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 MAY 31, 2021**

☐ 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 ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller Reporting Company ☒
	Emerging growth company ☒

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

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

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 – 3,489,161 common shares as of July 14, 2021.

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)

MAY 31, 2021

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

		May 31, 2021		August 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents	$	2,170,046	$	3,801,037
Accounts receivable, net of allowance of $Nil (August 31, 2020 - $Nil)		11,051,061		6,274,426
Inventory, net of allowance of $250,000 (August 31, 2020 - $65,000) (note 3)		7,767,640		9,198,146
Prepaid expenses		2,580,856		1,036,128
Total current assets		23,569,603		20,309,737
Property, plant and equipment, net (note 4)		3,799,402		2,967,565
Intangible assets, net (note 5)		12,910		659
Total assets	$	27,381,915	$	23,277,961

- Continued -

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

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

		May 31, 2021		August 31, 2020
Continued				
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	1,557,721	$	1,095,061
Bank indebtedness (note 7)		996,010		-
Current portion of notes payable (note 8)		-		342,326
Income taxes payable		230,190		40,596
Accrued liabilities		2,290,235		2,016,300
Total current liabilities		5,074,156		3,494,283
Long-term liabilities				
Notes payable (note 8)		-		338,381
Deferred tax liability (note 6)		39,184		96,952
Total liabilities		5,113,340		3,929,616
Stockholders' equity				
Capital stock (note 9, 10)				
Authorized				
21,567,564 common shares, without par value				
10,000,000 preferred shares, without par value				
Issued				
3,489,161 common shares (August 31, 2020 – 3,481,162)		823,171		821,284
Additional paid-in capital		687,211		618,707
Retained earnings		20,758,193		17,908,354
Total stockholders' equity		22,268,575		19,348,345
Total liabilities and stockholders' equity	$	27,381,915	$	23,277,961

Contingency (Note 17)
Subsequent Events (Note 18)

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)

	Three Month Period Ended May 31, 2021	Three Month Period Ended May 31, 2020	Nine Month Period Ended May 31, 2021	Nine Month Period Ended May 31, 2020
SALES	$ 21,619,952	$ 16,241,239	$ 42,396,591	$ 30,918,345
COST OF SALES	16,037,702	11,931,746	31,239,866	22,555,253
GROSS PROFIT	5,582,250	4,309,493	11,156,725	8,363,092
OPERATING EXPENSES				
Selling, general and administrative expenses	966,299	706,079	2,556,902	2,118,999
Depreciation and amortization	69,353	54,781	175,171	160,992
Wages and employee benefits	1,908,588	1,635,051	5,226,021	4,343,412
	2,944,240	2,395,911	7,958,094	6,623,403
Income from operations	2,638,010	1,913,582	3,198,631	1,739,689
OTHER ITEMS				
Gain on sale of property, plant and equipment	-	2,200	-	2,600
Gain on extinguishment of debt	687,387		687,387	
Interest and other income	(6,282)	3,217	(283)	21,414
	681,105	5,417	687,104	24,014
Income before income taxes	3,319,115	1,918,999	3,885,735	1,763,703
Income tax expense	(904,638)	(522,026)	(1,035,896)	(547,614)
Net income	$ 2,414,477	$ 1,396,973	$ 2,849,839	$ 1,216,089
Basic earnings per common share	$ 0.69	$ 0.40	$ 0.82	$ 0.33
Diluted earnings per common share	$ 0.69	$ 0.40	$ 0.82	$ 0.33
Weighted average number of common shares outstanding:				
Basic	3,489,161	3,481,162	3,485,525	3,672,858
Diluted	3,489,161	3,481,162	3,485,525	3,672,858

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)

	Capital Stock				
	Number of Shares	Amount	Additional paid-in capital	Retained earnings	Total
August 31, 2019	3,971,282	$ 936,903	$ 618,707	$ 18,875,256	$ 20,430,866
Shares repurchased and cancelled (note 10)	(490,120)	(115,619)	-	(3,751,427)	(3,867,046)
Net income	-	-	-	1,216,089	1,216,089
May 31, 2020	3,481,162	$ 821,284	$ 618,707	$ 16,339,918	$ 17,779,909
Net income	-	-	-	1,568,436	1,568,436
August 31, 2020	3,481,162	$ 821,284	$ 618,707	$ 17,908,354	$ 19,348,345
Shares issued pursuant to compensation plans (note 11)	7,999	1,887	68,504	-	70,391
Net income	-	-	-	2,849,839	2,849,839
May 31, 2021	3,489,161	$ 823,171	$ 687,211	$ 20,758,193	$ 22,268,575

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)

	Nine Month Period Ended May 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,849,839	$ 1,216,089
Items not involving an outlay of cash:		
Depreciation and amortization	175,171	160,992
Stock-based compensation expense	70,391	-
(Gain) on sale of property, plant and equipment	-	(2,600)
Gain on extinguishment of debt	(680,707)	-
Deferred income tax expense	(57,768)	39,571
Changes in non-cash working capital items:		
(Increase) in accounts receivable	(4,776,635)	(4,044,507)
Decrease (increase) in inventory	1,430,506	(408,282)
(Increase) in notes receivable	-	(561,813)
(Increase) in prepaid expenses	(1,544,728)	(942,541)
Decrease in prepaid income taxes	-	101,686
Increase in accounts payable and accrued liabilities	736,595	1,448,292
Increase in income taxes payable	189,594	-
Net cash (used in) provided by operating activities	(1,607,742)	(2,993,113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,019,259)	(207,469)
Proceeds from sale of property, plant and equipment	-	3,900
Net cash provided by (used in) investing activities	(1,019,259)	(203,569)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank indebtedness	996,010	-
Increase in notes payable	-	680,707
Redemption of common stock	-	(3,867,046)
Net cash provided by (used in) financing activities	996,010	(3,186,339)
Net (decrease) in cash	(1,630,991)	(6,383,021)
Cash, beginning of period	3,801,037	9,652,310
Cash, end of period	$ 2,170,046	$ 3,269,289

Supplemental disclosure with respect to cash flows (Note 16)

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 Jewett-Cameron Company, incorporated September 2013. Former wholly owned subsidiary MSI-PRO was wound-up and dissolved in fiscal 2020. 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 specialty metal products and wholesale distribution of wood products to home centers and other retailers 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. MSI was an importer and distributor of pneumatic air tools and industrial clamps 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-19 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 rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will 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-19 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

Generally accepted accounting principles

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, JC USA, JCC, MSI, 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 May 31, 2021, cash and cash equivalents were $2,170,046 compared to $3,801,037 at August 31, 2020.

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 or loss 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.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Earnings per share (cont'd…)

The earnings per share data for the three and nine month periods ended May 31, 2021 and 2020 are as follows:

	Three Month Periods ended May 31,		Nine Month Periods ended May 31,	
	2021	**2020**	**2021**	**2020**
Net income	$ 2,414,477	$ 1,396,973	$ 2,849,839	$ 1,216,089
Basic weighted average number of common shares outstanding	3,489,161	3,481,162	3,485,525	3,672,858
Effect of dilutive securities				
Stock options	-	-	-	-
Diluted weighted average number of common shares outstanding	3,489,161	3,481,162	3,485,525	3,672,858

The Company has no items of other comprehensive income in any period 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.

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

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

The estimated fair values of the Company's financial instruments as of May 31, 2021 and August 31, 2020 follows:

	May 31, 2021		August 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 2,170,046	$ 2,170,046	$ 3,801,037	$ 3,801,037
Accounts receivable, net of allowance	11,051,061	11,051,061	6,274,426	6,274,426
Notes Payable	-	-	680,707	680,707
Accounts payable and accrued liabilities	3,847,956	3,847,956	3,111,361	3,111,361

The following table presents information about the assets that are measured at fair value on a recurring basis as of May 31, 2021 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:

	May 31, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 2,170,046	$ 2,170,046	$ —	$ —

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.

(Expressed in U.S. Dollars)

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 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

In February 2016, Topic 842, *Leases* was issued to replace the leases requirements in Topic 840, *Leases*. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. Topic 842 will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods and is to be retrospectively applied. Earlier application is permitted. The Company adopted this ASU on September 1, 2019. There was no material impact on the Company's financial statements on adoption.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The accounting standard changes the methodology for measuring credit losses on financial instruments and the timing when such losses are recorded. ASU No. 2016-14 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company is currently evaluating the impact of ASU No. 2016-13 on its financial position, results of operations and liquidity.

3. INVENTORY

A summary of inventory is as follows:

	May 31, 2021	August 31, 2020
Wood products and metal products	$ 7,446,038	$ 9,017,349
Agricultural seed products	321,602	180,797
	$ 7,767,640	$ 9,198,146

(Expressed in U.S. Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

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

	May 31, 2021	August 31, 2020
Office equipment	$ 535,614	$ 654,739
Warehouse equipment	1,345,149	1,293,331
Buildings	5,012,285	4,182,332
Land	559,065	559,065
	7,452,113	6,689,467
Accumulated depreciation	(3,652,711)	(3,721,902)
Net book value	$ 3,799,402	$ 2,967,565

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:

	May 31, 2021	August 31, 2020
Intangible assets	28,905	16,405
Accumulated amortization	(15,995)	(15,746)
Net book value	$ 12,910	$ 659

6. DEFERRED INCOME TAXES

Deferred income tax liability as of May 31, 2021 of $39,184 (August 31, 2020 - $96,952) 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 $3,000,000 line of credit as of May 31, 2021 was $996,010 (August 31, 2020 - $Nil).

Bank indebtedness, when it exists, is secured by an assignment of accounts receivable and inventory. Interest is calculated solely on the one month LIBOR rate plus 175 basis points. As of May 31, 2021, the interest rate was 1.875%

8. NOTES PAYABLE

On May 4, 2020, the Company entered into loan agreements with U.S. Bank (the "Lender") for two unsecured loans represented by promissory notes (the "Notes"). The loans were made pursuant to the Paycheck Protection Program (the "PPP") as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration ("SBA").

The first loan was made to JCC for $487,127 and the second loan was made to JC USA for $193,580. The total principal amount of the two notes is $680,707. They have a term of 2 years with a 1% annual interest rate. Payments were originally deferred for 6 months, after which the repayment of principal and interest is required to be made in equal monthly payments over 18 months beginning December 4, 2020. However, the SBA subsequently revised the due date to either the date that SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. There is no prepayment penalty. If proceeds are used for qualifying expenses as defined by the CARES Act, including payroll costs, health care benefits, rent and utilities, the Company can apply for forgiveness after 60 days of all or any portion of the promissory note used for such qualifying expenses.

The Company has chosen to account for the loans under FASB ASC 470. Repayment amounts due within 1 year have been recorded as current liabilities, and the remaining amounts due in more than 1 year as long-term liabilities. If the Company is successful in receiving forgiveness for those portions of the loan used for qualifying expenses, those amounts will be recorded as a gain upon extinguishment.

During the 3rd quarter of fiscal 2021 ended May 31, 2021, the Company's applications for loan forgiveness of both loans was approved by the SBA. The Company has recorded a gain of extinguishment of debt of $687,387 consisting of $680,707 of principal and $6,680 of interest.

9. 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.

10. CANCELLATION OF CAPITAL STOCK

Treasury stock may be kept based on an acceptable inventory method such as the average cost basis. Upon disposition or cancellation, the treasury stock account is credited for an amount equal to the number of shares cancelled, multiplied by the cost per share and the difference is treated as additional paid-in-capital in excess of stated value.

During the 2nd quarter of fiscal 2020 ended February 29, 2020, the Company repurchased for cancelation a total of 490,120 common shares from two large shareholders, including an officer and director of the Company. The shares were repurchased privately at a price of $7.89 per share, calculated as the Volume Weighted Average Price (VWAP) of all the shares traded on NASDAQ during the first quarter of fiscal 2020. The total cost of the share repurchases was $3,867,046. The premium paid to acquire those shares over their per share book value in the amount of $3,751,427 was recorded as a decrease to retained earnings

11. SHARE-BASED INCENTIVE PLANS

Stock Options

The Company formerly had a stock option program under which stock options to purchase securities from the Company could be granted to directors and employees of the Company on terms and conditions acceptable to the regulatory authorities of Canada, notably the Ontario Securities Commission and the British Columbia Securities Commission.

Under the stock option program, stock options for up to 10% of the number of issued and outstanding common shares could be granted from time to time, provided that stock options in favor of any one individual may not exceed 5% of the issued and outstanding common shares. No stock option granted under the stock option program is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee. Generally, no option can be for a term of more than 10 years from the date of the grant.

The exercise price of all stock options, granted under the stock option program, must be at least equal to the fair market value (subject to regulated discounts) of such common shares on the date of grant. Options vested at the discretion of the Board of Directors.

During the year ended August 31, 2020, the Company's Board of Directors approved the termination of the stock option program. The Company had no stock options outstanding as of May 31, 2021 and August 31, 2020.

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 February 28, 2021, the maximum number of shares available to be issued under the Plan was 31,713.

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 nine months ended May 31, 2021, the Company issued 7,999 common shares to Officers, Directors and Employees under the RSA Plan. 6,564 of these shares were issued to Officers and Directors without a Restricted Period under the Company's S-8 Registration Statement filed on December 7, 2020. The remaining 1,435 shares were issued to Employees and have a three-year Restricted Period.

(Expressed in U.S. Dollars)

12. 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 nine months ended May 31, 2021 and 2020, the 401(k) compensation expense was $393,218 and $330,208, respectively.

13. DISCONTINUED OPERATIONS

Effective September 1, 2019, the Board of Directors decided to permanently close the MSI division and exit the industrial tools business. As of August 31, 2020, the remaining inventory has been liquidated, the division has been wound-up, and the subsidiary has been voluntarily dissolved. The operations and assets of MSI were significantly immaterial to the Company's overall performance. As such, separate disclosure of MSI's operations as discontinued operations within the Company's statement of operations was not considered necessary.

14. SEGMENT INFORMATION

The Company has four principal reportable segments. Three segments are continuing operations and one, Industrial Tools and Clamps, is considered as a discontinued operation. 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.

The following is a summary of segmented information for the nine month periods ended May 31, 2021 and 2020.

		2021		2020
Sales to unaffiliated customers:				
Industrial wood products	$	1,883,064	$	1,955,669
Lawn, garden, pet and other		37,843,378		27,493,875
Seed processing and sales		2,670,149		1,230,765
Industrial tools and clamps		-		238,036
	$	42,396,591	$	30,918,345
Income (loss) before income taxes:				
Industrial wood products	$	(46,258)	$	(69,619)
Lawn, garden, pet and other		3,592,546		1,626,378
Seed processing and sales		94,339		(60,458)
Industrial tools and clamps		-		(238,195)
Corporate and administrative		245,108		505,597
	$	3,885,735	$	1,763,703

(Expressed in U.S. Dollars)

14. SEGMENT INFORMATION (cont'd…)

	2021	2020
Identifiable assets:		
Industrial wood products	$ 701,021	$ 780,726
Lawn, garden, pet and other	19,205,736	13,346,110
Seed processing and sales	793,392	547,496
Industrial tools and clamps	-	741
Corporate and administrative	6,681,766	7,057,217
	$ 27,381,915	$ 21,732,290
Depreciation and amortization:		
Industrial wood products	$ -	$ -
Lawn, garden, pet and other	29,335	20,777
Seed processing and sales	4,761	4,761
Industrial tools and clamps	-	2,241
Corporate and administrative	141,075	133,213
	$ 175,171	$ 160,992
Capital expenditures:		
Industrial wood products	$ -	$ -
Lawn, garden, pet and other	-	-
Seed processing and sales	-	-
Industrial tools and clamps	-	-
Corporate and administrative	942,188	207,469
	$ 942,188	$ 207,469
Interest expense:	$ -	$ -

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the nine months ended May 31, 2021 and 2020:

	2021	2020
Sales	$ 22,279,565	$ 12,605,112

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 nine months ended May 31, 2020 and 2019:

	2021	2020
United States	$ 40,698,374	$ 30,184,205
Canada	1,197,681	535,049
Mexico / Latin America / Caribbean	181,168	159,926
Europe	171,254	6,867
Asia/Pacific	148,114	32,298

All of the Company's significant identifiable assets were located in the United States as of May 31, 2021 and 2020.

(Expressed in U.S. Dollars)

15. 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 May 31, 2021, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 59%. At May 31, 2020, two 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 nine months ended May 31, 2021, there were three suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to $14,782,935. For the nine months ended May 31, 2020, there were two suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to $13,119,225.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Certain cash payments for the nine months ended May 31, 2021 and 2020 are summarized as follows:

		2021		2020
Cash paid during the periods for:				
Interest	$	-	$	-
Income taxes	$	338,746	$	342,897

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

17. CONTINGENCY

The Company is a named party in a Civil Action in Pennsylvania. The matter is an action seeking compensation for personal injuries and is based on theories of product liability as to Jewett-Cameron. The matter arises out of a dog allegedly escaping from a Jewett-Cameron kennel product and causing personal injuries to three individuals. Jewett-Cameron is currently one of three named Defendants. A trial date has not been set at this time. At the present time it is speculative to predict as to its outcome. It is the Company's intention to vigorously defend the lawsuit. Jewett Cameron's applicable liability insurer is providing a defense covering Jewett-Cameron's legal fees and costs.

The Company has initiated arbitration against a former distributor asserting a breach of the distribution agreement and seeking damages. This distributor has raised a counter claim in Illinois federal court against the Company asserting a breach of the same contract and seeking damages. While company is robustly pursuing its rights and defending itself against claims, the arbitration and lawsuit are in their initial stages and therefore it is speculative to predict as to its outcome

18. SUBSEQUENT EVENTS

Effective June 15, 2021, the Company's Line of Credit was increased from $3,000,000 to $5,000,000.

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 May 31, 2021 and August 31, 2020 and its results of operations and cash flows for the three and nine month periods ended May 31, 2021 and 2020 in accordance with U.S. GAAP. Operating results for the nine month period ended May 31, 2021 is not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 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.

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. Wood products are primarily fencing, while metal products include pet enclosures and kennels, proprietary gate support systems, perimeter fencing, greenhouses, canopies and umbrellas. Examples of the Company's brands include Lucky Dog®, Animal House® and AKC (used under license from the American Kennel Club) for pet enclosures and kennels; Adjust-A-Gate, Fit-Right™, LIFETIME POST™ and Perimeter Patrol® for gates and fencing; Early Start, Spring Gardener™, and Weatherguard for greenhouses; and TrueShade® for patio umbrellas, furniture covers and canopies. JCC uses contract manufacturers to make the specialty metal 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 and 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.

MSI is a former division of the Company that imported and distributed products including pneumatic air tools, industrial clamps, and saw blades. These products were primarily sold to wholesalers that in turn sold to contractors and end users. This business operated from the same owned facilities as JCC. The MSI division was permanently closed and all remaining inventory was liquidated during fiscal 2020.

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

The 3rd and 4th quarters of the fiscal year are historically the Company's busiest season, and the strong sales momentum from the first two quarters continued in the third quarter. This year's third quarter sales were up 33% over the third quarter of fiscal 2020. However, sales during the current quarter were restrained due to logistical issues, including extended shipping delays from China, a shortage of shipping containers, clogged port facilities, and a scarcity of trucking to ship and receive product.

Current demand for a number of our core products is the highest in the Company's history. The increase in sales during the quarter occurred within all of the Company's sales channels, including eCommerce, with many customers requesting both higher volumes and adding additional products to their orders. These results demonstrate the success of our current sales and marketing strategy. The rebranding of our products has highlighted our brand names and increased consumer awareness of our consistent look and statement of value. We remain committed to our overall strategy to expand new and existing sales channels, widen our product distribution, and grow our connections with the end consumer.

The expansion of our product lines through the introduction of complementary products is performing well, particularly with the compostable dog waste bag which has received extremely favorable consumer response. We are adding sales and customers as our production levels continue to ramp up. We see this initial compostable product as the foundation of a sustainable and innovative brand. We also intend to continue to develop new products, particularly those that complement and expand our existing product lines. Besides our internal new product development process, we may also seek to acquire products that conform to this strategy.

We continue to invest in the expansion of our facilities, equipment, and personnel. The Company's new Enterprise Resource Planning (ERP) software system successfully went live in February 2021 and has been performing well. We have also launched the third of four planned phases to modernize our facilities and add capacity for future expansion. Renovation of an existing portion of the warehouse into a two-story office and gathering was completed and occupied in May 2021. Other current capital projects include the renovation of the former seed laboratory into a new Creative Center for new product development which was completed in February 2021. We have also revamped our corporate website in line with our omnichannel rebranding. These updates include a larger and unified product presentation, new eCommerce interface, and modernized investor relations and contact sections. The Company has added additional personnel to lead the efforts for enhancing consumer awareness and marketing for both the website and on multiple social media platforms.

In May 2021, Chad Summers was appointed President of the Company. Mr. Summers assumed the role from Charlie Hopewell who voluntarily decided to transition from President and his current CEO position to continue as Board Chair and Director effective January 1, 2022. Mr. Summers has been with Jewett-Cameron since October 2019. His prior experience includes a strong background in leadership, consulting, and support. He co-owned and led an international family lumber brokering business similar to Jewett-Cameron's Greenwood division. This experience provided him the opportunity to oversee and actively manage suppliers in China and throughout SE Asia. He built a successful consulting practice dedicated to growing manufacturers in association with a west coast regional accounting firm which allowed him the opportunity to establish a deep network of manufacturers, professional services and support connections regionally. He also participated in and led start-up ventures in both product and service industries. Since joining the Company he has focused on driving growth through pursuing acquisition opportunities as well as key strategic partnerships.

Subsequent to the end of the third fiscal quarter, the Company added Michelle Walker to the Board of Directors. Ms. Walker is a business strategist with experience in brand development, organizational alignment, and building consumer brands, including both B2B and B2C businesses. Previously, she was CEO of Sock It to Me, Inc., a sock and underwear brand she grew by 400% during her tenure. She has also held several senior positions with PepsiCo, including Senior Director and GM of the Lays and Ruffles brands where her responsibility included business strategy, brand positioning, product development, and sales strategy. Ms. Walker's experience and guidance will be extremely important as the Company continues its growth strategy.

In response to the COVID-19 pandemic, the State of Oregon fully reopened and lifted all of its mask and social distancing requirements in June 2021. However, the Company will remain vigilant in regard to the COVID virus and its variants. It is critical to our continuing operations that we do all we can to protect and retain our workforce if and when they might experience exposure to the virus. If any employees working at headquarters or in the warehouse facilities contract the virus, the Company would be forced to curtail those operations, including product shipments, for the required period to thoroughly clean and sanitize the facility without human exposure, which would result in delayed or lost revenue, and increased costs. To date, we have not had any incidents of transmissions within the confines of our facilities due to our clear and consistent protocols during the restrictive period, as well as our employees' remarkable support of our procedures which has been critical to our success in keeping our workplace safe and running. The assistance of the PPP program provided us the ability to assist sound employee decisions when they either felt they had an external exposure or perhaps even tested positive due to such external exposure. The loans the Company received under the Paycheck Protection Program were essential in supporting the Company's ability to operate without interruption during the crisis and retain 100% of its workforce. All of the borrowed funds were spent on qualifying employee payroll expenses, and the Company's loans were fully forgiven by the SBA in April 2021.

The Company's business is typically seasonal, with sales volumes highest in the 3rd and 4th quarters of the fiscal year. The sales gains seen in the first half of the fiscal year are certainly encouraging. However, the ongoing COVID-19 situation both in the US and internationally continues to cloud the outlook for the remainder of fiscal 2021 and into fiscal 2022. Both international and domestic supply chains and logistics remain chaotic. It has become more difficult to secure shipping containers and ship space for our Chinese manufactured goods. This has resulted in significant cost increases for container rentals in addition to shipping delays, as seaborne container slots are scarce and there are long delays for container ships to unload at certain American West Coast ports. We were able to mitigate these effects somewhat due to our building of higher than normal inventory levels of a number of our most popular products in the second quarter before the shipping crisis worsened. But, higher than expected customer orders resulted in some products being unavailable at times during the third quarter. There is also a shortage of trucks and trucking capacity in the United States, which is causing some delays in both receiving goods from suppliers and shipping product to customers. Although we prioritized the shipping of our most important products during the 3rd quarter, the combination of product delays and the continued high level of customer orders significantly inflated the Company's backlog and accounts receivable as payment from customers extended later than usual. At the same time, we needed to order additional product to fulfil both current and future orders. This required the Company to access its line of credit during the third quarter. The situation is expected to be temporary and is beginning to alleviate during the 4th quarter as significant amounts of product are in transit and are now beginning to be delivered.

Three Months Ended May 31, 2021 and May 31, 2020

For the three months ended May 31, 2021, sales totaled $21,619,952 compared to sales of $16,241,239 for the three months ended May 31, 2020, which was an increase of $5,378,713, or 33%.

Sales at JCC were $20,020,420 for the three months ended May 31, 2021 compared to sales of $15,491,042 for the three months ended May 31, 2020. This represents an increase of $4,529,378, or 29%. The higher consumer demand for fencing and pet products experienced during the first six months of the fiscal year during the COVID-19 pandemic continued into the current quarter. There has also been strong market acceptance of the Company's newly introduced products, including the compostable dog waste bags. Sales during the current period were somewhat restrained by logistical issues, particularly during the final month of the quarter. Operating profit for the current quarter was $3,104,805 compared to income of $1,909,079 for the quarter ended May 31, 2020. The operating results of JCC are historically seasonal with the first two quarters of the fiscal year being slower than the final two quarters of the fiscal year.

Sales at Greenwood for the quarter were $637,718 compared to sales of $485,678 for the three months ended May 31, 2020, which was an increase of $152,040, or 31%. Demand for Greenwood's products from governments and transit operators remains weak due to the COVID-19 pandemic as well as supply shortages due to logistics. For the three months ended May 31, 2021, Greenwood had an operating loss of ($9,794) compared to an operating loss of ($24,093) for the three months ended May 31, 2020.

Sales at JCSC were $961,814 for the three months ended May 31, 2021 compared to sales of $264,520 for the three months ended May 31, 2020. This is an increase of $697,294, or 264%. Management's recent efforts to more closely align with the needs of growers and focus on service has led to significantly greater cleaning volumes during the current period. For the quarter ended May 31, 2021, JCSC had operating income of $42,934 compared to an operating loss of ($103,639) in the quarter ended May 31, 2020.

JC USA is the holding company for the wholly-owned operating subsidiaries. For the quarter ended May 31, 2021, JC USA had operating income of $181,169 compared to operating income of $153,415 for the quarter ended May 31, 2020. The increase in operating income is largely due to higher inventory levels in the current quarter. The results of JC USA are eliminated on consolidation

Gross margin for the three months ended May 31, 2021 was 25.8% compared to 26.5% for the three months ended May 31, 2020. Margins in the current quarter were negatively impacted by logistic issues, particularly the higher cost of shipping and shipping containers from China, trucking issues in the United States, and greater sales of lower margin lumber.

Operating expenses increased by $548,329 to $2,944,240 from $2,395,911 for the three months ended May 31, 2020. Selling, General and Administrative rose to $966,299 from $706,079 which is commensurate with the higher level of sales in the current quarter. Wages and Employee Benefits increased to $1,908,588 from $1,635,051 as the Company increased its employee headcount compared to the prior year's quarter. Depreciation rose to $69,353 from $54,781. Other income includes a one-time gain on the extinguishment of debt of $687,387 which is the principal and accrued interest of the Company's two SBA PPP loans which were forgiven during the current quarter. Interest and other income was an expense of ($6,282) compared to a gain of $3,217 in the year-ago quarter, as the Company incurred interest from the draw on its line of credit. There was no gain on Sale of Property, Plant and Equipment in the current period compared to $2,200 in the quarter ended May 31, 2020.

Income tax expense for the three months ended May 31, 2021 was $904,638 compared to $522,026 for the three month period ended May 31, 2020. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect, and the increase in taxes is consistent with the higher income for the current quarter.

Net income for the quarter ended May 31, 2021, including the one-time gain on the extinguishment of debt of $687,387, was $2,414,477, or $0.69 per basic and diluted share, compared to net income of $1,396,973, or $0.40 per basic and diluted share, for the quarter ended May 31, 2020.

Nine Months Ended May 31, 2021 and May 31, 2020

For the nine months ended May 31, 2021, sales totaled $42,396,591 compared to sales of $30,918,345 for the nine months ended May 31, 2020. This represents an increase of $11,478,246, or 37%.

Sales at JCC were $37,843,379 for the nine months ended May 31, 2021 compared to sales of $27,493,875 for the nine months ended May 31, 2020, which was an increase of $10,349,504, or 38%. The increase in sales is due to higher consumer demand for fencing and pet products during the COVID-19 pandemic as well as strong market acceptance of the Company's newly introduced products, including the compostable dog waste bags. The prior year's period was negatively affected by the initial stages of the COVID-19 pandemic which resulted in lower product demand from certain customers and some shipping delays from Chinese manufacturers. Operating income at JCC was $3,592,546 compared to income of $1,626,378 for the nine months ended May 31, 2020. Overall, the operating results of JCC are seasonal with the first two quarters of the fiscal year being much slower than the final two quarters of the fiscal year.

Sales at Greenwood were $1,883,064 compared to sales of $1,955,669 for the nine months ended May 31, 2020. This represents a decrease of $72,605, or 4%. Demand for Greenwood's products from governments and transit operators remains weak due to the COVID-19 pandemic. For the nine months ended May 31, 2021, Greenwood had an operating loss of ($46,258) compared to an operating loss of ($69,619) for the nine months ended May 31, 2020.

Sales at JCSC for the nine months ended May 31, 2021 were $2,670,149 compared to sales of $1,230,765 for the nine months ended May 31, 2020, which was an increase of $1,439,384, or 117%. Management has worked to refocus JCSC to better provide local growers with cleaning services which has led to significantly higher cleaning volumes. JCSC is also advancing its strategy to increase its seed brokering and sales services. Sales in the prior year's period were negatively affected by poor planting seasons caused by wet weather across North America which reduced the demand for the Company's clover seed as a cover crop. For the nine-month period ended May 31, 2021, JCSC had operating income of $94,339 compared to an operating loss of ($60,458) for the nine months ended May 31, 2020.

The MSI-Pro division was wound up in fiscal 2020 as the Company exited the industrial tools segment. Sales at MSI for the nine months ended May 31, 2020 was $238,036 which represented the final liquidation of all of MSI's remaining inventory, much of which was sold at a significant discount to the Company's carrying value. For the nine months ended May 31, 2020 MSI had an operating loss of ($238,195).

JC USA, the holding company that provides professional and administrative services for the wholly-owned operating subsidiaries had operating income of $245,108 compared to income of $505,597 for the nine months ended May 31, 2020. The decrease is due to the addition of new personnel and higher administrative costs in the current period, and the costs of capital improvements. The results of JC USA are eliminated on consolidation.

Gross margin for the nine-month period ended May 31, 2021 was 26.3% compared to 27.0% for the nine months ended May 31, 2020. The lower margin in the current period was due to higher costs related to shipping and logistical issues, and increased sales of lower margin lumber.

Operating expenses rose by $1,334,691 to $7,958,094 from operating expenses of $6,623,403 for the nine months ended May 31, 2020. Selling, General and Administrative expenses increased to $2,556,902 from $2,118,999 which is commensurate with the higher level of sales in the current period. Wages and Employee Benefits increased to $5,226,021 from $4,343,412, an increase of $882,609, as the Company has hired additional personnel for its growth initiatives in the current period. Depreciation and amortization rose to $175,171 from $160,992.

Other income in the current nine-month period includes a one-time gain on the extinguishment of debt of $687,387 which is the principal and accrued interest of the Company's two SBA PPP loans which were forgiven during the current period. Interest and other income was a loss of ($283) compared to income of $21,414 in the prior year's period, as the Company drew against its line of credit and incurred interest charges. Other items in the prior nine-month period ended May 31, 2020 included Gain on the Sale of Property, Plant and Equipment of $2,600.

Income tax expense in the current nine month period was $1,035,896 compared to $547,614 for the nine months ended May 31, 2020. The Company estimates income tax expense for the period based on combined federal and state rates that are currently in effect.

Net income for the nine months ended May 31, 2021, including the one-time gain on the forgiveness of the Company's PPP loans of $687,387, was $2,849,839, or $0.82 per basic and diluted share, compared to net income of $1,216,089, or $0.33 per basic and diluted share, for the nine months ended May 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2021, the Company had working capital of $18,495,447 compared to working capital of $16,815,454 as of August 31, 2020, an increase of $1,679,993. Cash and cash equivalents totaled $2,170,046, a decrease of $1,630,991 from cash of $3,801,037. Accounts receivable increased to $11,051,061 from $6,274,426 due to the seasonal cycle of sales to customers and the related timing of cash receipts. Inventory fell by $1,430,506 to $7,767,640, including an allowance of $250,000 for obsolete inventory, which increased from the allowance of $65,000 as of August 31, 2020. Prepaid expenses, which is largely related to down payments for future inventory purchases, rose by $1,544,728. Delays in receiving products from China due to shipping delays and other logistical issues has contributed to the lower inventory level and higher prepaid expenses as of May 31st. Accounts payable rose to $1,557,721 from $1,095,061, an increase of $462,660. Accrued liabilities increased to $2,290,235 from $2,016,300. Bank indebtedness was $996,010 compared to $Nil as of August 31, 2020 as the Company drew on its line of credit during the third quarter. Income taxes payable increased by $189,594 to $230,190. Notes payable, which are the promissory notes PPP loans received in the 3rd quarter, declined by $680,707 to $Nil as the SBA forgave the entire amount of both loans in the period. Deferred tax liability fell to $39,184 from $96,952.

As of May 31, 2021, accounts receivable and inventory represented 80% of current assets and 69% of total assets compared to 72% of current assets and 63% of total assets as of May 31, 2020. For the three months ended May 31, 2021, the accounts receivable collection period, or DSO, was 47 compared to 39 for the three months ended May 31, 2020. For the nine-month period ended May 31, 2021, the DSO was 70 compared to 61 for the nine months ended May 31, 2020. Inventory turnover for the three months ended May 31, 2021 was 51 days compared to 54 days for the three months ended May 31, 2020. For the nine months ended May 31, 2021, inventory turnover was 75 days compared to 80 days for the nine months ended May 31, 2020.

External sources of liquidity include a line of credit from U.S. Bank of $5,000,000, which was increased from $3,000,000 subsequent to the end of the fiscal period. As of May 31, 2021, the Company had a borrowing balance of $996,010, leaving $2,003,990 available. Borrowing under the line of credit is secured by an assignment of accounts receivable and inventory. The interest rate is calculated solely on the one month LIBOR rate plus 175 basis points. As of May 31, 2021, the one month LIBOR rate plus 175 basis points was 1.875% (0.125% + 1.75%). With the expected phase-out of LIBOR, the Company expects the calculated rate on the line of credit will be changed to another published reference standard before the planned cessation of LIBOR quotations sometime in 2021. However, the Company does not anticipate this change will have any significant effect on the terms and conditions, and ability to access, the line of credit, or on its financial condition. The line of credit has certain financial covenants. The Company is in compliance with these covenants.

During the 3rd quarter of fiscal 2020, the Company applied for and received two loans under the Paycheck Protection Program (the “PPP”) as part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) administered by the U.S. Small Business Administration (“SBA”). The Company felt the PPP funds were necessary because the Company was quickly depleting its available cash in April due to inventory purchases to fulfil customer orders ahead of its busiest selling season, some delays in receiving inventory from China due to reduced availability of ocean shipping, and the danger of potential COVID-19 infections. If any of the Company’s employees on site were to contract the virus during this time, the Company would be required to shut down the facility for a minimum of 14 days to clean and disinfect, and no product would be shipped to customers. Without the cash flow from product sales, the Company would have likely had to immediately layoff or furlough many of its employees, which would further delay the Company’s ability to recover after the shutdown. All of the proceeds from the PPP loans were used for employee payroll expenses.

The principal amount of the PPP loans was $680,707. They had a term of 2 years with a 1% annual interest rate. Payments were originally deferred for 6 months, after which the repayment of principal and interest is required to be made in equal monthly payments over 18 months beginning December 4, 2020. However, the SBA subsequently revised the due date to either the date that SBA remits the borrower’s loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period. In April 2021, the SBA approved the Company’s application for forgiveness of the entire amount of both loans. The Company has recorded a one-time gain on the extinguishment of debt of $687,387 consisting of the principal of $680,707 and accrued interest of $6,680.

Based on the Company’s current working capital position, its policy of retaining earnings, and the line of credit available, the Company has adequate working capital to meet its needs for the remainder of the current fiscal year.

The Company has historically used a portion of its excess cash to repurchase and cancel common shares. No common shares were repurchased during the first nine months of fiscal 2021 ended May 31, 2021. During the period, the Company issued 7,999 common shares to officers, directors and employees as compensation under the Company’s Restricted Share Plan at a deemed price of $8.80 per share.

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,” “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.

Approach to Risk Mitigation

We have completed a system wide risk mitigation matrix outlining possible impacts to the business due to such risks as well as mitigations in place. In addition, each category of risk is assigned to a senior management member who will monitor, act upon and report on such risks and mitigations. While these risks are broad, the management team has assigned probabilities of occurrence and used such for prioritization of actions. This process will remain an active part of ongoing risk oversight. The risks identified below are not meant to be exhaustive and are offered as those with greater probable impact.

<u>Risks Related to Our Common Stock</u>

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 4,980 shares for the nine months ended May 31, 2021. With this limited trading volume, investors could find it difficult to purchase or sell our common stock.

<u>Risks Related to Our Business</u>

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 nine months ended May 31 2021, our top ten customers represented 82% 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 in the U.S., Canada and Mexico and are primarily in the retail home improvement industry.

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 $5,000,000, of which $4,003,990 is available. We are currently in compliance with the requirements of our existing line of credit. If we lost 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. We have just recently performed a system wide assessment which included security risks by a third party, formed an IT Governance Committee and are both reviewing and acting on items found during the assessment. This body will remain a key part of our ongoing IT infrastructure. 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, 2020. 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 May 31, 2021. 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 Company does not expect any change in the interest rates to have a material adverse effect on the Company's results from operations.

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 and 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 Financial Officer has 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

The Company is a named party in a Civil Action in Pennsylvania. The matter is an action seeking compensation for personal injuries and is based on theories of product liability as to Jewett-Cameron. The matter arises out of a dog allegedly escaping from a Jewett-Cameron kennel product and causing personal injuries to three individuals. Jewett-Cameron is currently one of three named Defendants. A trial date has not been set at this time. At the present time it is speculative to predict as to its outcome. It is the Company's intention to vigorously defend the lawsuit. Jewett Cameron's applicable liability insurer is providing a defense covering Jewett-Cameron's legal fees and costs.

The Company has initiated arbitration against a former distributor asserting a breach of the distribution agreement and seeking damages. This distributor had also raised a counter claim in Illinois federal court against the Company asserting a breach of the same contract and seeking damages. That counter claim has been rejected by Illinois courts. While company is robustly pursuing its rights and defending itself against claims, the arbitration and lawsuit are in their initial stages and therefore it is speculative to predict as to its outcome

The company was made aware that it might likely see a claim initiated based on a State and Federal web accessibility concern. The company is in conference with the parties legal counsel seeking an opportunity to better understand the basis of the claim and means by which such claim can be addressed.

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 and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Charles Hopewell
32.1	Certification of Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act), Charles Hopewell

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: July 14, 2021	*/s/ "Charles Hopewell"*
	Charles Hopewell, CEO/CFO

CERTIFICATIONS

I, Charles Hopewell, 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: July 15, 2021

By: */s/ "Charles Hopewell"*
Charles Hopewell,
Chief Executive Officer
and Principal 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 May 31, 2021 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: July 15, 2021

Signed: */s/ "Charles Hopewell"*
Charles Hopewell,
Chief Executive Officer and
Principal Financial Officer