

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

**JEWETT CAMERON TRADING CO LTD**

CIK: **885307** | IRS No.: **000000000** | State of Incorp.: **OR** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **000-19954** | Film No.: **13528551**  
SIC: **5211** Lumber & other building materials dealers

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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, 2012

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)

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

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 - 1,567,971 common shares as of January 14, 2013.

**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, 2012**

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

	<b>November 30, 2012</b>	<b>August 31, 2012</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 7,256,455	\$ 7,309,388
Accounts receivable, net of allowance of \$0 (August 31, 2012 - \$6,509)	2,666,822	3,092,842
Inventory, net of allowance of \$125,756 (August 31, 2012 - \$139,869) (note 3)	5,761,024	7,085,389
Note receivable	-	20,000
Prepaid expenses	1,968,569	388,957
Total current assets	17,652,870	17,896,576
<b>Property, plant and equipment, net</b> (note 4)	2,072,050	1,997,109
<b>Intangible assets, net</b> (note 5)	423,901	444,203
<b>Deferred income taxes</b> (note 6)	87,250	101,573
<b>Total assets</b>	<b>\$ 20,236,071</b>	<b>\$ 20,439,461</b>

- Continued -

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

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

	<b>November 30, 2012</b>	<b>August 31, 2012</b>
Continued		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 828,452	\$ 1,577,182
Litigation reserve (Note 12(a))	164,158	170,819
Accrued liabilities	958,568	1,181,067
Accrued income taxes	330,957	37,203
Total current liabilities	2,282,135	2,966,271

**Contingent liabilities and commitments** (note 12)

**Stockholders' equity**

Capital stock (note 8)		
Authorized		
20,000,000 common shares, without par value		
10,000,000 preferred shares, without par value		
Issued		
1,567,971 common shares (August 31, 2012 - 1,567,971)	1,479,721	1,479,721
Additional paid-in capital	600,804	600,804
Retained earnings	15,873,411	15,392,665
	<hr/>	<hr/>
Total stockholders' equity	17,953,936	17,473,190
	<hr/>	<hr/>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 20,236,071</b>	<b>\$ 20,439,461</b>

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 Months Ended November 30,	
	2012	2011
<b>SALES</b>	\$ 9,296,405	\$ 7,240,610
<b>COST OF SALES</b>	7,305,399	5,774,415
<b>GROSS PROFIT</b>	1,991,006	1,466,195
<b>OPERATING EXPENSES</b>		
Selling, general and administrative expenses	335,820	428,348
Depreciation and amortization	57,494	61,198
Wages and employee benefits	825,307	813,713
	1,218,621	1,303,259
Income from operations	772,385	162,936
<b>OTHER ITEMS</b>		
Interest and other income	16,710	-
Interest expense (note 12(a))	-	(16,204)
	16,710	(16,204)
Income before income taxes	789,095	146,732
Income tax expense	(308,349)	(82,699)
<b>Net income</b>	\$ 480,746	\$ 64,033
<b>Basic earnings per common share</b>	\$ 0.31	\$ 0.03
<b>Diluted earnings per common share</b>	\$ 0.31	\$ 0.03
<b>Weighted average number of common shares outstanding:</b>		
Basic	1,567,971	1,900,215
Diluted	1,567,971	1,900,215

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>Common Stock</b>					
	Number of Shares	Amount	Additional paid-in capital	Retained earnings	Total
<b>August 31, 2010</b>	2,311,937	\$ 2,181,814	\$ 600,804	\$ 17,263,951	\$ 20,046,569
Shares repurchased and cancelled (note 9)	(403,480)	(380,771)	-	(3,079,374)	(3,460,145)
Net income	-	-	-	902,394	902,394
<b>August 31, 2011</b>	1,908,457	1,801,043	600,804	15,086,971	17,488,818
Shares repurchased and cancelled (note 9)	(340,486)	(321,322)	-	(2,754,237)	(3,075,559)
Net income	-	-	-	3,059,931	3,059,931
<b>August 31, 2012</b>	1,567,971	\$ 1,479,721	\$ 600,804	\$ 15,392,665	\$ 17,473,190
Net income	-	-	-	480,746	480,746
<b>November 30, 2012</b>	1,567,971	\$ 1,479,721	\$ 600,804	\$ 15,873,411	\$ 17,953,936

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 Month Periods Ended November 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 480,746	\$ 64,033
Items not involving an outlay of cash:		
Depreciation and amortization	57,494	61,198
Deferred income taxes	14,323	752
Interest income on litigation	(6,661)	-
Changes in non-cash working capital items:		
Decrease in accounts receivable	426,020	1,044,596
Decrease (increase) in inventory	1,324,365	(2,677,341)
Decrease in note receivable	20,000	-
(Increase) in prepaid expenses	(1,579,612)	(483)
(Decrease) increase in accounts payable and accrued liabilities	(971,229)	509,154
Increase in accrued income taxes	293,754	81,947
Net cash provided (used) by operating activities	59,200	(916,144)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(112,133)	(12,813)
Purchase of intangible assets and other	-	(4,550)
Net cash used in investing activities	(112,133)	(17,363)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of common stock	-	(454,120)
Net cash used in financing activities	-	(454,120)
<b>Net (decrease) in cash</b>	(52,933)	(1,387,627)
<b>Cash, beginning of period</b>	7,309,388	6,774,127
<b>Cash, end of period</b>	\$ 7,256,455	\$ 5,386,500

**Supplemental disclosure with respect to cash flows (note 15)**

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

**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
November 30, 2012  
(Unaudited)

**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. JCLC has the following wholly owned subsidiaries: MSI-PRO Co. ("MSI"), incorporated April 1996, Jewett-Cameron Seed Company, ("JCSC"), incorporated October 2000, and Greenwood Products, Inc. ("Greenwood"), incorporated February 2002. 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. JCLC'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 is 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.

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, 2012 and August 31, 2012 and its results of operations and cash flows for the three month periods ended November 30, 2012 and November 30, 2011 in accordance with U.S. GAAP. Operating results for the three month period ended November 30, 2012 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2013.

**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, JCLC, 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.

**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.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
November 30, 2012  
(Unaudited)

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

**Cash and cash equivalents**

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. At November 30, 2012, cash was \$7,256,455 compared to \$7,309,388 at August 31, 2012. At November 30, 2012 and August 31, 2012, there were no cash equivalents.

**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	5-7 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. The most significant intangible assets are two patents related to gate support systems. Amortization is calculated using the straight-line method over the remaining lives of 63 months and 75 months, respectively, and are reviewed annually for impairment.

**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.

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

### 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 based only 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 income statement 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.

The earnings per share data for the three months ended November 30, 2012 and November 30, 2011 are as follows:

	2012	2011
Net income	\$ 480,746	\$ 64,033
Basic weighted average number of common shares outstanding	1,567,971	1,900,215
Effect of dilutive securities		
Stock options	-	-
Diluted weighted average number of common shares outstanding	1,567,971	1,900,215

### Comprehensive income

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.

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**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
November 30, 2012  
(Unaudited)

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

### 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.

No options were granted during the quarter ended November 30, 2012, and there were no options outstanding on November 30, 2012.

### 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.

*Notes receivable* - the carrying amounts approximate fair value due to the short-term nature of the amount.

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

The estimated fair values of the Company's financial instruments as of November 30, 2012 and August 31, 2012 follows:

	November 30, 2012		August 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	\$7,256,455	\$7,256,455	\$7,309,388	\$7,309,388
Accounts receivable, net of allowance	2,666,822	2,666,822	3,092,842	3,092,842
Note receivable	-	-	20,000	20,000
Accounts payable and accrued liabilities	1,787,020	1,787,020	2,758,249	2,758,249

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**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
November 30, 2012  
(Unaudited)

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

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

The following table presents information about the assets that are measured at fair value on a recurring basis as of November 30, 2012, 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 in situations where there is little, if any, market activity for the asset:

	November 30, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 7,256,455	\$ 7,256,455	\$ -	\$ -

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 goods sold in the consolidated statement of operations. All costs billed to the customer are included as revenue in the consolidated statement of operations.

**Revenue recognition**

The Company recognizes revenue from the sales of lumber, building supply products, industrial wood products and 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 and products sold and collection of the amounts is reasonably assured.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
November 30, 2012  
(Unaudited)

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

**Reclassifications**

Certain reclassifications have been made to prior periods' financial statements to conform to the classifications used in the current period.

**Recent Accounting Pronouncements**

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS", which provides guidance to achieve common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. This guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The adoption of this new guidance did not have, and is not expected to have, a material impact on the Company' s consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income" which provides guidance regarding presentation of other comprehensive income in the financial statements. This guidance will eliminate the option under GAAP to present other comprehensive income in the statement of changes in equity. Under the guidance, the Company will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this new guidance did not have, and is not expected to have, a material impact on the Company' s consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08 "Testing Goodwill for Impairment", which gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step test mandated prior to this update. This ASU also provides companies with a revised list of examples of events and circumstances to consider, in their totality, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a company concludes that this is the case, it must perform the two-step test. Otherwise, a company may skip the two-step test. Companies are not required to perform the qualitative assessment and may instead proceed directly to the first step of the two-part test. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this new guidance did not have, and is not expected to have, a material impact on the Company' s consolidated financial statements

**3. INVENTORY**

A summary of inventory is as follows:

	<u>November 30,</u> <u>2012</u>	<u>August 31,</u> <u>2012</u>
Wood products and metal products	\$ 5,168,783	\$ 6,457,600
Industrial tools	525,450	437,347
Agricultural seed products	<u>66,791</u>	<u>190,442</u>
	<u>\$ 5,761,024</u>	<u>\$ 7,085,389</u>

**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
November 30, 2012  
(Unaudited)

**4. PROPERTY, PLANT AND EQUIPMENT**

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

	November 30, 2012	August 31, 2012
Office equipment	\$ 493,686	\$ 491,470
Warehouse equipment	1,433,335	1,343,311
Buildings	2,382,448	2,362,555
Land	818,072	818,072
	<u>5,127,541</u>	<u>5,015,408</u>
Accumulated depreciation	<u>(3,055,491)</u>	<u>(3,018,299)</u>
Net book value	<u>\$ 2,072,050</u>	<u>\$ 1,997,109</u>

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

#### 5. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	November 30, 2012	August 31, 2012
Patent	\$ 850,000	\$ 850,000
Other	43,655	43,655
	<u>893,655</u>	<u>893,655</u>
Accumulated amortization	<u>(469,754)</u>	<u>(449,452)</u>
Net book value	<u>\$ 423,901</u>	<u>\$ 444,203</u>

#### 6. DEFERRED INCOME TAXES

Deferred income tax assets as of November 30, 2012 of \$87,250 (August 31, 2012 - \$101,573) 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.

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#### JEWETT-CAMERON TRADING COMPANY LTD.

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

November 30, 2012

(Unaudited)

#### 7. BANK INDEBTEDNESS

There was no bank indebtedness under the Company's line of credit as of November 30, 2012 or August 31, 2012.

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 200 basis points.

#### 8. CAPITAL STOCK

##### Common stock

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

#### 9. 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 3rd quarter of fiscal 2012 ended May 31, 2012, the Company repurchased and cancelled a total of 41,899 common shares of its common stock under a 10b5-1 share repurchase plan. The total cost was \$382,510 at an average price of \$9.13 per share. The premium paid to acquire these shares over their per share book value in the amount of \$342,969 was recorded as a decrease to retained earnings.

During the 2nd quarter of fiscal 2012 ended February 29, 2012, the Company repurchased and cancelled a total of 248,587 shares of its common stock under a 10b5-1 share repurchase plan. The total cost was \$2,238,929 at an average share price of \$9.01 per share. The premium paid to acquire these shares over their per share book value in the amount of \$2,004,334 was recorded as a decrease to retained earnings.

During the 1st quarter of fiscal 2012 ended November 30, 2011, the Company repurchased and cancelled a total of 50,000 shares of its common stock under a 10b5-1 share repurchase plan. The total cost was \$454,120 at an average share price of \$9.08 per share. The premium paid to acquire these shares over their per share book value in the amount of \$406,934 was recorded as a decrease to retained earnings.

During the 4th quarter of fiscal 2011, the Company repurchased and cancelled a total of 10,500 shares of its common stock under a 10b5-1 share re-purchase plan. The total cost was \$98,175 at an average share price of \$9.35 per share. The premium paid to acquire these shares over their per share book value in the amount of \$88,266 was recorded as a decrease to retained earnings.

During the 3rd quarter of fiscal 2011, the Company repurchased and cancelled a total of 95,908 shares of its common stock under a 10b5-1 share re-purchase plan. The total cost was \$911,126 at an average share price of \$9.50 per share. The premium paid to acquire these shares over their per share book value in the amount of \$820,616 was recorded as a decrease to retained earnings.

During the 1st quarter of fiscal 2011, the Company repurchased and cancelled a total of 297,072 shares of its common stock under a 10b5-1 share re-purchase plan. The total cost was \$2,450,844 at an average share price of \$8.25 per share. The premium paid to acquire these shares over their per share book value in the amount of \$2,170,492 was recorded as a decrease to retained earnings.

**JEWETT-CAMERON TRADING COMPANY LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

November 30, 2012

(Unaudited)

**10. STOCK OPTIONS**

The Company has a stock option program under which stock options to purchase securities from the Company can 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 may 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 vest at the discretion of the board of directors.

The Company had no stock options outstanding as of the November 30, 2012 and August 31, 2012.

**11. EMPLOYEE STOCK OWNERSHIP PLAN ("ESOP")**

The Company sponsors an ESOP that covers all U.S. employees who are employed by the Company on August 31 of each year and who have at least one thousand hours with the Company in the twelve months preceding that date. The ESOP formerly held common shares of the Company and granted to participants in the plan certain ownership rights in, but not possession of, or voting control of, any common stock of the Company held by the Trustee of the Plan. Shares of common stock were allocated annually to participants in the ESOP pursuant to a prescribed formula. The Company records compensation expense based on the market price of the Company's shares when they were allocated. Any dividends on allocated ESOP shares are recorded as a reduction of retained earnings. Beginning in fiscal 2010, the ESOP began its investment in diversified mutual funds. During fiscal 2011 and 2012, all of the Company's shares held by the ESOP were sold, with the majority repurchased by the Company and cancelled under the 10b5-1 share repurchase plans. Effective June 30, 2012, the ESOP has been terminated, subject to the approval of the Internal Revenue Service. No further contributions shall be made to the ESOP. Upon receipt of approval from the Internal Revenue Service, the remaining assets shall be distributed to the participants pursuant to the terms of the Plan.

ESOP compensation expense was \$Nil and \$141,518 for the fiscal years ended August 31, 2012 and 2011, respectively, and is included in wages and employee benefits. The ESOP shares are as follows:

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Shares owned by ESOP	Nil	224,939



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**12. CONTINGENT LIABILITIES AND COMMITMENTS**

- a) A subsidiary was a plaintiff in a lawsuit filed in Portland, Oregon, entitled, Greenwood Products, Inc. et al v. Greenwood Forest Products, Inc. et al., Case No. 05-02553 (Multnomah County Circuit Court).

During fiscal 2002 the Company entered into a purchase agreement to acquire inventory over a 15 month period with an initial estimated value of \$7,000,000 from Greenwood Forest Products, Inc. During the year ended August 31, 2003, the Company completed the final phase of the inventory acquisition. As partial consideration for the purchase of the inventory the Company issued two promissory notes, based on its understanding of the value of the inventory purchased. The Company believes it overpaid the obligation by approximately \$820,000. The holder counterclaimed for approximately \$2,400,000.

Litigation was completed on March 5, 2007, with the court's general judgment and money award. The net effect was money judgment in favor of Greenwood Forest Products, Inc. for \$242,604. The Company accrued reserves to cover the money judgment related to this dispute. Both parties filed appeals for review of the court's opinion.

During the 1st quarter of fiscal 2011, the Oregon Court of Appeals ruled that the judgment in favor of Jewett Cameron as plaintiffs should be reversed and the judgment in favor of the defendants should stand. The judgment in favor of the Company was for \$819,000 plus attorneys fees. The judgment against the plaintiffs is for \$1,187,137. The Company appealed the decision to the Oregon Supreme Court. During the 1st quarter of fiscal 2011, the Company recorded a litigation loss of \$962,137 and interest of \$391,988 in addition to the existing litigation reserve of \$225,000. Additional interest of \$48,790 was recorded during the remainder of fiscal 2011. During the 1st quarter of fiscal 2012 ended November 30, 2011, additional interest of \$16,204 was accrued.

In February 2012, the Company received the decision from the Oregon Supreme Court which was favorable to Jewett Cameron as plaintiff. As a result, the Company has reversed \$1,459,832 of the litigation reserve and accrued interest during the 2nd quarter of fiscal 2012 ended February 29, 2012. The reversal was treated as a one-time gain during the quarter.

During the year ended August 31, 2012, the Company recorded \$13,467 of interest income due to the favourable difference in interest rates between the judgments. During the first quarter of fiscal 2013 ended November 30, 2012, the Company recorded \$6,661 of interest income.

A summary of the litigation reserve is as follows:

	November 30, 2012	August 31, 2012
Litigation loss	\$ -	\$ -
Litigation reserve	170,819	184,286
Interest expense	-	-
Interest income	(6,661)	(13,467)
Total	\$ 164,158	\$ 170,819

- b) At November 30, 2012 and August 31, 2012 the Company had an un-utilized line-of-credit of \$5,000,000 (note 7). The line-of-credit has certain financial covenants. The Company is in compliance with these covenants.

**JEWETT-CAMERON TRADING COMPANY LTD.**  
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**13. SEGMENT INFORMATION**

The Company has four 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:

	<u>2012</u>	<u>2011</u>
<b>Sales to unaffiliated customers:</b>		
Industrial wood products	\$ 2,361,471	\$ 1,487,774
Lawn, garden, pet and other	4,772,939	3,574,366
Seed processing and sales	1,810,645	1,687,111
Industrial tools and clamps	351,350	491,359
	<u>\$ 9,296,405</u>	<u>\$ 7,240,610</u>
<b>Income (loss) before income taxes:</b>		
Industrial wood products	\$ 62,545	\$ (93,112)
Lawn, garden, pet and other	586,951	181,791
Seed processing and sales	109,004	97,850
Industrial tools and clamps	34,732	(12,553)
Unallocated overhead	(4,137)	(27,244)
	<u>\$ 789,095</u>	<u>\$ 146,732</u>
<b>Identifiable assets:</b>		
Industrial wood products	\$ 1,840,340	\$ 3,002,705
Lawn, garden, pet and other	16,982,560	15,907,800
Seed processing and sales	727,220	1,155,861
Industrial tools and clamps	609,409	623,310
Unallocated overhead	76,542	7,235
	<u>\$ 20,236,071</u>	<u>\$ 20,696,911</u>
<b>Depreciation and amortization:</b>		
Industrial wood products	\$ 403	\$ 403
Lawn, garden, pet and other	51,781	55,384
Seed processing and sales	3,884	4,675
Industrial tools and clamps	1,426	736
	<u>\$ 57,494</u>	<u>\$ 61,198</u>

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**JEWETT-CAMERON TRADING COMPANY LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
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**13. SEGMENT INFORMATION (cont' d...)**

	<u>2012</u>	<u>2011</u>
<b>Capital expenditures:</b>		
Industrial wood products	\$ -	\$ -
Lawn, garden, pet and other	112,133	12,813
Seed processing and sales	-	-
Industrial tools and clamps	-	-
	<u>\$ 112,133</u>	<u>\$ 12,813</u>
<b>Interest expense:</b>		
Lawn, garden, pet and other	\$ -	\$ 16,204

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:

	<u>2012</u>	<u>2011</u>
Sales	\$ 1,926,150	\$ Nil

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 quarter ended November 30:

	<u>2012</u>	<u>2011</u>
United States	\$ 7,680,338	\$ 6,862,527
Canada	467,597	250,022
Mexico/Latin America	1,097,390	(42,442)
Europe	33,306	117,375
Asia/Pacific	17,774	53,128

All of the Company's significant identifiable assets were located in the United States as of November 30, 2012 and 2011.

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**JEWETT-CAMERON TRADING COMPANY LTD.**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**14. CONCENTRATIONS**

*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, 2012, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 29%. At November 30, 2011, one customer accounted for accounts receivable greater than 10% of total accounts receivable at 13%. 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, 2012, there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$2,250,297. For the three months ended November 30, 2011, there were three suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$3,542,079.

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

Certain cash payments for the three months ended November 30 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Cash paid during the periods for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

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**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, 2012 and August 31, 2012 and its results of operations and cash flows for the three month period ended November 30, 2012 and November 30, 2011 in accordance with U.S. GAAP. Operating results for the three month period ended November 30, 2012 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2013.

The Company's operations are classified into four reportable segments, 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
- Industrial tools

The industrial wood products segment reflects the business conducted by Greenwood Products, Inc. (Greenwood), a wholly owned subsidiary of Jewett-Cameron Lumber Corporation (JCLC). Greenwood is a processor and distributor of industrial wood products. A major product category is treated plywood that is sold to boat manufacturers and the transportation industry.

The lawn, garden, pet and other segment reflects the business of Jewett-Cameron Lumber Corporation, which is a manufacturer and distributor of specialty metal products and a wholesaler of wood products. Wood products include fencing and landscape timbers, while metal products include dog kennels, proprietary gate support systems, perimeter fencing, and greenhouses. JCLC uses contract manufacturers to make the specialty metal products. Some of the products that JCLC distributes flow through the Company's distribution center located in North Plains, Oregon, and some are shipped direct to the customer from the manufacturer. Primary customers are home centers and other retailers.

The seed processing and sales segment reflects the business of Jewett-Cameron Seed Company (JCSC), a wholly owned subsidiary of JCLC. 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.

The industrial tools segment reflects the business of MSI-PRO (MSI), a wholly owned subsidiary of JCLC. MSI imports and distributes products including pneumatic air tools, industrial clamps, and saw blades; that are primarily sold to retailers that in turn sell to contractors and end users.

## RESULTS OF OPERATIONS

### Three Months Ended November 30, 2012 and November 30, 2011

For the three months ended November 30, 2012, sales increased \$2,055,795 to \$9,296,405 from \$7,240,610 for the three months ended November 30, 2011. The increase is due to higher sales in the lawn and garden, industrial wood, and seed segments.

Sales at Greenwood were \$2,361,471 for the three months ended November 30, 2012 compared to sales of \$1,487,774 for the three months ended November 30, 2011, which was an increase of \$873,697, or 59%. The increase in sales was due to successful sales efforts obtaining international export orders for our specialty plywood. The marine market, however, remains very weak. Sales to boat manufacturers represented approximately 17% of Greenwood's total sales for the year ended August 31, 2012, and demand from these kinds of customers has been severely affected by the uncertain economic environment. Boat manufacturers continue to work down excess inventory accumulated over the past several years, and until such point, we do not foresee an industry recovery. We continue to develop a readiness to participate when the market rebounds. Operating income before taxes at Greenwood was \$62,545 compared to a loss of (\$83,586) for the three months ended November 30, 2011. The net income for the current quarter is a result of the higher level of sales as well as management's operating expense control.

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Sales at JCLC were \$4,772,939 for the three months ended November 30, 2012 compared to sales of \$3,574,366 for the three months ended November 30, 2011, which was an increase of \$1,198,573, or 34%. Operating income was \$570,240, which is an increase of \$398,012 compared to income of \$172,228 for the quarter ended November 30, 2011. The higher sales were due to several factors. The Company's older products have increased their market share with existing customers due to our sales efforts and the Company being recognized as a reliable and valued supplier. Also, the weakened economy has resulted in many consumers employing a "staycation" approach which has produced increased spending on home and backyard projects, including their pets. Therefore, many of our customers have expanded their pet product lines, including adding the Company's newer pet containment products. Overall, the operating results of JCLC 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 JCSC were \$1,810,645 for the three months ended November 30, 2012 compared to sales of \$1,687,111 for the three months ended November 30, 2011. This represents an increase of \$123,534, or 7%. In the current quarter, JCSC operating income was \$109,004, which was relatively flat compared to operating income of \$108,218 for the first quarter of fiscal 2012. Higher cereal and livestock feed prices have caused a shift by some growers from grass seed to grains, which have begun to have a positive effect on surpluses and wholesale prices. However, demand remains relatively weak, primarily from the new home construction and golf course industry in North America.

Sales at MSI were \$351,350 for the three months ended November 30, 2012 compared to sales \$491,359 for the three months ended November 30, 2011, which was a decrease of \$140,009, or 28%. The sales decline was due to the Company winding down certain sales programs of lower margin products, and focusing on selling our more profitable products. This sales shift resulted in an operating profit for the quarter of \$34,732 compared to an operating loss of \$6,681 for the comparative quarter in the prior year.

Gross margin for the three month period ended November 30, 2012 was 21.4% compared to 20.2% for the three months ended November 30, 2011. The slight rise in margins in the current quarter were due to a favorable sales mix of higher margin metal products. However, higher raw material and transportation costs continue to restrain our overall margins.

The Company's income tax expense in the current period was \$308,349 compared to \$82,699 in the three month period ended November 30, 2011. Net income for the three months ended November 30, 2012 was \$480,746, or \$0.31 per basic and diluted share, compared to net income of \$64,033, or \$0.03 per basic and diluted share in the three months ended November 30, 2011. The higher net income per share for the current period was also favorably affected by the lower weighted average of common shares outstanding as the Company repurchased and cancelled 340,486 common shares in fiscal 2012.

## LIQUIDITY AND CAPITAL RESOURCES

As of November 30, 2012, the Company had working capital of \$15,370,735 compared to working capital of \$14,930,305 as of August 31, 2012. This represents an increase of \$440,430, which was largely due to the Company's net income from the first quarter ended November 30, 2012. Cash declined by \$52,933 primarily due to the increase in prepaid expenses and reduction in accounts payable and accrued liabilities. Accounts receivable declined by \$426,020 due to the seasonal cycle of sales to customers, and the related timing of cash receipts. Inventory decreased by \$1,324,365 and prepaid expenses, which are largely related to down payments for future inventory purchases, increased by \$1,579,612. Note receivable declined by \$20,000 as the remaining balance of the note was repaid during the quarter. Accounts payable declined \$748,730 due to the seasonal cycle of payments to inventory suppliers. Accrued liabilities declined by \$222,499. Accrued income taxes rose by \$293,754 due to the timing of estimated tax payments and the higher net income for the quarter. Litigation reserve declined by \$6,661 as differences in interest rates resulted in a reduction in the amount reserved.

As of November 30, 2012, accounts receivable and inventory represented 48% of current assets and 42% of total assets. For the three months ended November 30, 2012, the accounts receivable collection period, or DSO, was 26 compared to 36 for the three months ended November 30, 2011. Inventory turnover for the three months ended November 30, 2012 was 80 days compared with 113 days in the three months ended November 30, 2011.

External sources of liquidity include a line of credit from U.S. Bank of \$5,000,000. As of November 30, 2012, the Company had no borrowing balance leaving the entire amount 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 200 basis points. As of November 30, 2012 the one month LIBOR rate plus 200 basis points was 2.21% (0.21% + 2.00%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

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The Company has been utilizing its cash position by repurchasing common shares under 10b5-1 plans in order to increase shareholder value. On August 17, 2012, the Board of Directors authorized the implementation of a new share repurchase plan for purchase and cancellation of up to 400,000 common shares. This amount represents approximately 26% of the common shares outstanding. The share repurchase plan will be effected in accordance with Rule 10b-18 under the U.S. Securities Exchange Act of 1934, which contains restrictions on the number of shares that may be purchased on a single day, subject to certain exceptions for block purchases, based on the average daily trading volumes ("ADTV") of Jewett-Cameron's shares on NASDAQ. Purchases shall be limited to one "Block" purchase per week in lieu of the 25% of ADTV limitation for compliance with Rule 10b-18(b)(4). A "block" as defined under Rule 10b-18(a)(5) means a quantity of stock that, among other things, is at least 5,000 shares and has a purchase price of at least US\$50,000. Transactions may involve insiders or their affiliates executed in compliance with Jewett-Cameron's Insider Trading Policy. The repurchase plan commenced on August 20, 2012 and will remain in place until March 15, 2013 but may be limited or terminated at any time without prior notice. As of November 30, 2012, the Company had repurchased no common shares under this plan.

#### **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.

#### **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 common shares also formerly traded on the Toronto Stock Exchange ("TSX") in Canada until the Company voluntarily delisted from the TSX on October 11, 2012. The average daily trading volume of our common stock on NASDAQ was 3,934 shares for the three months ended November 30, 2012. With this limited trading volume, investors could find it difficult to purchase or sell our common stock.

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#### **Risks Related to Our Business**

*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, 2012, our top ten customers represented 58% 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 marine, and retail home improvement 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.

*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 \$5,000,000 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.

*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, 2012. 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, 2012. 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 as well as interest paid on debt.

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 conducted in currencies other than U.S. dollars. Also, to the extent that the Company uses contract manufacturers in China, currency exchange rates can influence the Company's purchasing costs.

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

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

Management of the Company, including the Chief Executive Officer and the Chief 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 Chief Executive Officer and our Chief 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 Chief 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) One of our subsidiaries was a plaintiff in a lawsuit filed in Portland, Oregon, entitled, Greenwood Products, Inc. et al v. Greenwood Forest Products, Inc. et al., Case No. 05-02553 (Multnomah County Circuit Court).

During fiscal 2002 the Company entered into a purchase agreement to acquire inventory over a 15 month period with an initial estimated value of \$7,000,000 from Greenwood Forest Products, Inc. During the year ended August 31, 2003, the Company completed the final phase of the inventory acquisition. As partial consideration for the purchase of the inventory the Company issued two promissory notes, based on its understanding of the value of the inventory purchased. The Company believes it overpaid the obligation by approximately \$820,000. The holder counterclaimed for approximately \$2,400,000.

Litigation was completed on March 5, 2007 with the court's general judgment and money award. The net effect was a money judgment in favor of Greenwood Forest Products, Inc. for \$242,604 and an award of contested intellectual property rights to the Company. The Company accrued reserves to cover the money judgment related to this dispute. Both parties filed appeals for review of the court's opinion.

During the 1st quarter of fiscal 2011, the Oregon Court of Appeals ruled that the judgment in favor of Jewett Cameron as plaintiffs should be reversed and the judgment in favor of defendants should stand. The judgment in favor of the Company was for \$819,000 plus attorneys fees. The judgment against plaintiffs was for \$1,187,137. The Company appealed the ruling to the Oregon Supreme Court. In addition to the previously accrued litigation reserve of \$225,000, the Company recorded a litigation loss of \$962,137 and interest of \$440,778 during the year ended August 31, 2011 related to the judgment. In the first quarter of fiscal 2012 ended November 30, 2011, the Company recorded additional interest of \$16,204.

In February 2012, the Company received the decision from the Oregon Supreme Court which reversed in part the decision of the Oregon Court of Appeals in a way favorable to the Company. The case is now returned to the Oregon Court of Appeals for further consideration. As the decision was favorable to Jewett Cameron, the Company has reversed \$1,459,832 of the litigation reserve and accrued interest during the 2nd quarter of fiscal 2012 ended February 29, 2012. The reversal has been treated as a one-time gain during the period. During the year ended August 31, 2012, the Company recorded \$13,467 of Interest income due to the favourable difference in interest rates between the judgments. During the first quarter of fiscal 2013 ended November 30, 2012, the Company recorded \$6,661 of interest income.

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- b) In May 2012, a lawsuit was filed by the State of Oregon, Department of Transportation, against Jewett-Cameron Lumber Corporation seeking to obtain a portion of Jewett-Cameron property in a project to widen and improve a state highway. This matter does not involve a claim against Jewett-Cameron; as the ultimate result of the lawsuit will be a determination of the amount that the State of Oregon should pay Jewett-Cameron for obtaining its property through an eminent domain proceeding. The State of Oregon has previously offered to resolve the case for the payment of \$300,000 to Jewett-Cameron. Jewett-Cameron has filed an Answer and Counterclaim. The matter is currently being set for trial.

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. Changes in Securities and Use of Proceeds**

---No Disclosure Required---

**Item 3. Defaults Upon Senior Securities**

---No Disclosure Required---

**Item 4. Submission of Matters to a Vote of Securities Holders**

---No Disclosure Required---

**Item 5. Other Information**

---No Disclosure Required---

**Item 6. Exhibits**

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Donald M. Boone
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Murray G. Smith.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act), Donald M. Boone
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act), Murray G. Smith

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**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)

January 14, 2013

/s/ "Donald M. Boone" \_\_\_\_\_

Donald M. Boone, President/CEO/Director

January 14, 2013

/s/ "Murray G. Smith"  
Murray G. Smith, Chief Financial Officer

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## CERTIFICATIONS

I, Donald M. Boone, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - 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 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2013

By: /s/ "Donald M. Boone"  
**Donald M. Boone,**  
**Chief Executive Officer**

## CERTIFICATIONS

I, Murray G. Smith, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - 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 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2013

By: /s/ "Murray G. Smith"  
**Murray G. Smith,**  
**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, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers 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 14, 2013

Signed: /s/ "Donald M. Boone"

**Donald M. Boone,  
President and CEO**

**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, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers 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 14, 2013

Signed: /s/ "Murray G. Smith"

**Murray G. Smith,  
Chief Financial Officer**