

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2023
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 000-19954

**JEWETT-CAMERON TRADING COMPANY LTD.**

(Exact Name of Registrant as Specified in its Charter)

**BRITISH COLUMBIA**

**NONE**

(State or Other Jurisdiction of Incorporation or Organization)

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

**32275 N.W. Hillcrest, North Plains, Oregon**

**97133**

(Address Of Principal Executive Offices)

(Zip Code)

**(503) 647-0110**

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	JCTCF	NASDAQ Capital Market

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller Reporting Company   
Emerging growth company

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.  
Common Stock, no par value – 3,504,802 common shares as of January 16, 2024.

**Jewett-Cameron Trading Company Ltd.**

**Index to Form 10-Q**

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**PART 1 – FINANCIAL INFORMATION**

Item 1. Financial Statements

**JEWETT-CAMERON TRADING COMPANY LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in U.S. Dollars)**  
**(Unaudited – Prepared by Management)**

**NOVEMBER 30, 2023**

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in U.S. Dollars)  
(Prepared by Management)  
(Unaudited)

	<b>November 30, 2023</b>	<b>August 31, 2023</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,558,168	\$ 83,696
Accounts receivable, net of allowance of \$0 (August 31, 2023 - \$0)	3,365,430	5,634,924
Inventory, net of allowance of \$410,325 (August 31, 2023 - \$497,884) (note 3)	17,513,417	18,339,048
Prepaid expenses	613,358	630,788
Total current assets	25,050,373	24,688,456
<b>Property, plant and equipment, net</b> (note 4)	4,545,687	4,655,427
<b>Intangible assets, net</b> (note 5)	112,847	134,845
<b>Deferred tax assets</b> (Note 6)	229,062	319,875
<b>Total assets</b>	\$ 29,937,969	\$ 29,798,603
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,802,837	\$ 2,181,194
Bank indebtedness (note 7)	-	1,259,259
Income taxes payable (note 6)	349,745	147,629
Accrued liabilities	1,396,519	2,113,194
<b>Total liabilities</b>	4,549,101	5,701,276
<b>Stockholders' equity</b>		
Capital stock (notes 8, 9)		
Authorized		
21,567,564 common shares, no par value		
10,000,000 preferred shares, no par value		
Issued		
3,498,899 common shares (August 31, 2023 – 3,498,899)	825,468	825,468
Additional paid-in capital	765,055	765,055
Retained earnings	23,798,345	22,506,804
Total stockholders' equity	25,388,868	24,097,327
<b>Total liabilities and stockholders' equity</b>	\$ 29,937,969	\$ 29,798,603

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

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in U.S. Dollars)  
(Prepared by Management)  
(Unaudited)

	<b>Three Months Ended November 30, 2023</b>	<b>Three Months Ended November 30, 2022</b>
<b>SALES</b>	\$ 9,805,841	\$ 12,577,500
<b>COST OF SALES</b>	7,849,760	9,717,800
<b>GROSS PROFIT</b>	1,956,081	2,859,700
<b>OPERATING EXPENSES</b>		
Selling, general and administrative expenses	948,481	826,807
Depreciation and amortization (notes 4, 5)	97,903	111,536
Wages and employee benefits	1,698,920	1,928,155
	2,745,305	2,866,498
Loss from operations	(789,224)	(6,798)
<b>OTHER ITEMS</b>		
Gain on sale of property, plant and equipment	89,655	-
Other income (note 14)	2,450,000	-
Interest expense	(6,855)	(86,552)
Total other items	2,532,800	(86,552)
Income (loss) before income taxes	1,743,576	(93,350)
Income tax (expense) recovery	(452,035)	19,590
<b>Net income (loss)</b>	<b>\$ 1,291,541</b>	<b>\$ (73,760)</b>
<b>Basic income (loss) per common share</b>	<b>\$ 0.37</b>	<b>\$ (0.02)</b>
<b>Diluted income (loss) per common share</b>	<b>\$ 0.37</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding:</b>		
Basic	3,498,899	3,496,202
Diluted	3,498,899	3,496,202

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

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Expressed in U.S. Dollars)  
(Prepared by Management)  
(Unaudited)

<b>Capital Stock</b>					
	Number of Shares	Amount	Additional paid-in capital	Retained earnings	Total
<b>August 31, 2022</b>	3,495,342	\$ 824,629	\$ 742,591	\$ 22,527,430	\$ 24,094,650
Shares issued pursuant to compensation plans (note 9)	3,557	839	22,464	-	23,303
Net loss	-	-	-	(73,760)	(73,760)
<b>November 30, 2022</b>	3,498,899	\$ 825,468	\$ 765,055	\$ 22,453,670	\$ 24,044,193
Net income	-	-	-	53,134	53,134
<b>August 31, 2023</b>	3,498,899	\$ 825,468	\$ 765,055	\$ 22,506,804	\$ 24,097,327
Net income	-	-	-	1,291,541	1,291,541
<b>November 30, 2023</b>	3,498,899	\$ 825,468	\$ 765,055	\$ 23,798,345	\$ 25,388,868

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

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in U.S. Dollars)  
(Prepared by Management)  
(Unaudited)

	<b>Three Months Ended November 30, 2023</b>	<b>Three Months Ended November 30, 2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 1,291,541	\$ (73,760)
Items not involving an outlay of cash:		
Depreciation and amortization	97,903	111,536
Stock-based compensation expense	-	23,303
Gain on sale of property, plant and equipment	(89,655)	
Write-down of intangible assets	21,790	
Deferred income taxes	90,813	(20,002)
Changes in non-cash working capital items:		
Decrease in accounts receivable	2,269,494	1,954,249
Decrease (increase) in inventory	825,631	(1,370,146)
Decrease in prepaid expenses	17,430	488,461
Decrease in prepaid income taxes	-	412
(Decrease) in accounts payable and accrued liabilities	(95,032)	(419,811)
Increase in income taxes payable	202,116	-
Net cash provided by (used by) operating activities	4,632,031	694,242
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of property, plant and equipment	101,700	-
Purchase of property, plant and equipment	-	(36,223)
Net cash provided by (used in) investing activities	101,700	(36,223)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment of) proceeds from bank indebtedness	(1,259,259)	600,000
Net cash (used) provided by financing activities	(1,259,259)	600,000
<b>Net increase in cash</b>	3,474,472	1,258,019
<b>Cash, beginning of period</b>	83,696	484,463
<b>Cash, end of period</b>	\$ 3,558,168	\$ 1,742,482

Supplemental disclosure with respect to cash flows (Note 13)

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

**1. NATURE OF OPERATIONS**

Jewett-Cameron Trading Company Ltd. was incorporated in British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation (“JCLC”), incorporated September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. Effective September 1, 2013, the Company reorganized certain of its subsidiaries. JCLC’s name was changed to JC USA Inc. (“JC USA”), and a new subsidiary, Jewett-Cameron Company (“JCC”), was incorporated.

JC USA has the following wholly owned subsidiaries incorporated under the laws of the State of Oregon: Jewett-Cameron Seed Company, (“JCSC”), incorporated October 2000, Greenwood Products, Inc. (“Greenwood”), incorporated February 2002, and JCC, incorporated September 2013. Jewett-Cameron Trading Company Ltd. and its subsidiaries (the “Company”) have no significant assets in Canada.

The Company, through its subsidiaries, operates out of facilities located in North Plains, Oregon. JCC’s business consists of the manufacturing and distribution of pet, fencing and other products, wholesale distribution to home centers, other retailers, on-line as well as direct to end consumers located primarily in the United States. Greenwood is a processor and distributor of industrial wood and other specialty building products principally to customers in the marine and transportation industries in the United States. JCSC is a processor and distributor of agricultural seeds in the United States. JC USA provides professional and administrative services, including accounting and credit services, to its subsidiary companies.

During the year ended August 31, 2023, the Company announced that it will end seed cleaning operations at its JCSC subsidiary effective August 31, 2023. JCSC is currently in the process of selling its remaining equipment and preparing to end its seed storage services in preparation of being wound-up.

A number of external factors can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business, financial condition, or ability to raise funds.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These unaudited consolidated interim financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America (“US GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”).

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its current wholly owned subsidiaries, JC USA, JCC, JCSC, and Greenwood, all of which are incorporated under the laws of Oregon, U.S.A.

All inter-company balances and transactions have been eliminated upon consolidation.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into the Company's consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowances for doubtful accounts receivable and inventory obsolescence, possible product liability and possible product returns, and litigation contingencies and claims. Actual results could differ from those estimates.

**Cash and cash equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. At November 30, 2023, cash and cash equivalents were \$3,558,168 compared to \$83,696 at August 31, 2023.

**Accounts receivable**

Trade and other accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable primarily includes trade receivables from customers. The Company estimates doubtful accounts on an item-by-item basis and includes over aged accounts as part of allowance for doubtful accounts, which are generally ones that are ninety days or greater overdue.

The Company extends credit to domestic customers and offers discounts for early payment. When extension of credit is not advisable, the Company relies on either prepayment or a letter of credit.

**Inventory**

Inventory, which consists primarily of finished goods, is recorded at the lower of cost, based on the average cost method, and market. Market is defined as net realizable value. An allowance for potential non-saleable inventory due to excess stock or obsolescence is based upon a review of inventory components.

**Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation. The Company provides for depreciation over the estimated life of each asset on a straight-line basis over the following periods:

Office equipment	3-7 years
Warehouse equipment	2-10 years
Buildings	5-30 years

**Intangibles**

The Company's intangible assets have a finite life and are recorded at cost. Amortization is calculated using the straight-line method over the remaining life of the asset. The intangible assets are reviewed annually for impairment.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Asset retirement obligations**

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost). The Company does not have any significant asset retirement obligations.

**Impairment of long-lived assets and long-lived assets to be disposed of**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

**Currency and foreign exchange**

These financial statements are expressed in U.S. dollars which is also the functional currency of the Company and its subsidiaries as the Company's operations are primarily based in the United States.

The Company does not have non-monetary or monetary assets and liabilities that are in a currency other than the U.S. dollar. Any statement of operations transactions in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into U.S. dollars are included in current results of operations.

**Earnings (loss) per share**

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per common share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive common shares.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2023  
(Unaudited)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Earnings (loss) per share (cont'd...)**

The earnings (loss) for the three month periods ended November 30, 2023 and 2022 are as follows:

	<b>Three Month Periods ended November 30,</b>	
	<b>2023</b>	<b>2022</b>
Net income (loss)	\$ 1,291,541	\$ (73,760)
Basic weighted average number of common shares outstanding	3,498,899	3,496,202
Effect of dilutive securities		
Stock options	-	-
<b>Diluted weighted average number of common shares outstanding</b>	<b>3,498,899</b>	<b>3,496,202</b>

The Company has no items of other comprehensive income or loss in any period presented. Therefore, net income or loss presented in the consolidated statements of operations equals comprehensive income or loss.

**Stock-based compensation**

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation" ("ASC 718"). Equity awards are accounted for at their "fair value" which is measured on the grant date for stock-settled awards. For "full-value" awards, fair value is equal to the underlying value of the stock that have time vesting conditions.

Stock-based compensation to employees are recognized as compensation expense in the financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award. Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period, or in the period of grant for awards that vest immediately without any future service condition. For awards that vest over time, previously recognized compensation cost is reversed if the service or performance conditions are not satisfied and the award is forfeited. The Company also grants employees and non-employees restricted stock awards ("RSAs"). The fair value of the RSAs is determined using the fair value of the common shares on the date of the grant. Forfeitures are accounted for as they occur.

The Company has not adopted a stock option plan and has not granted any stock options.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2023  
(Unaudited)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

*Cash and cash equivalents* - the carrying amount approximates fair value because the amounts consist of cash held at a bank and cash held in short term investment accounts.

*Accounts receivable* - the carrying amounts approximate fair value due to the short-term nature and historical collectability.

*Bank indebtedness* - the carrying amount approximates fair value due to the short-term nature of the obligations.

*Accounts payable and accrued liabilities* - the carrying amount approximates fair value due to the short-term nature of the obligations.

The estimated fair values of the Company's financial instruments as of November 30, 2023 and August 31, 2023 follows:

	November 30, 2023		August 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 3,558,168	\$ 3,558,168	\$ 83,696	\$ 83,696
Accounts receivable, net of allowance	3,365,430	3,365,430	5,634,924	5,634,924
Accounts payable and accrued liabilities	4,199,356	4,199,356	4,294,388	4,294,388
Bank indebtedness	-	-	1,259,259	1,259,259

The following table presents information about the assets that are measured at fair value on a recurring basis as of November 30, 2023 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	November 30, 2023	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 3,558,168	\$ 3,558,168	\$ —	\$ —

The fair values of cash are determined through market, observable and corroborated sources.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2023  
(Unaudited)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

**Shipping and handling costs**

The Company incurs certain expenses related to preparing, packaging and shipping its products to its customers, mainly third-party transportation fees. All costs related to these activities are included as a component of cost of sales in the consolidated statements of operations. All costs billed to the customer are included as sales in the consolidated statements of operations.

**Revenue recognition**

The Company recognizes revenue from the sales of lumber, building supply products, industrial wood products, specialty metal products, and other specialty products and tools, when the products are shipped, title passes, and the ultimate collection is reasonably assured. Revenue from the Company's seed operations is generated from seed processing, handling and storage services provided to seed growers, and by the sales of seed products. Revenue from the provision of these services and products is recognized when the services have been performed, products sold and collection of the amounts is reasonably assured.

**Recent Accounting Pronouncements**

The Company has evaluated all recently issued, but not yet effective, accounting pronouncements and determined that it does not believe that any, if currently adopted, would have a material effect on the Company's financial statements.

**3. INVENTORY**

A summary of inventory is as follows:

	<b>November 30, 2023</b>	<b>August 30, 2023</b>
Pet, fencing, and other products	\$ 16,878,064	\$ 17,741,254
Industrial wood products	635,353	584,989
Agricultural seed products	-	12,805
	<b>\$ 17,513,417</b>	<b>\$ 18,339,048</b>

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2023  
(Unaudited)

**4. PROPERTY, PLANT AND EQUIPMENT**

A summary of property, plant, and equipment is as follows:

	<b>November 30, 2023</b>	<b>August 31 2023</b>
Office equipment	\$ 668,260	\$ 668,260
Warehouse equipment	1,390,774	1,556,424
Buildings	6,209,162	6,209,162
Land	559,065	559,065
	<u>8,827,261</u>	<u>8,992,911</u>
Accumulated depreciation	(4,281,574)	(4,337,484)
Net book value	<u>\$ 4,545,687</u>	<u>\$ 4,655,427</u>

In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future discounted cash flows is less than the carrying amount of the asset, an impairment loss will be recognized. Management's estimates of revenues, operating expenses, and operating capital are subject to certain risks and uncertainties which may affect the recoverability of the Company's investments in its assets. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect management's estimate of the net cash flow expected to be generated from its operations.

**5. INTANGIBLE ASSETS**

A summary of intangible assets is as follows:

	<b>November 30, 2023</b>	<b>August 31, 2023</b>
Intangible assets	131,405	153,195
Accumulated amortization	(18,558)	(18,350)
Net book value	<u>\$ 112,847</u>	<u>\$ 134,845</u>

**6. DEFERRED INCOME TAXES**

Deferred income tax asset as of November 30, 2023 of \$229,062 (August 31, 2023 - \$319,875) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

**7. BANK INDEBTEDNESS**

Bank indebtedness under the Company's \$10,000,000 line of credit as of November 30, 2023 was \$Nil (August 31, 2023 - \$1,259,259).

Bank indebtedness, when it exists, is secured by an assignment of accounts receivable and inventory. Interest was previously calculated solely on the one-month LIBOR rate plus 175 basis points. Beginning with the monthly interest payment due March 31, 2022, the Company's Bank Line of Credit agreement was revised to change the calculation of the interest rate from the one-month LIBOR rate to the one-month Secured Overnight Financing Rate (SOFR). Interest is now calculated based on the one-month SOFR plus 157 basis points, which as of November 30, 2023 was 6.90% (5.33% + 1.57%).

**8. CAPITAL STOCK**

**Common Stock**

Holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since incorporation.

**9. RESTRICTED SHARE PLAN**

The Company has a Restricted Share Plan (the "Plan") as approved by shareholders on February 8, 2019. The Plan allows the Company to grant, from time to time, restricted shares as compensation to directors, officers, employees and consultants of the Company. The Restricted Shares are subject to restrictions, including the period under which the shares will be restricted (the "Restricted Period") and subject to forfeiture which is determined by the Board at the time of the grant. The recipient of Restricted Shares is entitled to all of the rights of a shareholder, including the right to vote such shares and the right to receive any dividends, except that the shares granted under the Plan are nontransferable during the Restricted Period.

The maximum number of Common Shares reserved for issuance under the Plan will not exceed 1% of the then issued and outstanding number of Common Shares at the time of the grant. As of November 30, 2023, the maximum number of shares available to be issued under the Plan was 17,251.

During the second quarter of fiscal 2021 ended February 28, 2021, the Board of Directors set the compensation for members of the Board under the Plan. Non-executive directors will be granted 25 common shares for each quarter of service, with the cumulative amount of shares earned each fiscal year to be granted shortly after the close of that fiscal year. Non-executive Directors also received a one-time initial grant of 225 common shares which were issued in December 2020.

During the three-month period ended November 30, 2023, the Company issued no common shares (three months ended November 2022 – 3,557 common shares) to officers, directors and employees under the RSA. The value of these shares was \$Nil (2022 - \$23,303).

**10. PENSION AND PROFIT-SHARING PLANS**

The Company has a deferred compensation 401(k) plan for all employees with at least 6 months of service pending a monthly enrollment time. The plan allows for a non-elective discretionary contribution plus matching employee contributions up to a specific limit. The percentages of contribution remain the discretion of the Board and are reviewed with management annually. For the three-month periods ended November 30, 2023 and 2022 the 401(k) compensation expense were \$96,470 and \$126,938, respectively.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2023  
(Unaudited)

**11. SEGMENT INFORMATION**

The Company has three principal reportable segments. These reportable segments were determined based on the nature of the products offered. Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates performance based on several factors, of which the primary financial measure is business segment income before taxes. The following tables show the operations of the Company's reportable segments.

Following is a summary of segmented information for the three-month periods ended November 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
<b>Sales to unaffiliated customers:</b>		
Industrial wood products	\$ 1,134,351	\$ 606,909
Lawn, garden, pet and other	8,622,972	11,619,082
Seed processing and sales	48,518	351,509
	<u>\$ 9,805,841</u>	<u>\$ 12,577,500</u>
<b>Income (loss) before income taxes:</b>		
Industrial wood products	\$ 61,617	\$ (44,246)
Lawn, garden, pet and other	1,385,659	(156,651)
Seed processing and sales	33,043	(27,818)
Corporate and administrative	263,257	135,365
	<u>\$ 1,743,576</u>	<u>\$ (93,350)</u>
<b>Identifiable assets:</b>		
Industrial wood products	\$ 985,386	\$ 863,237
Lawn, garden, pet and other	20,359,711	26,325,793
Seed processing and sales	37,629	550,426
Corporate and administrative	8,555,243	6,907,012
	<u>\$ 29,937,969</u>	<u>\$ 34,646,468</u>
<b>Depreciation and amortization:</b>		
Industrial wood products	\$ -	\$ -
Lawn, garden, pet and other	17,452	15,641
Seed processing and sales	870	1,587
Corporate and administrative	79,581	94,308
	<u>\$ 97,903</u>	<u>\$ 111,536</u>

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the three months ended November 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Sales	\$ 6,125,113	\$ 7,795,215

**JEWETT-CAMERON TRADING COMPANY LTD.**  
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**11. SEGMENT INFORMATION** (cont'd...)

The Company conducts business primarily in the United States, but also has limited amounts of sales in foreign countries. The following table lists sales by country for the three months ended November 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
United States	\$ 9,132,072	\$ 12,023,282
Canada	673,769	265,425
Europe	-	40,525
Mexico/Latin America/Caribbean	-	148,512
Asia/Pacific	-	99,756

All of the Company's significant identifiable assets were located in the United States as of November 30, 2023 and 2022.

**12. RISKS**

*Credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with a high quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated geographically in the United States amongst a small number of customers.

At November 30, 2023, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 65%. At November 30, 2022, three customers accounted for accounts receivable greater than 10% of total accounts receivable at 56%. The Company controls credit risk through credit approvals, credit limits, credit insurance and monitoring procedures. The Company performs credit evaluations of its commercial customers but generally does not require collateral to support accounts receivable.

*Volume of business*

The Company has concentrations in the volume of purchases it conducts with its suppliers. For the three months ended November 30, 2023, there were three suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to \$4,879,797. For the three months ended November 30, 2022, there were three suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to \$6,671,072.

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Certain cash payments for the three months ended November 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Cash paid during the periods for:		
Interest	\$ 29,671	\$ 86,552
Income taxes	\$ 173,717	\$ -

There were no non-cash investing or financing activities during the periods presented.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
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**14. CONTINGENCIES**

In fiscal 2021, the Company initiated arbitration against a former distributor asserting a breach of the distribution agreement and seeking damages. The liability arbitration hearing was held in December 2022. In February 2023, the arbitrator issued its decision and ruled in favor of the Company on the majority of its claims. In September 2023, the Company settled the arbitration for a cash payment of \$2,450,000 which was received by the Company in October 2023.

**15. SUBSEQUENT EVENT**

In December 2023, the Company issued 5,903 common shares to officers, directors and employees under the Company's Restricted Share Plan. The value of these shares was \$32,064.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

These unaudited financial statements are those of the Company and its wholly owned subsidiaries. In the opinion of management, the accompanying consolidated financial statements of Jewett-Cameron Trading Company Ltd., contain all adjustments, consisting only of normal recurring adjustments, necessary to fairly state its financial position as of November 30, 2023 and August 31, 2023 and its results of operations and cash flows for the three month periods ended November 30, 2023 and 2022 in accordance with U.S. GAAP. Operating results for the three month period ended November 30, 2023 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2024. Overall, the operating results of JCC are seasonal with the first two quarters of the fiscal year historically being slower than the final two quarters of the fiscal year.

The Company’s operations are classified into three reportable operating segments and the parent corporate and administrative segment, which were determined based on the nature of the products offered along with the markets being served. The segments are as follows:

- Industrial wood products
- Lawn, garden, pet and other
- Seed processing and sales
- Corporate and administration

The industrial wood products segment reflects the business conducted by Greenwood Products, Inc. (Greenwood). Greenwood is a processor and distributor of industrial wood products. A major product category is treated plywood that is sold primarily to the transportation industry, including the municipal and mass transit transportation sectors.

The lawn, garden, pet and other segment reflects the business of Jewett-Cameron Company (JCC), which is a wholesaler of wood products and a manufacturer and distributor of specialty metal products. JCC operates out of a 5.6 acre owned facility located in North Plains, Oregon that includes offices, a warehouse, and a paved yard. This business is a wholesaler, and a manufacturer and distributor of products that include an array of pet enclosures, kennels, and pet welfare and comfort products, proprietary gate support systems, perimeter fencing, greenhouses, and fencing in-fill products made of wood, metal and composites. Examples of the Company’s brands include Lucky Dog®, for pet products; Adjust-A-Gate™, Fit-Right®, Perimeter Patrol®, and Lifetime Post™ for gates and fencing; Early Start, Spring Gardner™, Greenline®, and Weatherguard for greenhouses, and MyEcoWorld® for sustainable bag products. JCC uses contract manufacturers to manufacture these products. Some of the products that JCC distributes flow through the Company’s facility in North Plains, Oregon, and some are shipped direct to the customer from the manufacturer. Primary customers are home centers, eCommerce partners, on-line direct consumers as well as other retailers.

The seed processing and sales segment reflects the business of Jewett-Cameron Seed Company (JCSC). JCSC processes and distributes agricultural seed. Most of this segment’s sales come from selling seed to distributors with a lesser amount of sales derived from cleaning seed.

JC USA Inc. (“JC USA”) is the parent company for the wholly-owned subsidiaries as described above. JC USA provides professional and administrative services, including warehousing, accounting and credit services, to its subsidiary companies.

### Tariffs

The Company’s metal products are manufactured in China and are imported into the United States. The Office of the United States Trade Representative (“USTR”) instituted new tariffs on the importation of a number of products into the United States from China effective September 24, 2018. These new tariffs are a response to what the USTR considers to be certain unfair trade practices by China. The tariffs began at 10%, and subsequently were increased to 25% as of May 10, 2019. A number of the Company’s products manufactured in China have been subject to duties of 25% when imported into the United States.

These new tariffs were temporarily reduced on many of the Company’s imported products in September 2019 under a deemed one-year exemption. The 25% tariff rate was restored on the Company’s products in September 2020 when the exemption expired.

## Results of Operations

Many of the challenges we experienced during fiscal 2023 continued into the first quarter of fiscal 2024. The changing consumer spending habits caused by worsening economic trends and inflationary pressure in the US economy have resulted in less current demand for a number of our products, particularly in our home improvement and pet lines. Consumers have continued to limit their spending on these types of discretionary products, particularly from the elevated levels that occurred during the COVID-19 pandemic.

Although our sales for the first quarter of fiscal 2024 were lower than our sales in the corresponding first quarter of fiscal 2023, they were higher than the sales recorded in the first quarter of pre-pandemic fiscal 2020. During the current quarter, our margins were negatively affected by the one-time sale of some older lumber inventory at reduced prices to clear warehouse space. Our margins also remain under pressure as we continue to sell through higher cost inventory acquired during the pandemic when shipping and raw material costs were much greater than current costs. As that inventory continues to sell through, we expect our margins will improve. The high inflation rate prevailing over the last several years also continues to affect our margins. Our costs rose faster than our selling prices as we are limited in our ability to increase our prices. Such price increases take time to be accepted by our customers and consumers and must be made more gradually. The recent moderating of the inflation rate is helping our efforts to balance our costs with our selling prices. Strategically, we are focusing on growing sales of our higher margin core products and adding complementary new products to the mix, while reducing certain expenses.

Sales of our fencing products continue to meet our forecasted levels. The new sales agreement we signed with one of our major lumber customers in 2023 is performing well. Although the agreement requires us to maintain higher lumber inventory than we typically carried in past periods, it is providing us with more consistent and predictable sales and increased the availability of our products in those stores. Our current lumber and fencing hardware inventory remains at our desired positions.

Pet product sales continue to lag compared to prior periods. The pet industry overall remains in a downturn from the surge of sales that occurred during the pandemic when many Americans remained at home. Inflation and a sharp reduction in American's discretionary spending are also negatively affecting demand. As a result, many retailers have high levels of inventory on hand, and have limited their new orders of pet products. We expect these conditions to persist in fiscal 2024 until those retailers are able to work through that existing inventory. We are committed to maintaining our list prices on our primary pet products as there is no urgency to move this inventory since it will not degrade or spoil over time. For our slower moving pet products, we continue to explore opportunities to accelerate sales in those items.

Greenwood's industrial lumber sales increased by 87% over the comparative quarter in fiscal 2023. Greenwood's primary customers are in the transit sector which is beginning to rebound from the COVID-19 pandemic as more workers return to the office. We recently hired a new trader in September. This will expand our marketing and sales capabilities not only in our current sectors, but will also help develop our entry into new markets, such as in construction.

The official launch of our MyEcoWorld® sustainable bag products occurred in the 4<sup>th</sup> quarter of fiscal 2023. This represents an important new opportunity for the Company, as these products are consumables and offer recurring, non-seasonal sales that can provide revenue during our historically lower revenue quarters. Sales are beginning to grow. Though overall unit volumes are still relatively small, it does indicate that consumers are receptive to new sustainable alternatives to hydrocarbon derived plastic products. Although we are marketing these products to some of our existing home improvement and pet customers, many of the primary retailers for these products are not current customers. We are actively working to connect with these new outlets and present them with these innovative products. Building these new relationships takes time to establish and drive sales momentum, but we are encouraged by our progress and the positive consumer response we have received since the launch.

The announced restructuring of Jewett-Cameron Seed remains on schedule for the end of calendar 2023. During fiscal 2023, management concluded a comprehensive strategic review of the seed segment. As a result of this review, the Board of Directors made the difficult decision to end operations at JCSC. JCSC had not reported a full-year profit since fiscal 2020, and its business model was no longer sustainable due to fewer seed growers in the area, less demand for its seed marketing and sales services, and much higher operating costs. Seed cleaning operations ended as of August 31, and all the remaining seed inventory has been sold. Seed storage operations are anticipated to end December 31. Most of the segment's equipment has also been sold, with the remainder expected to be disposed of over the next several months. Some of the JCSC staff were moved to other roles within the Company, and transition services were offered for the remainder who were terminated effective August 31, 2023.

JCSC owns 11.7 acres of land and 105,000 square feet of buildings in Hillsboro, Oregon. The land is very well located at a major interchange immediately adjacent to busy US Highway 26, which is a primary route linking Metro Portland to its Northwest suburbs and then to the Coast beaches. Its close proximity to Portland has meant that since 1990, Hillsboro has been one of the fastest growing cities in Oregon. Much of its original farmland has already been converted into residential areas and new business and industrial developments, including high-technology campuses. JCSC's land, which lies west of downtown Hillsboro, is currently zoned for agricultural use. However, there have been ongoing governmental discussions about the possibility of extending the Urban Growth Boundary (UGB) further to the west. These potential boundary changes, if they were to occur, could encompass JCSC's land and allow for a rezoning to residential, commercial or industrial use. However, the process to change the UGB requires approval by the regional government council or the Governor of the State of Oregon. It may also require various other approvals and certain legal and regulatory changes. A voter referendum has been approved for a May election that, if passed, could significantly delay the approval and further submission of the UGB for various agency approval. The Company is investigating with the County all appropriate actions it could take to have the property zoned that could maximize its longer-term value. There is no guarantee this process will be initiated, or ultimately be successful. If the UGB does not change, it would restrict the permitted uses for the land and limit its value. Although the property has not been listed for sale, we are receiving unsolicited inquiries from third-parties interested in the potential purchase of the land and buildings. The ultimate disposition of these assets has not been determined but will be studied by the Board before any final decision is reached.

During the quarter, we successfully settled the arbitration we filed against one of our former distributors in 2021 for breach of a distribution agreement. Under the settlement agreement, we received a one-time cash payment of \$2,450,000 in October. This payment covered our substantial legal fees and some of our losses due to the breach. We are pleased to have settled the case and that we will no longer have to expend time and money pursuing this case. Our costs to pursue this action have been sizeable and were included in our selling, general and administrative costs and reduced our income from operations accordingly. Even though the costs in this case were material, we believe it is critical to defend our valuable intellectual property and will take action against any future infringements of our patents, trademarks and contractual agreements.

We have fully repaid all of our current borrowing against our bank line of credit and, as of November 30<sup>th</sup>, all \$10 million of the line is available. The Company's revenues and cash flow continue to be seasonal and highly variable, with the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the fiscal year being much busier than the 1<sup>st</sup> and 2<sup>nd</sup> quarters due to the Company's current product offerings. Therefore, the availability of a line of credit is important to provide financial flexibility, and management expects to continue to maintain a credit line and draw against it as needed. We are studying the possibility of restructuring or replacing the existing line, as different credit arrangements may potentially provide the Company with greater financial flexibility.

Inventory as of November 30<sup>th</sup> was approximately \$17.5 million, which was a decline of \$825 thousand from August 31<sup>st</sup>. With the exception of our slower moving pet products, we are now approaching our desired inventory levels of many of our core products, including lumber. Because of the recent change to our lumber supply agreement with a major customer, we are required to maintain a higher level of lumber inventory than we have previously to ensure the availability of these products for this customer. We have begun to increase our orders and in-transit inventory ahead of the annual extended factory shutdowns in China for the Chinese New Year. This will allow us to have adequate product on hand to meet our anticipated orders for the upcoming start of the outdoor selling season.

The Company recently added two new members to the Board of Directors. Subriana Pierce and Ian Wendler have extensive knowledge and experience in consumer product development, marketing and sales. These are skills which the Company's Governance Committee actively sought and recruited and which the Board believes will be highly valuable to the Company.

September 2023 marked the Company's 70<sup>th</sup> anniversary since its original incorporation. Management is continuing to work through the current challenging economic climate by improving our operations, managing customer relationships, and sharpening our focus on our operational strengths, including our core product lines. We recently negotiated new purchase terms with several of our major suppliers. These new arrangements will shorten the time from our ordering to receipt of the product at our Oregon warehouse, while also improving our inventory management, reducing our capital outlays and enhancing our cash flow. The closure of JCSC and conclusion of the expensive arbitration against its former distributor should also reduce our operating cash requirements, and improve our operating margins going forward.

### Three Months Ended November 30, 2023 and 2022

For the three months ended November 30, 2023, sales were \$9,805,841 compared to sales of \$12,577,500 for the three months ended November 30, 2022. This is a decrease of \$2,771,659, or 22%.

Sales at JCC were \$8,622,972 compared to sales of \$11,619,082 for the three months ended November 30, 2022, which was a decrease of \$2,996,110, or 26%. Current sales have been negatively affected by reduced discretionary spending by American consumers, particularly in the pet and home improvement sectors. Sales comparisons were also affected by a one-time order for kennels in last year's first quarter which was not repeated in this year's quarter. Operating loss for JCC was (\$1,064,341) compared to an operating loss of (\$156,651) for the quarter ended November 30, 2022. Overall, the operating results of JCC are seasonal with the first two quarters of the fiscal year historically being slower than the final two quarters of the fiscal year.

Sales at Greenwood were \$1,134,351 for the three months ended November 30, 2023 compared to sales of \$606,909 for the three months ended November 30, 2022, which was an increase of \$527,442, or 87%. Sales to municipalities and transit operators, which are Greenwood's largest customers, have begun to improve post-pandemic as more users have returned to offices and increased demand for transit services. Management continues to seek new brokers to both open new sales channels and broaden its customer base. For the quarter, Greenwood had an operating income of \$61,617 compared to an operating loss of (\$44,246) for the three months ended November 30, 2022.

Sales at JCSC for the quarter ended November 30, 2023 were \$48,518 compared to sales of \$351,509. During fiscal 2023, the Board of Directors made the difficult decision to close JCSC effective August 31, 2023. The current quarter's sales primarily represent the liquidation of the entire remaining seed inventory, and all cleaning operations were terminated effective August 31, 2023 which substantially reduced operating expenses for the current quarter. Some seed storage operations are ongoing, but are expected to be finished at the end of calendar 2023. Operating income at JCSC for the current quarter was \$1,210 compared to an operating loss of (\$27,818) for the quarter ended November 30, 2022.

JC USA is the holding company for the wholly-owned operating subsidiaries. For the quarter ended November 30, 2022, JC USA had operating income of \$212,290 compared to operating income of \$121,040 for the quarter ended November 30, 2022. The results of JC USA are eliminated on consolidation.

Gross margin for the three month period ended November 30, 2023 was 19.9% compared to 22.7% for the three months ended November 30, 2022. Our margins remain under pressure as we work off high-cost inventory acquired during the period of higher shipping and raw-material costs. We also sold some older, slower moving lumber inventory at reduced margins during the current period which also negatively affected our margins.

Operating expenses declined to \$2,745,305 from \$2,866,498 recorded in the three months ended November 30, 2023. Selling, General and Administrative Expenses rose to \$948,481 from \$826,807. Wages and employee benefits fell to \$1,698,920 from \$1,928,155 due to a decline in employee headcount related to the wind-down of operations at JCS. Depreciation and Amortization decreased to \$97,904 from \$111,536.

Loss from operations for the current quarter was (\$789,224) compared to a loss of (\$6,798) for the quarter ended November 30, 2022.

In September 2023, the Company settled its arbitration case against one of its former distributors for a cash payment of \$2,450,000. We accounted for the one-time gain as other income. Other items include a gain on sale of assets of \$89,655 which largely is due to the sale of JCS equipment. Net interest expense in the current period was (\$6,855) compared to interest expense of (\$86,552) during the period ended November 30, 2023 which was related to amounts borrowed against our bank line of credit.

Income before income taxes was \$1,743,576 for the quarter ended November 30, 2023 compared to a loss before income taxes of (\$93,350) for the quarter ended November 30, 2022. Income tax expense in the current quarter was (\$452,035) compared to income tax recovery of \$19,590 in the prior year's quarter. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect.

The net income for the quarter ended November 30, 2023, including the one-time gain from the arbitration settlement, was \$1,291,541, or \$0.37 per share, compared to a net loss of (\$73,760), or (\$0.02) per share, for the quarter ended November 30, 2022.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of November 30, 2023, the Company had working capital of \$20,501,272 compared to working capital of \$18,987,180 as of August 31, 2023, an increase of \$1,514,092. Cash and cash equivalents totaled \$3,558,168, an increase of \$3,474,472 from cash of \$83,696. The increase was due to the receipt of the arbitration settlement, as well as the timing of collection of accounts receivable, which fell to \$3,365,430 from \$5,634,924. Inventory decreased by \$825,631 to \$17,513,417 from \$18,339,048. Prepaid expenses, which is largely related to down payments for future inventory purchases, declined slightly to \$613,358 from \$630,788.

Current liabilities fell to \$4,549,101 from \$5,701,276. The largest component of the decline was bank indebtedness, which was \$Nil as of November 30, 2023 compared to \$1,259,259 as of August 31, 2023 as the Company fully repaid its borrowing under the bank line of credit during the quarter. Accounts payable rose to \$2,802,837 from \$2,181,194, and accrued liabilities declined to \$1,396,519 from \$2,113,194. Income taxes payable rose to \$349,745 from \$147,629, with the increase related to the tax payable on the arbitration settlement.

As of November 30, 2023, accounts receivable and inventory represented 83% of current assets and 70% of total assets compared to 97% of current assets and 80% of total assets as of August 31, 2023. For the three months ended November 30, 2023, the accounts receivable collection period, or DSO, was 31 days compared to 38 days for the three months ended November 30, 2022. Although the Company's level of non-current and past-due invoices is not a significant percentage of its overall accounts receivable, management continues its efforts to collect on its aged accounts and reduce the DSO. Inventory turnover to the three months ended November 30, 2023 was 206 days compared to 200 days for the three months ended November 30, 2022.

External sources of liquidity include a line of credit from U.S. Bank of \$10,000,000. During the first quarter, the Company fully repaid the balance borrowed against the line and had the full amount of \$10,000,000 available as of November 30, 2023. Borrowing under the line of credit is secured by an assignment of accounts receivable and inventory. Interest was previously calculated solely on the one-month LIBOR rate plus 175 basis points. Beginning with the monthly interest payment due March 31, 2022, the Company's Bank Line of Credit agreement was revised to change the calculation of the interest rate from the one-month LIBOR rate to the one-month Secured Overnight Financing Rate (SOFR). Interest is now calculated based on the one-month SOFR plus 157 basis points, which as of November 30, 2023 was 6.90% (5.33% + 1.57%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

During the quarter, the Company issued no common shares.

### **Current Working Capital Requirements**

Based on the Company's current working capital position, combined with the expected timing of accounts receivable and the Bank Line of Credit, the Company is expected to have sufficient liquidity available to meet the Company's working capital requirements for the remainder of fiscal 2024.

### **OTHER MATTERS**

#### **Inflation**

Historically, inflation has not been a significant issue for the Company. However, beginning in fiscal 2021, a number of product costs increased substantially, including raw materials, energy, and transportation/logistical related costs.

These higher costs have negatively affected the Company's gross margins. Typically, the Company passes cost increases on to the customer, and is currently raising its product prices as much as the market will bear. Retailers are currently more receptive to such increases than in the past due to a mutual understanding of the current inflationary environment and the objective reasons for such. Since the ability of the Company to pass through all of the current increase in its product costs to its customers are somewhat limited and occur after such costs are first incurred, management expects that its gross margins will remain under pressure in fiscal 2024.

The increases in interest rates as a result of the higher level of inflation in the US economy experienced beginning in calendar 2021 and continuing through 2022 and 2023 has also had a negative effect on the Company's interest expense paid for its borrowing under its line of credit. The interest rate paid by the Company increased from 5.39% as of November 30, 2022 to 6.90% as of November 30, 2023. The Company repaid the remaining amount borrowed under the line in October 2023, and currently has no borrowing against the line.

## **Environmental, Social and Corporate Governance (ESG)**

Jewett-Cameron endeavors to be a good steward and provide sustainable products with a positive impact. We strive to operate and grow in a way that honors our environment and relationships for the long term. This also aligns with one of our three value pillars: stewardship.

### **Environmental**

For our products, the goal is that 90% of materials can be recycled. Our suppliers are audited to strict commercial and fair practice standards, including our own supplier qualifications regarding facilities, capacity, labor practices, and environmental awareness. Packaging is designed to maximize recyclability and re-use and minimize non-recycled materials, and all waste materials in our own facilities are segregated to maximize recycling. Our facilities have replaced high energy consumption infrastructure with energy efficient HVAC and lighting during our most recent remodel.

Active products and designs utilize either recycled or non-petroleum-based plastics to enhance recycling and composting. This includes the recently introduced compostable dog waste bag, a plant-based product, that is less reliant on fossil fuels used in traditional plastic bags. We also dedicate a percentage of sales to support environmental cleanup efforts.

### **Social**

Our social responsibilities include cultural standards of operations and values which we establish in conjunction with our employees. We regularly provide employees with a corporate engagement survey to benchmark their engagement, satisfaction, and ideas for change. We support educational programs that build the future workforce through active participation in regional and statewide organizations, including the CTE/STEM Employer Coalition and assisting teachers to connect traditional school subjects to practical job site applications. The Company also actively participates in the local community, supported by a Corporate Charitable Giving Charter.

### **Governance**

As a public company, our processes are outlined and governed by multiple regulations, including Sarbanes-Oxley. Our financial controls are mapped, executed, self-audited as well as regularly audited by outside experts as part of our annual process. We have established risk mitigations that allows for condensed reviews of risks and impacts with our systems in place. An IT Governance Committee aligns execution and security both for ourselves and also for parties with whom we communicate and do business.

## **Uyghur Forced Labor Prevention Act**

The Uyghur Forced Labor Prevention Act (“UFLPA”) is a US Federal Law signed by President Biden in December 2021 which became effective on June 21, 2022. As enforced by U.S. Customs and Border Protection, the UFLPA prohibits any products that are made, mined, or manufactured, in part or in full, in China’s Xinjiang Uyghur Autonomous Region to be imported into the United States, as they are presumed to have been made with forced labor. Any imports of such goods will be detained and seized by U.S. Customs unless the importer is able to prove that these goods have not been made with forced labor. The Company has ensured that each of its suppliers is in full compliance with the law and none of its products fall under the prohibited goods clause.

## **Business Risks**

This quarterly report includes “forward-looking statements” as that term is defined in Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “could,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “anticipates,” or “hopeful,” or the negative of those terms or other comparable terminology, or by discussions of strategy, plans or intentions. For example, this section contains numerous forward-looking statements. All forward-looking statements in this report are made based on management’s current expectations and estimates, which involve risks and uncertainties, including those described in the following paragraphs.

## **Risks Related to Our Common Stock**

*We may decide to acquire assets or enter into business combinations, which could be paid for, either wholly or partially with our common stock and if we decide to do this our current shareholders would experience dilution in their percentage of ownership.*

Our Articles of Incorporation give our Board of Directors the right to enter into any contract without the approval of our shareholders. Therefore, our management could decide to make an investment (buy shares, loan money, etc.) without shareholder approval. If we acquire an asset or enter into a business combination, this could include exchanging a large amount of our common stock, which could dilute the ownership interest of present stockholders.

*Future stock distributions could be structured in such a way as to be 1) diluting to our current shareholders or 2) could cause a change in control to new investors.*

If we raise additional funds by selling more of our stock, the new stock may have rights, preferences or privileges senior to those of the rights of our existing stock. If common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders. The result of this would be a lessening of each present stockholder's relative percentage interest in our company.

The Company's common shares currently trade within the NASDAQ Capital Market in the United States. The average daily trading volume of our common stock was approximately 5,000 shares on NASDAQ for the fiscal year ended August 31, 2023, and 4,150 for the quarter ended November 30, 2023. With this limited trading volume, investors could find it difficult to purchase or sell our common stock.

## **Risks Related to Our Business**

*A contagious disease outbreak, such as the recent COVID-19 pandemic emergency, could have an adverse effect on our operations and financial condition*

Our business could be negatively affected by an outbreak of an infectious disease due to the consequences of the actions taken by companies and governments to contain and control the virus. These consequences include:

- The inability of our third-party manufacturers in China and elsewhere to manufacture or deliver products to us in a timely manner, if it all.
- Isolation requirements may prevent our employees from being able to report to work or being required to work from home or other off-site location which may prevent us from accomplishing certain functions, including receiving products from our suppliers and fulfilling orders for our customers, which may result in an inability to meet our obligations.
- Our new products may be delayed or require unexpected changes to be made to our new or existing products.
- The effect of the outbreak on the economy may be severe, including an economic downturn and decrease in employment levels which could result in a decrease in consumer demand for our products.

The financial impact of such an outbreak are outside our control and are not reasonable to estimate but may be significant. The costs associated with any outbreak may have an adverse impact on our operations and financial condition and not be fully recoverable or adequately covered by insurance.

*We could experience a decrease in the demand for our products resulting in lower sales volumes.*

In the past we have at times experienced decreasing products sales with certain customers. The reasons for this can be generally attributed to: increased competition; general economic conditions; demand for products; and consumer interest rates. If economic conditions deteriorate or if consumer preferences change, we could experience a significant decrease in profitability.

*If our top customers were lost, we could experience lower sales volumes.*

For the three months ended November 30, 2023 our top ten customers represented 94% of our total sales, and our single largest customer was responsible for 35% of our total sales. We would experience a significant decrease in sales and profitability and would have to cut back our operations, if these customers were lost and could not be replaced. Our top ten customers are located in North America and are primarily in the retail home improvement and pet industries.

*We could experience delays in the delivery of our products to our customers causing us to lose business.*

We purchase our products from other vendors and a delay in shipment from these vendors to us could cause significant delays in our delivery to our customers. This could result in a decrease in sales orders to us and we would experience a loss in profitability.

*Governmental actions, such as tariffs, and/or foreign policy actions could adversely and unexpectedly impact our business.*

Since the bulk of our products are supplied from other countries, political actions by either our trading country or our own domestic policy could impact both availability and cost of our products. Currently, we see this in regard to tariffs being levied on foreign sourced products entering into the United States, including from China. The continuing tariffs by the United States on certain Chinese goods include some of our products that we purchase from suppliers in China. The company has multiple options to assist in mitigating the cost impacts of these government actions. However, we cannot control the duration or depth of such actions which may increase our product costs which would in turn reduce our margins and potentially decrease the competitiveness of our products. These actions could have a negative effect on our business, results of operations, or financial condition.

*We could lose our credit agreement and could result in our not being able to pay our creditors.*

We have a line of credit with U.S. Bank in the amount of \$10 million, of which the entire amount is available. We are currently in compliance with the requirements of our existing line of credit. If we lost access to this line of credit it could negatively affect our ability to pay some of our creditors on a timely basis.

*Our information technology systems are susceptible to certain risks, including cyber security breaches, which could adversely impact our operations and financial condition.*

Our operations involve information technology systems that process, transmit and store information about our suppliers, customers, employees, and financial information. These systems face threats including telecommunication failures, natural disasters, and cyber security threats, including computer viruses, unauthorized access to our systems, and other security issues. While we have taken aggressive steps to implement security measures to protect our systems and initiated an ongoing training program to address many of the primary causes of cyber threat with all our employees, such threats change and morph almost daily. There is no guarantee our actions will secure our information systems against all threats and vulnerabilities. The compromise or failure of our information systems could have a negative effect on our business, results of operations, or financial condition.

*If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could harm our business and we could be subject to regulatory scrutiny.*

We have completed a management assessment of internal controls as prescribed by Section 404 of the Sarbanes-Oxley Act, which we were required to do in connection with our year ended August 31, 2023. Based on this process we did not identify any material weaknesses. Although we believe our internal controls are operating effectively, we cannot guarantee that in the future we will not identify any material weaknesses in connection with this ongoing process.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### **Interest Rate Risk**

The Company does not have any derivative financial instruments as of November 30, 2023. However, the Company is exposed to interest rate risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash.

The Company has a line of credit whose interest rate may fluctuate over time based on economic changes in the environment. The Company is subject to interest rate risk and could be subject to increased interest payments if market interest rates fluctuate. The interest rate on amounts borrowed on its Bank Line of Credit, when any exists, has increased from 1.83% as of November 30, 2021 to 6.90% as of November 30, 2023.

## **Foreign Currency Risk**

The Company operates primarily in the United States. However, a relatively small amount of business is currently conducted in currencies other than U.S. dollars, and the Company may experience an increase in foreign exchange risk as they expand their international sales. Also, to the extent that the Company uses contract manufacturers in China, currency exchange rates can influence the Company's purchasing costs.

## **Item 4. Controls and Procedures**

### ***Disclosure Controls and Procedures***

Management of the Company, including the Company's Principal Executive Officer and Principal Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, our Principal Executive and Principal Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and our Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Part II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

In fiscal 2021, the Company initiated arbitration against a former distributor asserting a breach of the distribution agreement and seeking damages. The liability arbitration hearing was held in December 2022. In February 2023, the arbitrator issued its decision and ruled in favor of the Company on the majority of all of its claims. A damages hearing was held in August 2023. In September 2023, the Company settled its arbitration for a cash payment of \$2,450,000 which was received in October 2023.

The Company does not know of any other material, active or pending legal proceedings against them; nor is the Company involved as a plaintiff in any other material proceeding or pending litigation. The Company knows of no other active or pending proceedings against anyone that might materially adversely affect an interest of the Company.

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

---No Disclosure Required---

### **Item 3. Defaults Upon Senior Securities**

---No Disclosure Required---

### **Item 4. Mine Safety Disclosures**

---No Disclosure Required---

### **Item 5. Other Information**

---No Disclosure Required---

**Item 6. Exhibits**

- 3.1 Amended and Restated Articles of Incorporation of Jewett-Cameron Lumber Corporation  
-- Filed as an exhibit to the 10-Q Quarterly Report filed on January 13, 2014 --
- 3.2 Articles of Incorporation of Jewett-Cameron Company.  
-- Filed as an exhibit to the 10-Q Quarterly Report filed on January 13, 2014 --
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Chad Summers
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Mitch Van Domelen
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act),  
Chad Summers
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act),  
Mitch Van Domelen
  
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

## SIGNATURES

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

Jewett-Cameron Trading Company Ltd.  
(Registrant)

Date: January 16, 2024

/s/ "Chad Summers"

Chad Summers,  
President and Chief Executive Officer

Date: January 16, 2024

/s/ "Mitch Van Domelen"

Mitch Van Domelen,  
Corporate Secretary and  
Chief Financial Officer

## CERTIFICATIONS

I, Chad Summers, certify that:

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

Date: January 16, 2024

By: /s/ "Chad Summers"  
**Chad Summers**  
**Chief Executive Officer**

## CERTIFICATIONS

I, Mitch Van Domelen, certify that:

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

Date: January 16, 2024

By: /s/ "Mitch Van Domelen"  
**Mitch Van Domelen,**  
**Chief Financial Officer**

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

In connection with the Quarterly Report of Jewett-Cameron Trading Company Ltd. (the “Company”) on Form 10-Q for the period ended November 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company does hereby certify, to such officer’s knowledge, that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 16, 2024

Signed: /s/ “Chad Summers”  
**Chad Summers,**  
**Chief Executive Officer**

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

In connection with the Quarterly Report of Jewett-Cameron Trading Company Ltd. (the “Company”) on Form 10-Q for the period ended November 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company does hereby certify, to such officer’s knowledge, that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 16, 2024

Signed: /s/ “Mitch Van Domelen”  
**Mitch Van Domelen,**  
**Chief Financial Officer**