2016 and 2015.

#### Total Revenues

Total revenues for the year ended March 31, 2016, decreased 47% to \$27,072,446 from \$51,179,392 in the year ended March 31, 2015. For the fiscal year ended March 31, 2016, product sales accounted for 89% of total revenues and service sales accounted for 11% of total revenue, while for the fiscal year ended March 31, 2015, product sales accounted for 93% of total revenues and service sales accounted for 7% of total revenue. We recognize that with current industry conditions, the historical growth rates we achieved prior to the industry downturn will not be attainable in the coming year due to the lack of purchasing by exploration and production companies in the oil and gas industry.

We will continue to focus on developing new products, diversifying into new markets and industries, and enhancing our marketing and sales efforts with key customers and prospects. We anticipate that as we do so, sales can stabilize in the short-term and we will be able to increase revenues and revenue stability over the long-term. We expect that product sales will continue to account for the significant majority of our revenue.



During the fiscal year ended March 31, 2016, 22% of total revenues were generated from products and services sold in Canada. The remaining 78% of total revenue was generated from sales in the United States. By comparison, during the fiscal year ended March 31, 2015, 29% of our total revenues were generated from Canada and the remaining 71% was generated from the United States. We plan to continue making selective strategic investments for future revenue growth as we find opportunities with meaningful returns even in the midst of the challenging industry environment.

### Cost of Goods Sold

Cost of goods sold during the year ended March 31, 2016, was \$11,027,114 for product sales and \$2,405,012 for services, for a total cost of goods sold of \$13,432,126. This is compared to \$21,240,363 for product sales and \$2,716,272 for services, for a total cost of goods sold of \$23,956,635 during the fiscal year ended March 31, 2015. While total revenue decreased 47%, total cost of goods sold decreased by 44%; consequently, our gross profit for our fiscal 2016 was 50% of total revenues, compared to 53% during the fiscal year ended March 31, 2015. The increase in total cost of goods sold as a percentage of total revenues was primarily attributable to a de-leveraging effect derived from overhead costs being more difficult to absorb at lower revenue levels.

Given the current and expected industry conditions in the oil and gas industry, we have been and will continue to work with our suppliers to control our inventory costs, which has the largest impact on margin. We have been relatively successful in maintaining our pricing during the industry volatility, though customers have sought price reductions. We anticipate holding prices relatively stable, within the confines of normal sales operations. Additionally, if sales of services increase as a percentage of total revenue, cost of goods sold, as a percentage of total revenue, may increase. We anticipate this could result in slightly lower than historical gross margin. Cost of goods sold will continue to fluctuate as a function of our product mix, as our proprietary products tend to have significantly higher margins than our resold products.

### General and Administrative Expenses

General and administrative expenses for the fiscal year ended March 31, 2016, were \$12,264,442 or a 25% decrease compared to the fiscal year ended March 31, 2015. As a percentage of operating expenses, general and administrative expenses were 90% in the fiscal year ended fiscal March 31, 2016 compared to 87% in fiscal March 31, 2015. Given the current industry condition, we have implemented various cost-reduction initiatives throughout the Company including a reduction in headcount from 140 to 93 employees and a reduction in professional fees by more than \$500,000 compared to the prior year. We continue to evaluate expenses to determine what additional expense-reduction actions, if any, should be taken.

### Research and Development

Research and development expense decreased to \$899,013 from \$1,832,671 representing 7% and 10% of total operating expenses for the years ended March 31, 2016, and March 31, 2015, respectively. Despite the down turn in the industry over the past year we have refined and focused our efforts on projects with significant return on investment in the short- and long-term, and will continue to focus on providing innovative and valuable products and services to our customers. We are focused on developing and completing modules of our PF3100 platform that will allow us to enter new markets and hopefully, new industries, as well as other important projects. We feel that these investments in product development will help improve strategic position and capture the greatest value for all of our stakeholders.

### Depreciation Expense

Depreciation expense, not related to cost of sales, during fiscal year ending March 31, 2016, was \$516,786 or 7% lower than the fiscal year ended March 31, 2015, of \$558,231 due to improved accuracy in depreciation allocations to appropriate departments and to costs of goods sold as well as a change in estimated useful lives of certain asset types. As a percentage of operating expenses, depreciation increased from approximately 3.0% of operating expenses in the year ended March 31, 2015 to 3.8% of operating expenses in the year ended March 31, 2016, due primarily to a decline in revenues. We expect that depreciation expense will remain relatively constant in the coming year.

### Total Other Income (Expense)

During the fiscal year ended March 31, 2016, total other income increased by 262% to income of \$202,493 from income of \$55,889, in the year ended March 31, 2015. The increase in other income was attributable to the effect of exchange rates on intercompany transactions as well as interest generation from higher cash balances during the fiscal year. We anticipate realizing a yet-higher amount of interest income in fiscal year 2017 as we work to improve our treasury management by allocating cash to higher interest-generating investments.

### Net Income Before Income Tax

Net income before income taxes during the fiscal year ended March 31, 2016, decreased 98% to \$162,572 from \$8,591,588 during the fiscal year ended March 31, 2015. The decreases realized in total revenues, total cost of goods sold and total operating expenses combined to decrease net income before income taxes significantly. The decline in oil prices – and oilfield equipment purchasing – has negatively impacted our revenue and thus decreased our operating leverage and income before taxes. The current industry conditions have elongated the time frame in which we anticipate to see returns from prior investments; however, as we invest strategically, we still expect to realize more significant returns in the coming quarters and years.

### Income Tax Expense

Income tax expense decreased 96% from \$2,843,905 during the year ended March 31, 2015, to \$127,828 during the year ended March 31, 2016. This decrease in income tax expense was a result of the decrease in net income before income taxes.

### Foreign Currency Translation Gain (Loss)

Our consolidated financial statements are presented in U.S. dollars. Our functional currencies are the U.S. dollar (USD) and the Canadian dollar, and our reporting currency is the USD. Our financial statements were translated to U.S. dollars using year-end exchange rates for the balance sheet and weighted average exchange rates for the statements of operations. Equity transactions were translated using historical rates. Foreign currency translation gains or losses as a result of fluctuations in the exchange rates are reflected in the statement of operations and comprehensive income.

Therefore, the translation adjustment in our consolidated financial statements represents the translation differences from translation of our financial statements. As a result, the translation adjustment is commonly, but not always, positive if the average exchange rates are lower than exchange rates on the date of the financial statements and negative if the average exchange rates are higher than exchange rates on the date of the financial statements.

During the year ended March 31, 2016, we recognized a foreign currency translation loss of \$393,701 compared to foreign currency translation loss of \$1,657,930 during the year ended March 31, 2015. This loss was the result of a weakening of the Canadian dollar relative to the US dollar in the reporting period.

Total Comprehensive Income (Loss)

For the foregoing reasons, we realized total comprehensive loss of \$358,957 during the fiscal year ended March 31, 2016, compared to total comprehensive income of \$4,089,753 during the fiscal year ended March 31, 2015, a decrease of 109%.

Earnings Per Share

For the fiscal year ended March 31, 2016 we realized \$0.00 per share on a basic and on a fully diluted basis, compared to \$0.11 per share on a basic and on a fully diluted basis for the fiscal year ended March 31, 2015.

Liquidity and Capital Resources

On June 2, 2014, we filed a registration statement on Form S-1 to register shares of our common stock with the Securities and Exchange Commission to be offered to the public by us and by certain selling stockholders named in the registration statement. We also filed amendments to such registration statement on June 19, 2014, June 24, 2014, June 25, 2014, and June 26, 2014. Our net proceeds from the sale of shares of our common stock by us pursuant to the registration statement was approximately \$16,430,000, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We did not receive any proceeds from the sale of shares of our common stock by the selling stockholders. We have used and plan to continue using the proceeds from the offering to help fund Company growth initiatives.

As of March 31, 2016, we had total current assets of \$37,055,497 and total assets of \$47,267,840 including cash and cash equivalents of \$21,292,595. At this same period, we had total current liabilities of \$1,849,980 and total liabilities of \$2,482,712.

During the fiscal years ended March 31, 2016 and 2015, cash was primarily generated from operating activities. See below for additional discussion and analysis of cash flow.

	For the Years Ending	
	March 31,	
	2016	2015
Net cash provided by operating activities	\$7,332,933	\$685,080
Net Cash Provided by (Used in) Investing Activities	96,176	(6,910,078 )
Net Cash Provided by (Used in) Financing Activities	(39,342 )	16,752,649
Effect of exchange rate changes on cash	(241,968 )	(839,529 )
NET CHANGE IN CASH	\$7,147,799	\$9,688,122

At March 31, 2016, net cash provided by operating activities during fiscal 2016 was \$7,332,933 with working capital of \$35,202,517 and no current capital commitments outside of normal operations. We have no long-term debt.

As of March 31, 2016, we had cash of \$21,292,595 compared to \$14,144,796 as of March 31, 2015. We believe that our cash reserves are sufficient to meet our operating needs for the next twelve months.

### Summary of Material Contractual Commitments

None.

### Inflation

We believe that inflation has not had a significant impact on our operations since inception.

### Seasonality

The purchasing decisions of our customers will sometimes be affected by weather and season. However, as we have expanded our U.S. operations we have realized a reduced seasonality in revenues as our sales are derived from an increasing number of locations and climates. While we expect some degree of seasonality for the foreseeable future due to operations in seasonal environments, we expect it to play a diminishing role in our future sales.

### Off-Balance Sheet Arrangements

As of March 31, 2016 and 2015, we had no off-balance sheet arrangements.

### Recently Issued Financial Accounting Standards

We have evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on our financial position, results of operations or cash flows.

### Item 7A. Quantitative and Qualitative Disclosure about Market Risk

As defined in Rule 12b-2 promulgated under the Exchange Act, and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item. Pursuant to such rules and regulations, as of our September 30, 2015 determination date we qualified as a smaller reporting company.

### Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and supplementary data required by this Item are included at page F-1 herein.

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

None.

### Item 9A. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report on Form 10-K, management performed, with the participation of our Chief Executive Officer and our Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were ineffective as of such date.



During the 2015 fiscal year, our stock prices reached levels that required us to begin reporting relative to Section 404 requirements of the Sarbanes-Oxley Act ("404 requirements"), as well as accelerate the schedule of our filings with the SEC. During the 2016 fiscal year our stock prices fell below the threshold for the additional 404 requirements. As such, our independent registered public accounting firm was not required to, and thus did not audit our internal control structure for the 2016 fiscal year; however, the audit was completed for our 2015 fiscal year.

Notwithstanding this finding of ineffective internal controls, we concluded that the consolidated financial statements included in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States. This conclusion was also confirmed by our independent auditors.

#### Management's Report on Internal Control over Financial Reporting

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

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the entity are being made in accordance with authorizations of management and directors of the entity; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on its consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Based upon this assessment, the Company's management concluded that our internal control over financial reporting entailed material weakness and was ineffective as of March 31, 2016. A material weakness is a deficiency, or combination thereof, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

We did not maintain effective controls over our day-to-day transaction processing, including non-routine transactions (see items below) and period-end financial reporting processes. Specifically, we identified material weakness related to:

- revenue recognition (e.g., consistent requirements for documentation in every office where accounting functions are performed).
- sufficient documentation of review- and analytical-processes (e.g., significant judgements and estimates, goodwill, amortization).
- structuring of duties, controls, and permissions within financial systems (e.g., warehouse managers have the ability to create sales orders).
- asset management and maintenance functions (e.g., documented and regular physical confirmation of asset existence).
- segregation of duties (e.g., smaller office employees have the ability in the enterprise resource planning system to make transactions throughout the entirety of an accounting cycle).
- cash disbursements (e.g., sufficiently documented approval for disbursements).

Specific remediation initiatives are delineated hereafter in Management's Remediation Initiatives.

As a management team, we continue to emphasize the value and import of a strong controls environment. We believe that such an emphasis, together with continued oversight of our processes and systems, will help create an increasingly strong, compliant, and thorough system of controls, which we expect will play an increasingly important role in our long-term growth.

#### Changes in Internal Control over Financial Reporting

During the 2016 fiscal year, we hired a new Chief Financial Officer, and put in place enhanced processes and controls over inventory, sales, and other key areas. We also hired a payroll management company that provides enhanced reporting and visibility to the payroll process along with the implementation of a new ERP system. We believe the addition of a new Chief Financial Officer, implementation of a new payroll management company and ERP system will enhance our internal control framework.

#### Management's Remediation Initiatives

Management has been actively developing a remediation plan and been implementing new controls and processes to address the aforementioned deficiencies. Upon receiving the results of our internal controls review, we have taken actions to strengthen our internal control structure, including the following:

- Hired third parties to provide advice on COSO framework and risk control matrices;
- Implemented company-wide trainings over internal controls in relation with new accounting standard operating procedures including the requirement of supplying supporting evidence, proving the level of precision with which a control is performed, etc.;
- Required evidence of review in nearly all controls; and
- Reviewed and updated each employee's access within the enterprise resource management system.

Management continues to meet with key managers and control owners to evaluate the effectiveness of internal controls and to ensure implementation of remediation initiatives.



Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Incorporated herein by reference to the information to be set forth in the proxy statement.

Item 11. Executive Compensation

Incorporated herein by reference to the information to be set forth in the proxy statement.

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

Incorporated herein by reference to the information to be set forth in the proxy statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

Incorporated herein by reference to the information to be set forth in the proxy statement.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference to the information to be set forth in the proxy statement.

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

Financial Statements

The following financial statements of the registrant are included in response to Item 8 of this annual report:

Report of Sadler, Gibb & Associates, LLC, Independent Registered Public Accounting Firm.

Consolidated Balance Sheets at March 31, 2016 and 2015.

Consolidated Statements of Income and Other Comprehensive Income (Loss) for the years ended March 31, 2016 and 2015.

Consolidated Statements of Stockholders' Equity for the years ended March 31, 2016 and 2015.

Consolidated Statements of Cash Flows for the years ended March 31, 2016 and 2015.

Notes to Consolidated Financial Statements.

## Financial Statement Schedules

Financial statement schedules are omitted because the required information is either inapplicable or presented in the consolidated financial statements or related notes.

## Exhibits

Exhibit No.	Exhibit Description
3.1	Articles of Incorporation <sup>(2)</sup>
3.2	Articles of Amendment to the Articles of Incorporation <sup>(3)</sup>
3.3	Amended and Restated Bylaws <sup>(1)</sup>
10.1	Securities Purchase Agreement, dated November 12, 2013 between the Registrant and the persons listed therein as purchasers <sup>(10)</sup>
10.2	Registration Rights Agreement, dated November 18, 2013 between the Registrant and the persons listed in the Securities Purchase Agreement as purchasers <sup>(11)</sup>
10.3	Employment Agreement of Brenton W. Hatch dated June 28, 2013 <sup>(17)+</sup>
10.4	Employment Agreement of Harold Albert, dated June 28, 2013 <sup>(18)+</sup>
10.5	Employment Agreement of Andrew Limpert, dated June 28, 2013 <sup>(19)+</sup>
10.18	Employment Agreement of Ryan Oviatt, dated September 4, 2015 <sup>(20)+</sup>
10.6	Form of Indemnification Agreement between the Registrant and its Directors <sup>(13)</sup>
10.7	2003 Stock Incentive Plan <sup>(14)</sup>
10.8	Profire Energy, Inc. 2010 Equity Incentive Plan <sup>(15)</sup>
10.10	Lease Agreement, dated May 16, 2014, between the Registrant and Paul Hall <sup>(8)</sup>
10.11	Lease Agreement, dated April 23, 2014, between the Registrant and Dennis Caka <sup>(9)</sup>
10.12	Consulting Agreement, dated March 24, 2014, between the Registrant on the one hand and Terra Industrial Corporation and Alan Johnson on the other <sup>(12)</sup>
10.13	Profire Energy, Inc. 2015 Equity Incentive Plan <sup>(16)</sup>
10.14	Form of Equity Grant Agreement, Nonqualified Stock Option*
10.15	Form of Equity Grant Agreement, Restricted Stock*
10.16	Form of Equity Grant Agreement, Restricted Stock Units*
10.17	Profire Energy, Inc. 2010 Equity Incentive Plan Amendment*
14.1	Code of Ethics <sup>(4)</sup>
21.1	Subsidiaries*
23.1	Consent of Sadler, Gibb & Associates, LLC, independent registered public accounting firm*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350*
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350*
101 INS	XBRL Instance Document**
101 SCH	XBRL Schema Document**
101 CAL	XBRL Calculation Linkbase Document**
101 DEF	XBRL Definition Linkbase Document**
101 LAB	XBRL Labels Linkbase Document**
101 PRE	XBRL Presentation Linkbase Document**

\* Filed herewith.

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

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

(1) Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on December 23, 2013.

(2) Incorporated by reference to the Registration Statement of the Registrant on Form SB-2 filed with the Commission on September 24, 2004.

(3) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on February 13, 2009.

(4) Incorporated by reference to Exhibit 14.1 to the Registrant's Form 8-K filed with the Commission on February 12, 2015 (File No. 000-52376).

(5) Incorporated by reference to Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on November 10, 2009.

(6) Incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(7) Incorporated by reference to Exhibit 10.9 to Registrant's Form S-1/A filed with the Commission on June 19, 2015 (File No. 333-196462).

(8) Incorporated by reference to Exhibit 10.10 to Registrant's Form S-1/A filed with the Commission on June 19, 2015 (File No. 333-196462).

(9) Incorporated by reference to Exhibit 10.11 to Registrant's Form S-1/A filed with the Commission on June 19, 2015 (File No. 333-196462).

(10) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report Current Report on Form 8-K filed November 18, 2013 (File No. 000-52376).

(11) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report Current Report on Form 8-K filed November 18, 2013 (File No. 000-52376).

(12) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on March 25, 2015 (File No. 000-52376).

(13) Incorporated by reference to Exhibit 10.7 to the Registrant's Form S-1 filed on December 24, 2013 (File No. 333-193086).

(14) Incorporated by reference to Exhibit 4.01 to the Registrant's Form SB-2 filed on September 24, 2004 (File No. 000-52376).

(15) Incorporated by reference to the Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on November 10, 2009 (File No. 000-52376).

(16) Incorporated by reference to Appendix B to the Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on August 21, 2015 (File No. 001-36378).

(17) Incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(18) Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(19) Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(20) Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on September 8, 2015 (File No. 001-36378).

SIGNATURES

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

PROFIRE ENERGY, INC.

Date: June 13, 2016 By: /s/ Brenton W. Hatch  
 Brenton W. Hatch  
 Chief Executive Officer  
 (Duly Authorized Representative)

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

Signatures	Title	Date
/s/ Brenton W. Hatch Brenton W. Hatch	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	June 13, 2016
/s/ Ryan Oviatt Ryan Oviatt	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	June 13, 2016
/s/ Harold Albert Harold Albert	Chief Operating Officer and Director	June 13, 2016
/s/ Arlen B. Crouch Arlen B. Crouch	Director	June 13, 2016
/s/ Stephen E. Pirnat Stephen E. Pirnat	Director	June 13, 2016
/s/ Daren J. Shaw Daren J. Shaw	Director	June 13, 2016
/s/ Ronald R. Spoehel Ronald R. Spoehel	Director	June 13, 2016

PROFIRE ENERGY, INC.

AUDIT REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
AND  
CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ending  
March 31, 2016 and 2015

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PROFIRE ENERGY, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Profire Energy, Inc.

We have audited the accompanying consolidated balance sheets of Profire Energy, Inc. as of March 31, 2016 and 2015, and the related consolidated statements of income and other comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting as of March 31, 2016. Our audit of the 2016 consolidated financial statements included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion as of March 31, 2016. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Profire Energy, Inc. as of March 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Profire Energy, Inc.'s internal control over financial reporting as of March 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated June 15, 2015, expressed an adverse opinion thereon.

/s/ Sadler, Gibb & Associates, LLC

Salt Lake City, UT

June 13, 2016

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## PART I. FINANCIAL INFORMATION

## Item 1 Financial Information

## PROFIRE ENERGY, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

	For the Years Ending March 31,	
	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$21,292,595	\$14,144,796
Accounts receivable, net	4,132,137	9,462,378
Inventories	11,046,682	11,766,535
Income tax receivable	268,326	—
Prepaid expenses & other current assets	315,757	112,741
Total Current Assets	37,055,497	35,486,450
<b>LONG-TERM ASSETS</b>		
Deferred tax asset	452,431	501,921
<b>PROPERTY AND EQUIPMENT, net</b>	8,232,911	9,275,965
<b>OTHER ASSETS</b>		
Goodwill	997,701	997,701
Intangible assets, net of accumulated amortization	529,300	594,019
Total Other Assets	1,527,001	1,591,720
<b>TOTAL ASSETS</b>	<b>\$47,267,840</b>	<b>\$46,856,056</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$893,822	\$1,040,530
Accrued liabilities	620,783	332,229
Income taxes payable	335,375	347,486
Total Current Liabilities	1,849,980	1,720,245
<b>LONG-TERM LIABILITIES</b>		
Deferred income tax liability	632,732	631,353
<b>TOTAL LIABILITIES</b>	<b>2,482,712</b>	<b>2,351,598</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred shares: \$0.001 par value, 10,000,000 shares authorized: no shares issued and outstanding	-	-
Common shares: \$0.001 par value, 100,000,000 shares authorized: 53,256,296 and 53,199,136 shares issued and outstanding, respectively	53,256	53,199

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Additional paid-in capital	26,164,622	25,525,052
Accumulated other comprehensive loss	(2,282,682 )	(1,888,981 )
Retained earnings	20,849,932	20,815,188
Total Stockholders' Equity	44,785,128	44,504,458
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$47,267,840	\$46,856,056

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

## PART I. FINANCIAL INFORMATION

## Item 1 Financial Information

## PROFIRE ENERGY, INC. AND SUBSIDIARIES

## Consolidated Statements of Income and Other Comprehensive Income

	For the Years Ending March 31,	
	2016	2015
REVENUES		
Sales of goods, net	\$23,992,324	\$47,768,556
Sales of services, net	3,080,122	3,410,836
Total Revenues	27,072,446	51,179,392
COST OF SALES		
Cost of goods sold-product	11,027,114	21,240,363
Cost of goods sold-services	2,405,012	2,716,272
Total Cost of Goods Sold	13,432,126	23,956,635
GROSS PROFIT	13,640,320	27,222,757
OPERATING EXPENSES		
General and administrative expenses	12,264,442	16,296,156
Research and development	899,013	1,832,671
Depreciation and amortization expense	516,786	558,231
Total Operating Expenses	13,680,241	18,687,058
INCOME FROM OPERATIONS	(39,921 )	8,535,699
OTHER INCOME (EXPENSE)		
Gain on sale of fixed assets	20,278	8,014
Other (expense) income	144,937	21,865
Interest income	37,278	26,010
Total Other Income (Expense)	202,493	55,889
NET INCOME BEFORE INCOME TAXES	162,572	8,591,588
INCOME TAX EXPENSE	127,828	2,843,905
NET INCOME	\$34,744	\$5,747,683
FOREIGN CURRENCY TRANSLATION GAIN (LOSS)	\$(393,701 )	\$(1,657,930 )
TOTAL COMPREHENSIVE INCOME (LOSS)	\$(358,957 )	\$4,089,753
BASIC EARNINGS PER SHARE	\$0.00	\$0.11
FULLY DILUTED EARNINGS PER SHARE	\$0.00	\$0.11

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BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	53,243,151	51,609,760
FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	53,558,942	51,680,775

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

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## PART I. FINANCIAL INFORMATION

## Item 1 Financial Information

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance, March 31, 2014	47,836,543	\$47,836	\$6,496,980	\$ (231,051 )	\$15,067,505	21,381,270
Stock issued in exercise of stock options	596,635	597	327,365	-	-	327,962
Stock issuance, less offering costs of \$1,529,057	4,500,000	4,500	16,420,188	-	-	16,424,688
Stock issued for asset acquisition	265,958	266	999,734	-	-	1,000,000
Fair value of options vested	-	-	1,280,785	-	-	1,280,785
Foreign currency translation	-	-	-	(1,657,930 )	-	(1,657,930 )
Net income for the year ended March 31, 2015	-	-	-	-	5,747,683	5,747,683
Balance, March 31, 2015	53,199,136	\$53,199	\$25,525,052	\$ (1,888,981 )	\$20,815,188	44,504,458
Fair value of options vested	-	-	565,646	-	-	565,646
Stock issued in exercise of stock options	57,160	57	73,924	-	-	73,981
Foreign currency translation	-	-	-	(393,701 )	-	(393,701 )
Net income for the year ended March 31, 2016	-	-	-	-	34,744	34,744
Balance, March 31, 2016	53,256,296	\$53,256	\$26,164,622	\$ (2,282,682 )	\$20,849,932	44,785,128

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

## PART I. FINANCIAL INFORMATION

## Item 1 Financial Information

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

	For the Years Ending	
	March 31,	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Net Income	\$34,744	\$5,747,683
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	989,484	1,140,319
Gain on sale of fixed assets	(20,278 )	(8,014 )
Bad debt expense	143,192	(7,577 )
Stock options issued for services	678,971	1,280,785
Changes in operating assets and liabilities:		
Changes in accounts receivable	5,114,485	(912,606 )
Changes in income tax receivable	(268,327 )	-
Changes in inventories	641,410	(5,472,869 )
Changes in prepaid expenses	(171,411 )	(80,770 )
Changes in deferred tax asset/liability	49,490	(80,943 )
Changes in accounts payable and accrued liabilities	148,921	(302,782 )
Changes in income taxes payable	(7,748 )	(618,146 )
Net Cash Provided by Operating Activities	7,332,933	685,080
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of equipment	158,641	7,867
Cash paid for asset acquisition	-	(750,000 )
Purchase of fixed assets	(62,465 )	(6,167,945 )
Net Cash Provided by (Used in) Investing Activities	96,176	(6,910,078 )
<b>FINANCING ACTIVITIES</b>		
Proceeds from stock issued for cash, net of stock offering costs	-	16,424,688
Value of equity awards surrendered by employees for tax liability	(39,342 )	-
Stock issued in exercise of stock options	-	327,961
Net Cash Provided by (Used in) Financing Activities	(39,342 )	16,752,649
Effect of exchange rate changes on cash	(241,968 )	(839,529 )
NET CHANGE IN CASH	7,147,799	9,688,122
CASH AT BEGINNING OF PERIOD	14,144,796	4,456,674
CASH AT END OF PERIOD	\$21,292,595	\$14,144,796

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION



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CASH PAID FOR:

Interest	\$-	\$17,043
Income taxes	\$127,828	\$3,471,027

NON CASH INVESTING AND FINANCING ACTIVITIES:

Stock issued for Asset acquisition	\$-	\$1,000,000
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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PROFIRE ENERGY, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Organization and Summary of Significant Accounting Policies of Profire Energy, Inc. and Subsidiary ("the Company") is presented to assist in understanding the Company's financial statements. The Company's accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP). On September 30, 2008, The Flooring Zone, Inc. ("the Parent") entered into an Acquisition Agreement with Profire Combustion, Inc. and the Shareholders of Profire Combustion, Inc. ("the Subsidiary"), subject to customary closing conditions. All conditions for closing were satisfied or waived and the transaction closed on October 9, 2008.

Pursuant to the terms and conditions of the Acquisition Agreement, 35,000,000 shares of restricted common stock of the Company were issued to the three shareholders of Profire Combustion, Inc., in exchange for all of the issued and outstanding shares of the Subsidiary. As a result of the transaction, Profire Combustion, Inc. became a wholly-owned subsidiary of the Parent and the shareholders of the Subsidiary became the controlling shareholders of the Company. For accounting purposes, the Subsidiary is considered the accounting acquirer, and the historical Balance Sheets, Statements of Operations and Other Comprehensive Income, and Statement of Cash Flow of the Subsidiary are presented as those of the Company. The historical equity information is that of Profire Combustion, Inc., the accounting acquiree. The recapitalization required pursuant to this merger resulted in a negative additional paid-in capital balance.

Organization and Line of Business

The Parent was incorporated on May 5, 2003 in the State of Nevada. The Subsidiary was incorporated on March 6, 2002 in the province of Alberta, Canada.

The Company provides products and services for burners and heaters for the oil and gas extraction industry in the Canadian and US markets.

Reclassification

Certain balances in previously issued financial statements have been reclassified to be consistent with the current period presentation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reportable amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

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



PROFIRE ENERGY, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

## NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic and Diluted Earnings Per Share

The computation of basic earnings per share of common stock is based on the weighted average number of shares outstanding during the periods presented using the treasury stock method. The computation of fully diluted earnings per share includes common stock equivalents outstanding at the balance sheet date. The Company had equity awards of 315,791 and 71,015 included in the fully diluted earnings per share as of March 31, 2016 and 2015 respectively. Basic earnings per share for the years ended March 31, 2016 and 2015 are as follows:

	For the Years Ending	
	March 31,	
	2016	2015
Net income applicable to common shareholders	\$34,744	\$5,747,683
Weighted average shares outstanding	53,243,151	51,609,760
Weighted average fully diluted shares outstanding	53,558,942	51,680,775
Basic earnings per share	\$0.00	\$0.11
Fully diluted earnings per share	\$0.00	\$0.11

Foreign Currency and Comprehensive Income

The functional currency of the Company and its subsidiaries in the U.S. and Canada are the U.S. Dollar ("USD") and the Canadian Dollar ("CAD"), respectively. The financial statements of the Company were translated to USD using year-end exchange rates for the balance sheet, and average exchange rates for the statements of operations. Equity transactions were translated using historical rates. The period-end exchange rates of 0.7711 and 0.7888 were used to convert the Company's March 31, 2016 and 2015 balance sheets, respectively, and the statements of operations used weighted average rates of 0.7642 and 0.8808 for the years ended March 31, 2016 and 2015, respectively. All amounts in the financial statements and footnotes are presumed to be stated in USD, unless otherwise identified. Foreign currency translation gains or losses as a result of fluctuations in the exchange rates are reflected in the Consolidated Statement of Income and Comprehensive Income (Loss), and the Consolidated Statements of Stockholders' Equity.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

PROFIRE ENERGY, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Management is of the opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash and all debt securities with an original maturity of 90 days or less. As of March 31, 2016 and 2015, cash and cash equivalents totaled \$21,292,595 and \$14,144,796 respectively. A small portion of these deposits were insured by the Company's banks and guaranteed by the FDIC and the CDIC.

Accounts Receivable

Receivables from the sale of goods and services are stated at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts. The allowance is calculated based on past collectability and customer relationships. The Company recorded an allowance for doubtful accounts of \$250,646 and \$108,641 as of March 31, 2016 and 2015, respectively.

Inventories

In accordance with ARB No. 43 "Inventory Pricing," the Company's inventory is valued at the lower of cost (the purchase price, including additional fees) or market based on using the entire value of inventory. Inventories are determined based on the average cost basis. Inventory consists of finished goods held for sale. As of March 31, inventory consisted of the following:

	For the Years Ending	
	March 31,	
	2016	2015
Raw materials	\$967,823	\$—
Finished goods	10,316,857	11,951,108
Work in process	—	—
Subtotal	11,284,680	11,951,108
Reserve for Obsolence	(237,998 )	(184,573 )
Total	\$11,046,682	\$11,766,535

The Company evaluates securities for other-than-temporary impairment at least on a yearly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to the length of time and amount of the loss relative to cost, the nature and financial condition of the issuer and the ability and intent of the Company to hold the investment for a time sufficient to allow any anticipated recovery in fair value. Pursuant to ASC 320-5, other

than temporary impairment losses are recorded as impairment expense in the statement of operations during the period in which the impairment is determined.

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PROFIRE ENERGY, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Company periodically reviews the carrying amount of long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the asset's carrying amount. In the event

the carrying amount of such asset is not considered recoverable, the asset is adjusted to its fair value. Fair value is generally determined based on discounted future cash flow.

Other Intangible Assets

The Company accounts for Other Intangible Assets under the guidance of ASC 350, "Intangibles—Goodwill and Other". The Company capitalizes certain costs related to patent technology, as a substantial portion of the purchase price related to the Company's acquisition has been assigned to patents. Under the guidance, Other Intangible Assets with definite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are tested annually for impairment.

Goodwill

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

Revenue Recognition

The Company records sales when a firm sales agreement is in place, delivery has occurred or services have been rendered, and collectability of the fixed or determinable sales price is reasonably assured. If customer acceptance of products is not assured, the Company records sales only upon formal customer acceptance.

Cost of Sales

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

Advertising Costs

The Company classifies expenses for advertising as general and administrative expenses. The Company incurred advertising costs of \$65,555 and \$259,056 during the years ended March 31, 2016 and 2015, respectively.

PROFIRE ENERGY, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-Based Compensation

The Company follows the provisions of ASC 718, "Share-Based Payment," which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. The Company uses the Black-Scholes pricing model for determining the fair value of stock based compensation.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Sales to the Company's four largest customers represented approximately 22% and 31% of total sales for the years ended March 31, 2016, and 2015, respectively.

Income Taxes

The Parent is subject to US income taxes on a stand-alone basis. The Parent and its Subsidiary file separate stand-alone tax returns in each jurisdiction in which they operate. The Subsidiary is a corporation operating in Canada and is subject to Canadian income taxes on its stand-alone taxable income. The effective rates of income tax are 78.6% and 33.1% for the years ended March 31, 2016 and 2015, respectively.

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

Research and Development

All costs associated with research and development are expensed when incurred. Costs incurred for research and development were \$899,013 and \$1,832,671 for the years ended March 31, 2016 and 2015, respectively.

Shipping and Handling Fees and Costs

The Company records all amounts billed to customers related to shipping and handling fees as revenue. The Company classifies expenses for shipping and handling costs as cost of goods sold. The Company incurred shipping and handling costs of \$251,351 and \$498,994 during the years ended March 31, 2016 and 2015, respectively.



PROFIRE ENERGY, INC. AND SUBSIDIARY  
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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income (Loss)

Comprehensive income includes net income as currently reported by the Company adjusted for other comprehensive items. Other comprehensive items for the Company consist of foreign currency translation gains and losses.

Recent Accounting Pronouncements

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

Property and Equipment Useful Lives

Property and equipment is stated at cost. Depreciation on property and equipment is computed using the diminishing balance method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Assets	Estimated useful life	
	Current	Prior
Furniture and fixtures	7 Years	5 Years
Machinery and equipment	7 Years	5 Years
Buildings	30 Years	25 Years
Vehicles	5 Years	3 Years
Computers	3 Years	3 Years
Software	2 Years	N/A

Beginning in fiscal year 2016, the Company revised the estimated useful lives from 5 to 7 years for furniture and fixtures, and machinery and equipment, 25 to 30 years for buildings, 3 to 5 years for vehicles, and added a software asset type with a useful life of 2 years. The change in depreciable lives is considered a change in accounting estimate on a prospective basis from April 1, 2015 and had an immaterial impact on overall financial statements for the period ended December 31, 2015.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31, 2016 and 2015:

	For the Years Ending	
	March 31,	
	2016	2015
Office furniture and equipment	\$968,135	\$937,274
Service and shop equipment	577,240	573,233
Vehicles	2,715,920	3,040,439
Land and buildings	6,733,415	6,746,597
Total property and equipment	10,994,710	11,297,543

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Accumulated depreciation	(2,761,799 )	(2,021,578 )
Net property and equipment	\$8,232,911	\$9,275,965

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NOTE 2 – PROPERTY AND EQUIPMENT – (CONTINUED)

Depreciation expense for the years ended March 31, 2016 and 2015 are as follows:

	For the Years Ending	
	March 31,	
	2016	2015
Cost of Goods Sold	\$474,539	\$582,088
General and administrative	516,786	558,231
Total	\$991,325	\$1,140,319

NOTE 3 – STOCKHOLDERS' EQUITY

The Company had the following \$0.001 par value authorized stock:

Preferred Stock 10,000,000 shares.

Common Stock 100,000,000 shares.

During the years ended March 31, 2016 and 2015, the Company did not issue, shares of its common stock for services. As of March 31, 2016 and 2015, the Company had 53,256,296 and 53,199,136 shares of common stock, respectively. Please refer to Note 8 of the Consolidated Financial Statements for additional information regarding common stock issuances.

On June 2, 2014, we filed a registration statement on Form S-1 to register shares of our common stock with the Securities and Exchange Commission to be offered to the public by us and by certain selling stockholders named in the registration statement. We also filed amendments to such registration statement on June 19, 2015, June 24, 2014, June 25, 2014, and June 26, 2014. Our net proceeds from the sale of 4,500,000 shares of our common stock by us pursuant to the registration statement was approximately \$16,430,000, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We did not receive any proceeds from the sale of shares of our common stock by the selling stockholders. We have used and plan to continue using the proceeds from the offering to help fund Company growth initiatives.

NOTE 4 – ASSET PURCHASES

VIM Injection Management Inc.

On November 14, 2014, the Company, entered into an agreement to purchase the assets of VIM Injection Management Inc. Pursuant to the asset purchase agreement, the purchase price of the assets consisted of a one-time payment of \$750,000 in cash and 265,958 shares of the Company's common stock, which was valued at \$1,000,000 (\$3.76 per share). The value of the stock was based on the trading price on the date of issuance. Acquisition-related costs during the year ended March 31, 2015, which are included in the selling, general, and administrative expense in the accompanying consolidated statements of income, were not material. The results of operations related to this acquisition have been included in our Canadian segment since the acquisition date.

PROFIRE ENERGY, INC. AND SUBSIDIARY  
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## NOTE 4 – ASSET PURCHASES – (CONTINUED)

The total purchase price was allocated as follows:

Consideration paid:	
Cash paid	\$750,000
Common stock issued	1,000,000
Total purchase price	1,750,000
Consideration received:	
Inventory	\$54,577
Intangible assets	
Tundra Distribution Agreement	46,722
Patent	650,000
Other Intellectual Property	1,000
Total Intangible Assets	697,722
	\$752,299
Goodwill was recognized as a result of the acquisition as follows:	
Total consideration paid	\$1,750,000
Total consideration received	(752,299 )
	\$997,701

With respect to the intangible assets of VIM, the Company intends to amortize each as follows, as this is the length of time the Company currently estimates that it will generate cash flow from the assets:

Tundra Distribution Agreement	9 months
Patent	20 years
Other Intellectual Property	20 years

The total weighted-average amortization period for these acquired intangible assets is 20 years.

## NOTE 5 – INTANGIBLE ASSETS

Definite-lived intangible assets consist of distribution agreements, patents, trademarks, copyrights, and domain names. The costs of the distribution agreements were amortized over the remaining life of the agreements. The costs of the patents are to be amortized over 20 years once the patent has been approved. Indefinite-lived intangible assets consist of goodwill. In accordance with ASC 350, Goodwill is not amortized but tested for impairment annually or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The Company's annual goodwill impairment testing date is March 31 of each year. Intangible assets consisted of the following as of March 31, 2016 and 2015:



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## NOTE 5 – INTANGIBLE ASSETS (CONTINUED)

## Definite-lived intangible assets

	For the Years Ending March 31,	
	2016	2015
Distribution agreements	\$40,702	\$41,638
Less: Accumulated amortization	(40,702)	(27,757)
Distribution agreements, net	—	13,881
Patents, trademarks, copyrights, and domain names	567,109	580,138
Less: Accumulated amortization	(37,809)	—
Total definite-lived intangible assets, net	\$529,300	\$594,019

## Indefinite-lived intangible assets

	For the Years Ending March 31,	
	2016	2015
Goodwill	\$997,701	\$997,701

Estimated amortization expense for the distribution agreements, patents, trademarks, copyrights, and domain names for the next five years consists of the following as of March 31, 2016:

	For the Years Ending March 31,	Year	Amount
		2017	\$28,103
		2018	28,103
		2019	28,103
		2020	28,103
		2021	28,103

Citing an Update to ASC 2011-08, entities are provided with the option of first performing a qualitative assessment on none, some, or all of its reporting units to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If after completing a qualitative analysis, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative analysis is required.

The Company elected to evaluate the goodwill associated with the VIM purchase using a quantitative two-step approach. The first step used to identify potential impairment involves comparing the reporting unit's estimated fair value to its carrying value, including goodwill. The aforementioned mentioned step one quantitative tests did not

indicate impairment. During the first step of testing, the Company evaluated goodwill for impairment using a business valuation method, which is calculated as of a measurement date by determining the present value of debt-free, after-tax projected future cash flows, discounted at the weighted average cost of capital of a hypothetical third party buyer. This analysis also did not indicate impairment.

The second step of the process involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. The implied fair value of goodwill is determined by measuring the excess of the estimated fair value of the reporting unit over the estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a

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PROFIRE ENERGY, INC. AND SUBSIDIARY  
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## NOTE 5 – INTANGIBLE ASSETS (CONTINUED)

business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit and the subsequent reversal of goodwill impairment losses is not permitted.

The determination of fair value requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, revenue growth and operating earnings projections, discount rates, terminal growth rates, and required capital expenditure projections. Due to the inherent uncertainty involved in making these estimates, actual results could differ materially from those estimates. Deterioration in the market or actual results as compared with the projections may ultimately result in a future impairment. In the event the Company determines that goodwill is impaired in the future, the Company would need to recognize a non-cash impairment charge.

For 2016, the Company determined on a qualitative basis, it was not more likely than not that the fair value of the goodwill arising from the VIM acquisition was less than its carrying value. The Company did not have any impairment for the year ended March 31, 2016.

## NOTE 6 – PROVISION FOR INCOME TAXES

## Reconciliation of US Federal/Canadian Statutory Income Tax Rate to Effective Income Tax Rate:

	For the Years Ending March 31, 2016 2015	
United States statutory income tax rate	35.0%	35.0%
Decrease in rate on income subject to Canadian income tax rates	—	-1.5 %
Decrease in rate resulting from non-deductible expenses and deductible adjustments	43.6%	-0.4 %
	43.6%	-1.9 %
Effective income tax rate	78.6%	33.1 %

	For the Years Ending March 31, 2016 2015	
Components of Income Tax Expense		
Federal U.S. Income Taxes		
-Current	\$363,768	\$1,187,957
-Deferred	(89,337 )	442,095
Foreign (Canadian and Provincial) Income Taxes	(240,372)	998,280
State Income Taxes		
-Current	93,768	215,572
Total Income Tax Expense	\$127,828	\$2,843,905

The following are temporary items: increase or decrease in rate resulting from depreciation and loss on equipment for book purposes in excess of depreciation for income tax purposes. These temporary differences are insignificant, for



2016 and 2015.

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PROFIRE ENERGY, INC. AND SUBSIDIARY  
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NOTE 6 – PROVISION FOR INCOME TAXES (CONTINUED)

The Company adopted the provisions of ASC 740, Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of ASC 740, the Company recognized approximately no increase in the liability for unrecognized tax benefits.

The Company has no tax positions at March 31, 2016 and 2015 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended March 31, 2016 and 2015, the Company recognized no interest and penalties. The Company had no accruals for interest and penalties at March 31, 2016 and 2015.

Net deferred tax liability arising from the accelerated depreciation claimed by the Parent on its stand-alone tax return is \$602,691 and \$631,353 as of March 31, 2016 and 2015, respectively.

Net deferred tax asset arising from the deferred recognition of stock option compensation by the Parent on its stand-alone tax return is \$549,270 and \$501,920 as of March 31, 2016 and 2015, respectively.

NOTE 7 – SEGMENT INFORMATION

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

<u>Sales</u>	For the Years Ending March 31,	
	2016	2015
Canada	\$6,010,042	\$14,769,787
United States	21,062,404	36,409,605
Total	\$27,072,446	\$51,179,392

<u>Long-lived assets</u>	For the Years Ending March 31,	
	2016	2015
Canada	\$1,067,346	\$1,231,434
United States	7,165,565	8,044,531
Total	\$8,232,911	\$9,275,965

NOTE 8 – COMMON STOCK AND COMMON STOCK PURCHASE OPTIONS

On May 1, 2014, the Company issued a total of 133,900 stock purchase options exercisable for the purchase of its common stock at \$4.03 per share. The options were issued to key employees. The options vest 1/5 each year for 5 years. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option

pricing model. The following weighted average assumptions were used for grants as of May 1, 2014: dividend yield of zero percent; expected volatility of 149%; risk-free interest rates of 0.82% and expected life of 3.5 years.

PROFIRE ENERGY, INC. AND SUBSIDIARY  
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NOTE 8 – COMMON STOCK AND COMMON STOCK PURCHASE OPTIONS (CONTINUED)

On May 1, 2014, the Company issued a total of 180,000 shares of restricted stock to key employees. The shares vest 1/5 each year for 5 years. The Company estimates the fair value of the restricted shares at their intrinsic value at time of granting.

On September 18, 2014, the Company issued a total of 79,812 shares of restricted stock units to the independent directors of the company. Half of the shares vested immediately with the remaining half vesting one year after issuance. Additionally, the company issued a total of 12,000 shares of restricted stock units to key employees. The units vest 1/5 each year for 5 years. The Company estimates the fair value of the units at their intrinsic value at time of granting.

On November 6, 2014, the Company issued a total of 49,999 shares of restricted stock units to key employees. The units vest 1/5 each year for 5 years based on performance and service longevity requirements. The Company estimates the fair value of the units at their intrinsic value at time of granting.

On March 27, 2015, the Company issued a total of 5,000 restricted stock units to a key employee. The units vest 1/5 each year for 5 years. The Company estimates the fair value of the units at their intrinsic value at time of granting.

On July 23, 2015, the Company issued a total of 208,334 restricted stock units to key employees. The units vest 1/5 each year for 5 years. The Company estimates the fair value of the units at their intrinsic value at time of granting.

On October 30, 2015, the Company issued a total of 320,000 restricted stock units to the independent directors of the company. Half of the shares vested immediately with the remaining half vesting September 17, 2016. The Company estimates the fair value of the units at their intrinsic value at time of granting.

A summary of the status of the Company's stock option plans as of March 31, 2016 and 2015 and the changes during the period are presented below:

	Options	Wtd. Avg. Exercise Price
Outstanding, March 31, 2014	3,074,850	1.47
Granted	133,900	4.03
Exercised	(596,635 )	0.55
Forfeited/Expired	(498,615 )	1.39
Outstanding, March 31, 2015	2,113,500	1.90
Exercisable, March 31, 2015	907,000	2.27
	Options	Wtd. Avg. Exercise Price

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Outstanding, March 31, 2015	2,113,500	1.90
Granted	-	-
Exercised	-	-
Forfeited/Expired	(552,300 )	1.54
Outstanding, March 31, 2016	1,561,200	2.02
Exercisable, March 31, 2016	1,050,800	2.12

PROFIRE ENERGY, INC. AND SUBSIDIARY  
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## NOTE 8 – COMMON STOCK AND COMMON STOCK PURCHASE OPTIONS (CONTINUED)

The following table summarizes information about the stock options as of March 31, 2015:

Total Outstanding and Exercisable For the Year Ending March 31, 2015				
Strike Price	Outstanding Options (1 share/option)	Avg. Remaining Life (Yrs)	Exercisable Shares	Wtd. Avg. Exercise Price
\$0.30	110,000	1.88	40,000	0.30
\$1.37	1,118,000	4.08	284,000	1.37
\$1.75	475,000	2.93	283,000	1.75
\$3.85	200,000	4.61	200,000	3.85
\$3.95	100,000	4.86	100,000	3.95
\$4.03	110,500	5.09	-	4.03
	2,113,500	4.02	907,000	2.27

The following table summarizes information about the stock options as of March 31, 2016:

Total Outstanding and Exercisable For the Year Ending March 31, 2016				
Strike Price	Outstanding Options (1 share/option)	Avg. Remaining Life (Yrs)	Exercisable Shares	Wtd. Avg. Exercise Price
\$0.30	110,000	0.88	110,000	0.30
\$1.37	711,500	3.13	345,500	1.37
\$1.75	346,500	1.93	276,500	1.75
\$3.85	200,000	3.61	200,000	3.85
\$3.95	100,000	3.86	100,000	3.95
\$4.03	93,200	4.09	18,800	4.03
	1,561,200	2.92	1,050,800	2.12

The following table summarizes information about non-vested options as of the year ended March 31, 2016:

	Options	Wtd. Avg. Grant Date Fair Value
Non-vested options		
Non-vested at March 31, 2015	1,206,500	1.58
Stock options issued during the year	-	-
Stock options canceled	(552,300 )	1.54
Vested during the year ended March 31, 2016	(370,600 )	1.40
Cancellation of previously vested stock options	226,800	1.54

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Non-vested at March 31, 2016

510,400

1.81

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## NOTE 8 – COMMON STOCK PURCHASE OPTIONS (CONTINUED)

The following table summarizes information about non-vested restricted stock as of the year ended March 31, 2016:

	Restricted Stock	Wtd. Avg. Grant Date Fair Value
Non-vested restricted stock		
Non-vested at March 31, 2015	171,666	4.03
Restricted stock issued during the year	-	-
Restricted Stock canceled	(40,000 )	4.03
Vested during the year ended March 31, 2016	(34,332 )	4.03
Non-vested at March 31, 2016	97,334	4.03

  

	Restricted Stock Units	Wtd. Avg. Grant Date Fair Value
Non-vested restricted stock units		
Non-vested at March 31, 2015	106,907	3.94
Restricted stock units issued during the year	528,334	1.05
Restricted stock units canceled	(76,999 )	1.68
Vested, not settled during the period ended March 31, 2016	(199,908 )	1.68
Vested & settled during the year ended March 31, 2016	(53,001 )	1.62
Non-vested at March 31, 2016	305,333	1.38

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

Royalties

The Company paid no royalties years ended March 31, 2016 and 2015, as a royalty agreement was replaced with a consulting agreement in March 2015. The agreement was executed between the Company and Terra Industrial, with Allen Johnson as agent. The intent of this agreement was to replace the aforementioned royalty agreements. The agreement is for the term of 10 years with fees of \$100,000 CAD paid quarterly.

Contingent Liabilities

The future minimum lease payments for operating leases as of March 31, 2016, consisted of the following:

<u>Years Ending March 31,</u>	Operating Leases
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2017	\$ 35,724
2018	—
Thereafter	—
	\$ 35,724

PROFIRE ENERGY, INC. AND SUBSIDIARY  
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## NOTE 10 – QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarterly data for the years ended March 31, 2016 and 2015 consisted of the following:

2016	For the Quarters Ending			
	Jun 30	Sep 30	Dec 31	Mar 31
Net sales	\$6,877,243	\$8,097,294	\$7,554,255	\$4,543,654
Gross profit	3,313,519	\$4,028,403	\$3,998,502	\$2,299,895
Income (loss) from operations	(539,374 )	\$675,396	\$490,322	\$(666,265 )
Income tax expense (benefit)	(149,525 )	\$254,781	\$194,227	\$(171,654 )
Net income (loss)	(459,079 )	\$779,195	\$479,243	\$(764,617 )
Basic earnings per common share	\$(0.01 )	\$0.01	\$0.01	\$(0.01 )
Diluted earnings per common share	\$(0.01 )	\$0.01	\$0.01	\$(0.01 )

  

2015	For the Quarters Ending			
	Jun 30	Sep 30	Dec 31	Mar 31
Net sales	\$13,144,834	\$15,720,932	\$12,516,699	\$9,796,927
Gross profit	7,437,100	8,549,443	6,542,595	469,362
Income from operations	336,639	3,253,591	1,806,117	109,602
Income tax expense (benefit)	1,149,042	1,182,676	(110,426 )	622,612
Net income (loss)	2,220,706	2,078,201	191,715	(468,373 )
Basic earnings per common share	\$0.05	\$0.04	\$0.04	\$(0.01 )
Diluted earnings per common share	\$0.05	\$0.04	\$0.04	\$(0.01 )

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

## NOTE 11 – SUBSEQUENT EVENTS

On May 13, 2016, Profire Energy, Inc. received a letter ("Notice") from The NASDAQ Stock Market LLC ("Nasdaq") notifying the Company that, because the closing bid price for its Common Stock has been below \$1.00 per share for the prior 30 consecutive business days, it no longer complies with the minimum bid price requirement for continued listing on The Nasdaq Capital Market. Nasdaq Marketplace Rule 5550(a)(2) requires a minimum bid price of \$1.00 per share (the "Minimum Bid Price Requirement"). Based on the closing bid price of the Company's Common Stock for the 30 consecutive business days prior to the date of Nasdaq's letter, the Company does not meet the Minimum Bid Price Requirement.

The Notice has no immediate effect on the listing of the Common Stock on The Nasdaq Capital Market. Pursuant to Nasdaq Marketplace Rule 5810(c)(3)(A), the Company has been provided an initial compliance period of 180 calendar days, or until November 9, 2016, to regain compliance with the Minimum Bid Price Requirement. If at any time before November 9, 2016, the closing bid price of the Common Stock is at least \$1.00 per share for a minimum of 10 consecutive business days, Nasdaq will provide written confirmation stating that the Company has achieved compliance with the Minimum Bid Price Requirement. However, Nasdaq may, in its discretion, require the Company to satisfy the applicable Price-based Requirement for a period in excess of ten consecutive business days, but generally no more than 20 consecutive business days, before determining that the Company has demonstrated an ability to maintain long-term compliance. As of June 8, 2016, the Company had completed 10 consecutive business

days with a closing bid price above \$1.00, however, Nasdaq, in their discretion, informed the Company that it had extended the Price-based Requirement term to 20 days.

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NOTE 11 – SUBSEQUENT EVENTS (CONTINUED)

The Notice also provides that, if the Company does not regain compliance with the Minimum Bid Price Requirement by November 9, 2016, it may be eligible for additional time to regain compliance. To qualify for additional time, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and provide written notice of its intention to cure the minimum bid price deficiency during the second compliance period, by effecting a reverse split, if necessary. If the Company meets these requirements, it will be granted an additional compliance period of 180 calendar days to regain compliance with the Minimum Bid Price Requirement. If the Nasdaq staff determines that the Company will not be able to cure the deficiency, or if the Company is otherwise not eligible for such additional compliance period, Nasdaq will provide notice that the Company's Common Stock will be subject to delisting. The Company would have the right to appeal a determination to delist its Common Stock, and the Common Stock would remain listed on The Nasdaq Capital Market until the completion of the appeal process.

The Company intends to resolve the situation and consider available options to regain compliance with the Minimum Bid Price Requirement and continued listing on The Nasdaq Capital Market.

On May 26, 2016, announced that its Board of Directors had authorized a share repurchase program allowing the Company to repurchase up to \$2,000,000 worth of the Company's common stock from time to time through May 25, 2017. Any purchases under the program will be made at the discretion of management. The size and timing of any purchases will depend on price, market and business conditions and other factors. Open market purchases will be conducted in accordance with applicable legal requirements. The repurchase program may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing shares, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. These factors may also affect the timing and amount of share repurchases. The repurchase program does not obligate the Company to purchase any particular number of shares.

On May 4, 2016, the Company issued a total of 59,953 restricted shares to one of its Independent Directors. The shares were issued in the settlement of previously granted and vested restricted stock units.



EXHIBIT INDEX

Exhibit No.	Exhibit Description
3.1	Articles of Incorporation <sup>(2)</sup>
3.2	Articles of Amendment to the Articles of Incorporation <sup>(3)</sup>
3.3	Amended and Restated Bylaws <sup>(1)</sup>
10.1	Securities Purchase Agreement, dated November 12, 2013 between the Registrant and the persons listed therein as purchasers <sup>(10)</sup>
10.2	Registration Rights Agreement, dated November 18, 2013 between the Registrant and the persons listed in the Securities Purchase Agreement as purchasers <sup>(11)</sup>
10.3	Employment Agreement of Brenton W. Hatch dated June 28, 2013 <sup>(17)+</sup>
10.4	Employment Agreement of Harold Albert, dated June 28, 2013 <sup>(18)+</sup>
10.5	Employment Agreement of Andrew Limpert, dated June 28, 2013 <sup>(19)+</sup>
10.18	Employment Agreement of Ryan Oviatt, dated September 4, 2015 <sup>(20)+</sup>
10.6	Form of Indemnification Agreement between the Registrant and its Directors <sup>(13)</sup>
10.7	2003 Stock Incentive Plan <sup>(14)</sup>
10.8	Profire Energy, Inc. 2010 Equity Incentive Plan <sup>(15)</sup>
10.9	Lease Agreement, dated June 12, 2013, between the Registrant and Whitestone Industrial-Office, LLC. <sup>(7)</sup>
10.10	Lease Agreement, dated May 16, 2014, between the Registrant and Paul Hall <sup>(8)</sup>
10.11	Lease Agreement, dated April 23, 2014, between the Registrant and Dennis Caka <sup>(9)</sup>
10.12	Consulting Agreement, dated March 24, 2014, between the Registrant on the one hand and Terra Industrial Corporation and Alan Johnson on the other <sup>(12)</sup>
10.13	Profire Energy, Inc. 2015 Equity Incentive Plan <sup>(16)</sup>
10.14	Form of Equity Grant Agreement, Nonqualified Stock Option*
10.15	Form of Equity Grant Agreement, Restricted Stock*
10.16	Form of Equity Grant Agreement, Restricted Stock Units*
10.17	Profire Energy, Inc. 2010 Equity Incentive Plan Amendment*
14.1	Code of Ethics <sup>(4)</sup>
21.1	Subsidiaries*
23.1	Consent of Sadler, Gibb & Associates, LLC, independent registered public accounting firm*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350*
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350*
101 INS	XBRL Instance Document**
101 SCH	XBRL Schema Document**
101 CAL	XBRL Calculation Linkbase Document**
101 DEF	XBRL Definition Linkbase Document**
101 LAB	XBRL Labels Linkbase Document**
101 PRE	XBRL Presentation Linkbase Document**

\* Filed herewith.

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

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

(1) Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on December 23, 2013.

(2) Incorporated by reference to the Registration Statement of the Registrant on Form SB-2 filed with the Commission on September 24, 2004.

(3) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on February 13, 2009.

(4) Incorporated by reference to Exhibit 14.1 to the Registrant's Form 8-K filed with the Commission on February 12, 2015 (File No. 000-52376).

(5) Incorporated by reference to Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on November 10, 2009.

(6) Incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(7) Incorporated by reference to Exhibit 10.9 to Registrant's Form S-1/A filed with the Commission on June 19, 2015 (File No. 333-196462).

(8) Incorporated by reference to Exhibit 10.10 to Registrant's Form S-1/A filed with the Commission on June 19, 2015 (File No. 333-196462).

(9) Incorporated by reference to Exhibit 10.11 to Registrant's Form S-1/A filed with the Commission on June 19, 2015 (File No. 333-196462).

(10) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report Current Report on Form 8-K filed November 18, 2013 (File No. 000-52376).

(11) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report Current Report on Form 8-K filed November 18, 2013 (File No. 000-52376).

(12) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on March 25, 2015 (File No. 000-52376).

(13) Incorporated by reference to Exhibit 10.7 to the Registrant's Form S-1 filed on December 24, 2013 (File No. 333-193086).

(14) Incorporated by reference to Exhibit 4.01 to the Registrant's Form SB-2 filed on September 24, 2004 (File No. 000-52376).

(15) Incorporated by reference to the Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on November 10, 2009 (File No. 000-52376).

(16) Incorporated by reference to Appendix B to the Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on August 21, 2015 (File No. 001-36378).

(17) Incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(18) Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(19) Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (File No. 000-52376).

(20) Incorporated by reference to Exhibit 10.18 to the Registrant's Form 8-K filed on September 8, 2015 (File No. 001-36378).

