

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, 2022
- 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**

(State or Other Jurisdiction of Incorporation or Organization)

**NONE**

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

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

(Address Of Principal Executive Offices)

**97133**

(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 – 3,498,899 common shares as of January 17, 2023.

**Jewett-Cameron Trading Company Ltd.**

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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, 2022**

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

	<b>November 30, 2022</b>	<b>August 31, 2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,742,482	\$ 484,463
Accounts receivable, net of allowance of \$0 (August 31, 2022 - \$0)	5,237,397	7,191,646
Inventory, net of allowance of \$456,021 (August 31, 2022 - \$800,000) (note 3)	22,002,459	20,632,313
Prepaid expenses	624,114	1,112,575
Prepaid income taxes	208,551	208,963
Total current assets	29,815,003	29,629,960
<b>Property, plant and equipment, net</b> (note 4)	4,753,375	4,828,420
<b>Intangible assets, net</b> (note 5)	33,090	33,358
<b>Deferred tax assets</b> (note 6)	45,000	24,998
<b>Total assets</b>	\$ 34,646,468	\$ 34,516,736
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,381,077	\$ 1,566,047
Bank indebtedness (note 7)	7,600,000	7,000,000
Accrued liabilities	1,621,198	1,856,039
Total current liabilities	10,602,275	10,422,086
<b>Total liabilities</b>	10,602,275	10,422,086
<b>Stockholders' equity</b>		
Capital stock (note 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, 2022 -3,495,342)	825,468	824,629
Additional paid-in capital	765,055	742,591
Retained earnings	22,453,670	22,527,430
Total stockholders' equity	24,044,193	24,094,650
<b>Total liabilities and stockholders' equity</b>	\$ 34,646,468	\$ 34,516,736

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, 2022</b>	<b>Three Months Ended November 30, 2021</b>
<b>SALES</b>	\$ 12,577,500	\$ 12,917,724
<b>COST OF SALES</b>	9,717,800	10,452,861
<b>GROSS PROFIT</b>	2,859,700	2,464,863
<b>OPERATING EXPENSES</b>		
Selling, general and administrative expenses	826,807	988,288
Depreciation and amortization (note 4, 5)	111,536	69,638
Wages and employee benefits	1,928,155	1,874,118
	2,866,498	2,932,044
Loss from operations	(6,798)	(467,181)
<b>OTHER ITEMS</b>		
Other income	-	3,000
Interest expense	(86,552)	(20,276)
Total other items	(86,552)	(17,276)
Loss before income taxes	(93,350)	(484,457)
Income tax recovery	19,590	93,316
<b>Net loss</b>	<b>\$ (73,760)</b>	<b>\$ (391,141)</b>
<b>Basic loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.11)</b>
<b>Diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.11)</b>
<b>Weighted average number of common shares outstanding:</b>		
Basic	3,496,202	3,491,103
Diluted	3,496,202	3,491,103

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, 2021</b>	3,489,161	\$ 823,171	\$ 687,211	\$ 21,363,307	\$ 22,873,689
Shares issued pursuant to compensation plans (note 9)	3,681	868	38,518	-	39,386
Net loss	-	-	-	(391,141)	(391,141)
<b>November 30, 2021</b>	3,492,842	\$ 824,039	\$ 725,729	\$ 20,972,166	\$ 22,521,934
Shares issued pursuant to compensation plans (note 9)	2,500	590	16,862	-	17,452
Net income	-	-	-	1,555,264	1,555,264
<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

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, 2022</b>	<b>Three Months Ended November 30, 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (73,760)	\$ (391,141)
Items not involving an outlay of cash:		
Depreciation and amortization	111,536	69,638
Stock-based compensation expense	23,303	39,386
Deferred income taxes	(20,002)	8,889
Changes in non-cash working capital items:		
Decrease in accounts receivable	1,954,249	1,279,516
(Increase) in inventory	(1,370,146)	(2,832,562)
Decrease in prepaid expenses	488,461	38,479
(Decrease) increase in accounts payable and accrued liabilities	(419,811)	531,507
Decrease (increase) in prepaid income taxes	412	(102,205)
Net cash provided by (used by) operating activities	694,242	(1,358,493)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(36,223)	(590,375)
Net cash used in investing activities	(36,223)	(590,375)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank indebtedness	600,000	2,000,000
Net cash provided by financing activities	600,000	2,000,000
<b>Net increase in cash</b>	1,258,019	51,132
<b>Cash, beginning of period</b>	484,463	1,184,313
<b>Cash, end of period</b>	\$ 1,742,482	\$ 1,235,445

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. (the “Company”) 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 Jewett-Cameron Company, 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.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, affected the Company’s operations including delays in inventory production and shipping, a change of product mix based on customer demand to fencing, pet and DIY products, an increase in demand from online sales channels, and costs associated with compliance with COVID control protocols. The Company’s operations, including inventory production and sales, have been excluded from business restrictions within the jurisdictions that the Company operates. However, due to the continued transmission and uncertainty surrounding COVID, it is not possible to predict the impact that COVID may have on the Company’s business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company’s consolidated financial statements will change in the near term as a result of COVID and the effect of any such changes could be material, which could result in, among other things valuation of inventory and collectability of accounts receivable. The Company continues to closely monitor the impact of the pandemic on all aspects of its business.

**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 US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the 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, 2022, cash and cash equivalents were \$1,742,482 compared to \$484,463 at August 31, 2022.

**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 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 per share**

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings 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, 2022  
(Unaudited)

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

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

The earnings per share data for the three month periods ended November 30, 2022 and 2021 are as follows:

	<b>Three Month Periods ended November 30,</b>	
	<b>2022</b>	<b>2021</b>
Net loss	\$ (73,760)	\$ (391,141)
Basic weighted average number of common shares outstanding	3,496,202	3,491,103
Effect of dilutive securities		
Stock options	-	-
<b>Diluted weighted average number of common shares outstanding</b>	<b>3,496,202</b>	<b>3,491,103</b>

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

**Stock-based compensation**

All stock-based compensation is recognized as an expense in the financial statements and such costs are measured at the fair value of the award.

**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* - 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.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2022  
(Unaudited)

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

**Financial instruments (cont'd...)**

The estimated fair values of the Company's financial instruments as of November 30, 2022 and August 31, 2022 follows:

	November 30, 2022		August 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,742,482	\$ 1,742,482	\$ 484,463	\$ 484,463
Accounts receivable, net of allowance	5,237,397	5,237,397	7,191,646	7,191,646
Accounts payable and accrued liabilities	3,002,275	3,002,275	3,422,086	3,422,086
Bank indebtedness	7,600,000	7,600,000	7,000,000	7,000,000

The following table presents information about the assets that are measured at fair value on a recurring basis as of November 30, 2022 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, 2022	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 1,742,482	\$ 1,742,482	\$ —	\$ —

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

**Income taxes**

A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carryforwards. 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.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2022  
(Unaudited)

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

**Revenue recognition**

The Company recognizes revenue from the sales of lumber, building supply products, industrial wood products, specialty metal products, and other specialty products, 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.

**3. INVENTORY**

A summary of inventory is as follows:

	<b>November 30, 2022</b>	<b>August 31, 2022</b>
Wood products and metal products	\$ 21,527,556	\$ 20,130,063
Agricultural seed products	474,903	502,250
	<b>\$ 22,002,459</b>	<b>\$ 20,632,313</b>

**4. PROPERTY, PLANT AND EQUIPMENT**

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

	<b>November 30, 2022</b>	<b>August 31, 2022</b>
Office equipment	\$ 597,998	\$ 636,501
Warehouse equipment	1,502,281	1,504,867
Buildings	6,170,455	6,168,080
Land	559,065	559,065
	<b>8,829,799</b>	<b>8,868,513</b>
Accumulated depreciation	<b>(4,076,424)</b>	<b>(4,040,093)</b>
Net book value	<b>\$ 4,753,375</b>	<b>\$ 4,828,420</b>

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.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
November 30, 2022  
(Unaudited)

**5. INTANGIBLE ASSETS**

A summary of intangible assets is as follows:

	<b>November 30, 2022</b>	<b>August 31, 2022</b>
Intangible assets	50,695	50,695
Accumulated amortization	(17,605)	(17,337)
Net book value	\$ 33,090	\$ 33,358

**6. DEFERRED INCOME TAXES**

Deferred income tax asset as of November 30, 2022 of \$45,000 (August 31, 2022 - \$24,998) 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, 2022 was \$7,600,000 (August 31, 2022 - \$7,000,000).

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, 2022 was 5.39% (3.82% + 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.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2022  
(Unaudited)

**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, 2022, the maximum number of shares available to be issued under the Plan was 17,074.

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, 2022, the Company issued 3,557 common shares (three months ended November 2021 – 3,681 common shares) to officers, directors and employees under the RSA. The value of these shares was \$23,303 (2021 - \$39,386).

**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, 2022 and 2021 the 401(k) compensation expense were \$126,938 and \$146,235, respectively.

**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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b>Sales to unaffiliated customers:</b>		
Industrial wood products	\$ 606,909	\$ 534,112
Lawn, garden, pet and other	11,619,082	11,845,883
Seed processing and sales	351,509	537,729
	<u>\$ 12,577,500</u>	<u>\$ 12,917,724</u>

**JEWETT-CAMERON TRADING COMPANY LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)  
November 30, 2022  
(Unaudited)

**11. SEGMENT INFORMATION (cont'd...)**

	<b>2022</b>	<b>2021</b>
<b>Income (loss) before income taxes:</b>		
Industrial wood products	\$ (44,246)	\$ 69,950
Lawn, garden, pet and other	(156,651)	(699,697)
Seed processing and sales	(27,818)	(101,350)
Corporate and administrative	135,365	246,640
	<u>\$ (93,350)</u>	<u>\$ (484,457)</u>
<b>Identifiable assets:</b>		
Industrial wood products	\$ 863,237	\$ 548,697
Lawn, garden, pet and other	26,325,793	23,762,100
Seed processing and sales	550,426	658,972
Corporate and administrative	6,907,012	5,863,363
	<u>\$ 34,646,468</u>	<u>\$ 30,846,045</u>
<b>Depreciation and amortization:</b>		
Industrial wood products	\$ -	\$ -
Lawn, garden, pet and other	15,641	10,676
Seed processing and sales	1,587	1,587
Corporate and administrative	94,308	57,375
	<u>\$ 111,536</u>	<u>\$ 69,638</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, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Sales	\$ 7,795,215	\$ 6,393,994

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, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
United States	\$ 12,023,282	\$ 12,089,619
Canada	265,425	305,205
Europe	40,525	1,950
Mexico/Latin America/Caribbean	148,512	283,187
Asia/Pacific	99,756	237,763

All of the Company's significant identifiable assets were located in the United States as of November 30, 2022 and 2021.



**JEWETT-CAMERON TRADING COMPANY LTD.**  
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**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, 2022, three customers accounted for accounts receivable greater than 10% of total accounts receivable at 56%. At November 30, 2021, three customers accounted for accounts receivable greater than 10% of total accounts receivable at 72%. 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, 2022, there were three suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to \$6,671,072. For the three months ended November 30, 2021, there were two suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to \$7,561,452.

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

Certain cash payments for the three months ended November 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>		<u>2021</u>
Cash paid during the periods for:			
Interest	\$ 86,552	\$	20,276
Income taxes	\$ -	\$	-

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

**14. LEGAL PROCEEDINGS**

- a) An association of District Attorneys in the State of California contacted the Company in regards to their investigation into the environmental labeling and marketing of dog waste bags. The District Attorneys claim that labeling certain dog waste bags, including the Company's, as biodegradable or compostable is misleading due to the lack of industrial composting facilities that accept dog waste. During the year ended August 31, 2022, the Company entered into a final settlement agreement which resulted in a \$300,000 fine to the Company paid over a four-month period with no admission of guilt by the Company.
- b) The Company was one of three named defendants in a Civil Action in Pennsylvania. The matter was an action seeking compensation for personal injuries and is based on theories of product liability as to the Company. The matter arises out of a dog allegedly escaping from a Jewett-Cameron kennel product and causing personal injuries to three individuals. The Company's applicable liability insurer provided the defense covering the Company's legal fees and costs. During the fiscal year ended August 31, 2022, the case was settled within the Company's insurance policy limits with no admission of guilt by the Company, and there were no additional costs incurred.
- c) The Company has initiated arbitration against a former distributor asserting a breach of the distribution agreement and seeking damages. An arbitration hearing was held in December 2022. The decision of the arbitrator is not expected until February 2023, and therefore it is speculative to predict as to its outcome.

## **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, 2022 and August 31, 2022 and its results of operations and cash flows for the three month periods ended November 30, 2022 and 2021 in accordance with U.S. GAAP. Operating results for the three month period ended November 30, 2022 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2023. 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. 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

Sales in the first quarter of fiscal 2023 were 3% lower than the sales in the first quarter of fiscal 2022. Even with the slight decline in overall sales, several of our product lines continued to build upon the strong volumes recorded in the fourth quarter of fiscal 2022. Fencing products, both wood and metal, experienced volume increases which was aided by a decline in domestic US shipping and freight rates. The high freight charges which were prevalent in fiscal 2022 made the overall costs of shipping our bulkier fence products prohibitively high for our customers and had a significant impact on our orders.

Sales of some of our pet products, particularly larger kennels and crates, were down in the first quarter. This was largely due to an issue with one existing customer which restricted our sales to them this quarter. The issue has since been resolved and we are getting back on track to ramp up our sales to this customer in the 3<sup>rd</sup> quarter of this fiscal year.

Freight costs, both domestic and international, have continued to fall from their 2022 highs which should improve our margins going forward. However, we are presently working off our higher cost inventory which we purchased in fiscal 2022. Even though this had the effect of constraining our margins during the current period, we were still able to improve our gross margin to 22.7% compared to 19.1% recorded in Q1 of fiscal 2022 and from the 21.9% margin we had for all of fiscal 2022.

Although our inventory position at the end of the first quarter is higher than our historical position, it has us well positioned to meet our expected sales during the second and into the third quarter. It also allows us to avoid the manufacturing and shipping disruptions around Chinese New Year and any unplanned disruptions due to rising COVID rates in China. We don't anticipate any significant additions to our inventory during the second quarter except in fencing which is due to a new consignment sales agreement with a major retailer. This new agreement changes our long-time sales relationship to a consignment sales agreement for their stores in several states. This strengthens our relationship by making Jewett-Cameron their preferred supplier for cedar fencing. It will require us to position larger amounts of inventory at each store within the contract area. Although we will need to acquire additional inventory in the second quarter in order to initially fully stock each store covered under the agreement, it will reduce our storage costs as it will reduce the amount of inventory we will have at our warehouse. This arrangement will also provide us with greater visibility on what products are selling in each location, and improve our ability to meet market demands.

We are continuing to add new products that complement our traditional strengths. To expand our eco-friendly product line, we have signed a new distribution agreement with SECOS Group of Australia to be the exclusive distributor of their MyEcoWorld® sustainable bag products in the US and Canada. We currently source our compostable Lucky Dog Poop Bags made from corn starch and other natural renewable resources from SECOS, which will continue under a separate agreement. Consumers are seeking more environmentally friendly alternatives to conventional hydrocarbon derived plastic products. This new contract allows Jewett-Cameron to expand our product line of sustainable products, including bin liners and other pet products. We intend to begin marketing these products to big box store customers and other retailers in the 3<sup>rd</sup> quarter of fiscal 2023. Under the agreement with SECOS, we have a minimum sales target of \$2.8 million by March 31, 2024 to maintain our exclusivity.

In November, we appointed Chief Financial Officer Mitch Van Domelen to the additional position of Corporate Secretary. Michael Nasser, the former Corporate Secretary and co-founder of the Company, will continue to serve Jewett-Cameron as a Director. We also appointed a new Independent Director to the Board. Mike Henningsen is an experienced distribution business professional. From 1999 to 2018, Mr. Henningsen was Chairman & President of Henningsen Cold Storage, a fourth-generation family business founded in 1923 headquartered in Hillsboro Oregon with logistics facilities in six states. Prior to joining Henningsen Cold Storage in 1988, he served as a Commercial Loan Officer for Wells Fargo Bank. Besides his Board position with Jewett-Cameron, he also serves on the Boards of Parr Lumber Company, Willamette Windows, and the Southwest Washington Chapter of the American Red Cross. He also serves as an advisor to the Professional Benefit Services Board in Salem and on the Board of Trustees of Pacific University in Forest Grove, Oregon and the Columbia River Maritime Museum in Astoria, Oregon. Mr. Henningsen holds both a Bachelors of Science in Business Management and an MBA from the University of Oregon.

As of November 30<sup>th</sup>, we have drawn \$7.6 million against our \$10 million bank line of credit. We expect to utilize a portion of the available \$2.4 million to fund our required inventory build of wood fencing needed for our new consignment sales agreement. Otherwise, we do not anticipate any further significant purchases of inventory during the second quarter as our current inventory position of our other products are sufficient to meet our expected sales in the second quarter into the third quarter. This is expected to allow us to more effectively manage our working capital in fiscal 2023.

The economic conditions in the US will remain a challenge for the remainder of fiscal 2023. The continuing higher food, energy and housing costs are restricting consumer's discretionary income which may restrain our ability to grow sales in the near-term. Our inventory on-hand was primarily purchased during the period of historically high raw material and freight costs. Even though those costs have declined from their 2022 highs, our high inventory costs will restrain our gross profit in 2023 until such time as we are able to cycle through our existing inventory and replace it with lower cost goods. The rate of inflation is also expected to remain high, and we may not be able to increase our prices in response as quickly as our costs could rise which would also have a negative effect on our margins and profitability.

Our management is committed to work through these challenges. We are focusing on growing our core products and strengthening our relationships with our customers and suppliers. Since the end of the COVID emergency, we have resumed our regular practice of meeting in person with our customers and suppliers. Management has recently met in person with each of our primary customers and key suppliers. These meetings have been successful in helping us formulate strategies together to better navigate this difficult economic environment as well as discuss significant opportunities for both new and existing products. We are also improving our own operational procedures by leveraging our recent strategic investments we have made in new and updated facilities, technologies, and specialty personnel. These investments have improved our ability to manage the business and will ultimately result in a more focused product line, more efficient shipping and receiving, and lower costs going forward.

### **Three Months Ended November 30, 2022 and 2021**

For the three months ended November 30, 2022, sales were \$12,577,500 compared to sales of \$12,917,724 for the three months ended November 30, 2021. This is a decrease of \$340,224, or 3%. Gross profit, however, increased by \$394,837, or 16%, primarily due to lower freight costs and a more favorable sales mix of higher margin products.

Sales at JCC were \$11,619,082 for the three months ended November 30, 2022 compared to sales of \$11,845,884 for the three months ended November 30, 2021, which was a slight decrease of \$226,802, or 2%. Fencing products were strong in the current quarter. However, pet kennels and crates declined due to a temporary issue with a major customer which has now been resolved. During the quarter, we continued to liquidate certain inventory located in Europe and some obsolete inventory located in the US. Operating loss for JCC was (\$156,651) compared to an operating loss of (\$699,697) for the quarter ended November 30, 2021. 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 \$606,909 for the three months ended November 30, 2022 compared to sales of \$534,112 for the three months ended November 30, 2021, which was an increase of \$72,297, or 14%. Greenwood's sales have been heavily impacted by the COVID-19 pandemic, as many of their products are sold to municipalities and larger transit operators which continue to see reduced demand for transit services. Management is actively recruiting new brokers to both open new sales channels and broaden its customer base. For the quarter, Greenwood had an operating loss of (\$44,246) compared to operating income of \$69,950 for the three months ended November 30, 2021.

Sales at JCSC declined to \$351,509 for the three months ended November 30, 2022 compared to sales of \$537,729 for the three months ended November 30, 2021. The lower sales are attributable to lower market prices for grass seed and red clover, which are JCSC's two most prominent products. Management has decided to hold inventory and not sell at the present depressed prices and instead seek higher selling prices in future quarters. Operating loss for JCSC for the quarter was (\$27,818) compared to an operating loss of (\$101,350) for the quarter ended November 30, 2021.

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 \$121,040 compared to operating income of \$246,640 for the quarter ended November 30, 2021. The results of JC USA are eliminated on consolidation.

Gross margin for the three month period ended November 30, 2022 was 22.7% compared to 19.1% for the three months ended November 30, 2021. Although the high raw material and shipping and logistic expenses experienced in fiscal 2022 have now begun to decline, we are selling through our inventory acquired with these record high costs which continues to pressure our margins.

Operating expenses declined slightly to \$2,866,498 in the three months ended November 30, 2022 from \$2,932,044 for the three months ended November 30, 2021. Selling, General and Administrative Expenses fell to \$826,807 from \$988,288. Wages and employee benefits rose to \$1,928,155 from \$1,874,118 as additional personnel in specialty areas were added and other wages increased in response to the broad wage inflation being experienced by most industries throughout the area and the United States. Depreciation and Amortization increased to \$111,536 from \$69,638. Other items were interest expense of (\$86,552) related to the borrowing on the Company's bank line of credit.

The loss before income taxes was (\$93,350) for the quarter ended November 30, 2022 compared to a loss of (\$484,457) for the quarter ended November 30, 2021. Income tax recovery in the current quarter was \$19,590 compared to income tax recovery in the year-ago quarter of \$93,316. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect. The net loss for the quarter ended November 30, 2022 was (\$73,760), or (\$0.02) per share, compared to a net loss of (\$391,141), or (\$0.11) per share, for the quarter ended November 30, 2021.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of November 30, 2022, the Company had working capital of \$19,212,728 compared to working capital of \$19,207,874 as of August 31, 2022, an increase of \$4,854. Cash and cash equivalents totaled \$1,742,482, an increase of \$1,258,019 from cash of \$484,463. The increase was due to the timing of collection of accounts receivable, which fell to \$5,237,397 from \$7,191,646, and fewer expenditures for the acquisition of new inventory during the quarter. Inventory increased by \$1,370,146 to \$22,002,459 from \$20,632,313. Prepaid expenses, which is largely related to down payments for future inventory purchases, decreased by \$488,461 to \$624,114. Prepaid income taxes fell to \$208,551 from \$208,963.

Current liabilities increased slightly to \$10,602,275 from \$10,422,086. The Company drew an additional \$600,000 against its line of credit during the quarter which increased the amount borrowed to \$7,600,000 from \$7,000,000 as of August 31, 2022. Accounts payable declined to \$1,381,077 from \$1,566,047, and accrued liabilities declined to \$1,621,198 from \$1,856,039.

As of November 30, 2022, accounts receivable and inventory represented 91% of current assets and 79% of total assets compared to 86% of current assets and 74% of total assets as of November 30, 2021. For the three months ended November 30, 2022, the accounts receivable collection period, or DSO, was 38 days compared to 42 days for the three months ended November 30, 2021. Although the Company's level of non-current and past-due invoices is not a significant percentage of its overall accounts receivable, management made a concerted effort to collect on these invoices during the current quarter which is primarily responsible for the decline in the DSO. Inventory turnover to the three months ended November 30, 2022 was 200 days compared to 135 days for the three months ended November 30, 2021 which reflects the higher levels of inventory currently on hand.

External sources of liquidity include a line of credit from U.S. Bank of \$10,000,000. As of November 30, 2022, the Company had a borrowing balance of \$7,600,000, leaving \$2,400,000 available. 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, 2022 was 5.39% (3.82% + 1.57%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

During the quarter, the Company issued 3,557 common shares to officers, directors and employees as compensation under the Company's Restricted Share Plan at a deemed average price of \$6.55 per share for a total cost of \$23,303.

### **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 2023.

## **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 2023.

The increases in interest rates as a result of the higher level of inflation in the US economy experienced beginning in calendar 2021 and throughout 2022 has also had a negative effect on the Company's interest expense paid for its borrowing under its Bank Line of Credit. The interest rate paid by the Company has increased from 1.83% as of November 30, 2021 to 5.39% as of November 30, 2022.

### **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 metal 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 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 made from corn starch and other natural, renewable resources, 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.

Our shareholders could experience significant dilution if we issue our authorized 10,000,000 preferred shares.

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 on NASDAQ was 4,360 shares for the three months ended November 30, 2022. 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, 2022, our top ten customers represented 89% 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 which 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 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 \$10,000,000, of which \$2,400,000 is currently available. We are currently in compliance with the requirements of our existing line of credit. If we lost access to this credit it could become impossible 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, 2022. 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, 2022. 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 paid by the Company on its Bank Line of Credit has increased from 1.83% as of November 30, 2021 to 5.39% as of November 30, 2022.

#### **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**

A consortium of California District Attorneys contacted the Company in regard to possible liabilities related to environmental labeling of its plant-based Lucky Dog Poop Bags previously sold in the State of California. The Company has since modified its product marketing statements in response to their concerns, and during the period ended May 31, 2022, accrued \$300,000 in anticipation of a settlement. In June 2022, a settlement was finalized which requires the Company to pay the previously accrued \$300,000 as a cash fine over a four-month period with no admission of guilt by the Company.

The Company was one of three named defendants in a Civil Action in Pennsylvania. The matter arises out of a dog allegedly escaping from a Jewett-Cameron kennel product and causing personal injuries to three individuals. The Company's applicable liability insurer provided the defense covering the Company's legal fees and costs. During the fiscal year ended August 31, 2022, the case was settled within the Company's insurance policy limits with no admission of guilt by the Company, and there were no additional costs incurred.

The Company has initiated arbitration against a former distributor asserting a breach of the distribution agreement and seeking damages. The arbitration proceedings were held in early December 2022. The arbitrator's decision is expected in February 2023. While the company feels it successfully defended its rights and presented a strong case in the arbitration hearing, it is speculative to predict the arbitrator's decision and the amount of any damages that may be awarded to the Company, if any.

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 17, 2023

/s/ "Chad Summers"

Chad Summers,  
President and Chief Executive Officer

Date: January 17, 2023

/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 17, 2023

By: /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, 2022 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 17, 2023

Signed: /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 17, 2023

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, 2022 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 17, 2023

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