

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 FEBRUARY 28, 2013**
- 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 – 1,567,564 common shares as of April 15, 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)

FEBRUARY 28, 2013

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

	February 28, 2013	August 31, 2012
ASSETS		
Current assets		
Cash	\$ 4,342,588	\$ 7,309,388
Accounts receivable, net of allowance of \$0 (August 31, 2012 - \$6,509)	7,295,224	3,092,842
Inventory, net of allowance of \$132,333 (August 31, 2012 - \$139,869) (note 3)	5,692,293	7,085,389
Note receivable	-	20,000
Prepaid expenses	1,430,912	388,957
Prepaid income taxes	253,952	-
Total current assets	19,014,969	17,896,576
Property, plant and equipment, net (note 4)	1,989,760	1,997,109
Intangible assets, net (note 5)	404,498	444,203
Deferred income taxes (note 6)	-	101,573
Total assets	\$ 21,409,227	\$ 20,439,461

- 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)

	February 28, 2013	August 31, 2012
Continued		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,332,491	\$ 1,577,182
Litigation reserve (Note 12(a))	157,570	170,819
Accrued liabilities	1,129,633	1,181,067
Accrued income taxes	-	37,203
Total current liabilities	2,619,694	2,966,271
Deferred tax liability (note 6)	49,850	-
Total liabilities	2,669,544	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		
1,567,564 common shares (August 31, 2012 - 1,567,971)	1,479,337	1,479,721
Additional paid-in capital	600,804	600,804
Retained earnings	16,659,542	15,392,665
Total stockholders' equity	18,739,683	17,473,190
Total liabilities and stockholders' equity	\$ 21,409,227	\$ 20,439,461

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 Periods to the End of February		Six Month Periods to the End of February	
	2013	2012	2013	2012
SALES	\$ 14,227,824	\$ 11,751,797	\$ 23,524,229	\$ 18,992,407
COST OF SALES	11,788,155	9,660,496	19,093,554	15,434,911
GROSS PROFIT	2,439,669	2,091,301	4,430,675	3,557,496
OPERATING EXPENSES				
Selling, general and administrative expenses	468,162	460,595	803,982	888,944
Depreciation and amortization	64,202	64,297	121,696	125,495
Wages and employee benefits	928,246	893,973	1,753,553	1,707,686
	<u>1,460,610</u>	<u>1,418,865</u>	<u>2,679,231</u>	<u>2,722,125</u>
Income from operations	979,059	672,436	1,751,444	835,371
OTHER ITEMS				
Gain on sale of property, plant and equipment	353,852	-	353,852	-
Interest and other income	6,605	-	23,315	-
Interest expense (note 12(a))	(400)	16,203	(400)	-
Litigation reserves (note 12(a))	-	1,443,629	-	1,443,629
	<u>360,057</u>	<u>1,459,832</u>	<u>376,767</u>	<u>1,443,629</u>
Income before income taxes	1,339,116	2,132,268	2,128,211	2,279,000
Income tax expense	<u>(548,485)</u>	<u>(844,494)</u>	<u>(856,834)</u>	<u>(927,193)</u>
Net income	<u>\$ 790,631</u>	<u>\$ 1,287,774</u>	<u>\$ 1,271,377</u>	<u>\$ 1,351,807</u>
Basic earnings per common share	\$ 0.50	\$ 0.71	\$ 0.81	\$ 0.73
Diluted earnings per common share	\$ 0.50	\$ 0.71	\$ 0.81	\$ 0.73
Weighted average number of common shares outstanding:				
Basic	1,567,930	1,823,423	1,567,951	1,861,819
Diluted	1,567,930	1,823,423	1,567,951	1,861,819

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)

Common Stock					
	Number of Shares	Amount	Additional paid-in capital	Retained earnings	Total
August 31, 2010	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
August 31, 2011	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
August 31, 2012	1,567,971	1,479,721	600,804	15,392,665	17,473,190
Shares repurchased and cancelled (note 9)	(407)	(384)	-	(4,500)	(4,884)
Net income	-	-	-	1,271,377	1,271,377
February 28, 2013	1,567,564	\$ 1,479,337	\$ 600,804	\$ 16,659,542	\$ 18,739,683

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)

	Three Month Periods to the End of February		Six Month Periods to the End of February	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 790,631	\$ 1,287,774	\$ 1,271,377	\$ 1,351,807
Items not involving an outlay of cash:				
Depreciation and amortization	64,202	64,297	121,696	125,495
Gain on sale of property, plant and equipment	(353,852)	-	(353,852)	-
Deferred income taxes	137,100	805	151,423	1,557
Interest income on litigation	(6,588)	-	(13,249)	-
Changes in non-cash working capital items:				
Increase in accounts receivable	(4,628,402)	(1,101,553)	(4,202,382)	(56,957)
(Increase) decrease in inventory	68,731	2,009,567	1,393,096	(667,774)
(Increase) decrease in note receivable	-	(20,000)	20,000	(20,000)
(Increase) decrease in prepaid expenses	537,657	(352,902)	(1,041,955)	(353,385)
(Increase) decrease in prepaid income taxes	(253,952)	600,580	(253,952)	682,527
Increase (decrease) in accounts payable and accrued liabilities	675,104	(1,527,732)	(296,125)	(1,018,578)
Increase (decrease) in accrued income taxes	(330,957)	228,358	(37,203)	228,358
Net cash provided by (used in) operating activities	(3,300,326)	1,189,194	(3,241,126)	273,050
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(18,657)	(17,718)	(130,790)	(30,531)
Purchase of intangible assets and other	-	(8,500)	-	(13,050)
Proceeds from sale of property, plant and equipment	410,000	-	410,000	-
Net cash provided by (used in) investing activities	391,343	(26,218)	279,210	(43,581)
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of common stock	(4,884)	(2,238,929)	(4,884)	(2,693,049)
Net cash used in financing activities	(4,884)	(2,238,929)	(4,884)	(2,693,049)
Net decrease in cash	(2,913,867)	(1,075,953)	(2,966,800)	(2,463,580)
Cash, beginning of period	7,256,455	5,386,500	7,309,388	6,774,127
Cash, end of period	\$ 4,342,588	\$ 4,310,547	\$ 4,342,588	\$ 4,310,547

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)
February 28, 2013
(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 February 28, 2013 and August 31, 2012 and its results of operations and cash flows for the three and six month periods ended February 28, 2013 and February 29, 2012 in accordance with generally accepted accounting principles of the United States of America (“U.S. GAAP”). Operating results for the three and six month periods ended February 28, 2013 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 U.S. GAAP.

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.

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 February 28, 2013, cash was \$4,342,588 compared to \$7,309,388 at August 31, 2012. At February 28, 2013 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 60 months and 72 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.

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2013
(Unaudited)

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 consolidated 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 periods ended on February 28, 2013 and February 29, 2012 are as follows:

	Three Month Periods to the End of February		Six Month Periods to the End of February	
	2013	2012	2013	2012
Net income	\$ 790,631	\$ 1,287,774	\$ 1,271,377	\$ 1,351,807
Basic weighted average number of common shares outstanding	1,567,930	1,823,423	1,567,951	1,861,819
Effect of dilutive securities Stock options	-	-	-	-
Diluted weighted average number of common shares outstanding	1,567,930	1,823,423	1,567,951	1,861,819

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.

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2013
(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 six month period ended February 28, 2013, and there were no options outstanding on February 28, 2013.

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 February 28, 2013 and August 31, 2012 follows:

	February 28,		August 31,	
	2013		2012	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
Cash	\$4,342,588	\$4,342,588	\$7,309,388	\$7,309,388
Accounts receivable, net of allowance	7,295,224	7,295,224	3,092,842	3,092,842
Note receivable	-	-	20,000	20,000
Accounts payable and accrued liabilities	2,462,124	2,462,124	2,758,249	2,758,249

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2013
(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 February 28, 2013, 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:

	<u>February 28, 2013</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Cash	\$ 4,342,588	\$ 4,342,588	\$ —	\$ —

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)
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(Unaudited)

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

Reclassifications

Certain reclassifications have been made to prior periods' consolidated 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:

	February 28, 2013	August 31, 2012
Wood products and metal products	\$ 5,174,656	\$ 6,457,600
Industrial tools	456,281	437,347
Agricultural seed products	61,356	190,442
	\$ 5,692,293	\$ 7,085,389

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2013
(Unaudited)

4. PROPERTY, PLANT AND EQUIPMENT

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

	February 28, 2013	August 31, 2012
Office equipment	\$ 512,343	\$ 491,470
Warehouse equipment	1,433,335	1,343,311
Buildings	2,382,448	2,362,555
Land	761,924	818,072
	<u>5,090,050</u>	<u>5,015,408</u>
Accumulated depreciation	<u>(3,100,290)</u>	<u>(3,018,299)</u>
Net book value	<u>\$ 1,989,760</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:

	February 28, 2013	August 31, 2012
Patent	\$ 850,000	\$ 850,000
Other	43,655	43,655
	<u>893,655</u>	<u>893,655</u>
Accumulated amortization	<u>(489,157)</u>	<u>(449,452)</u>
Net book value	<u>\$ 404,498</u>	<u>\$ 444,203</u>

6. DEFERRED INCOME TAXES

Deferred income tax liabilities as of February 28, 2013 of \$49,850, and deferred tax assets as of August 31, 2012 of \$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.

7. BANK INDEBTEDNESS

There was no bank indebtedness under the Company's line of credit as of February 28, 2013 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 2nd quarter of fiscal 2013 ended February 28, 2013, the Company repurchased and cancelled a total of 407 common shares of its common stock under a 10b5-1 share repurchase plan. The total cost was \$4,884 at an average price of \$12.00 per share. The premium paid to acquire these shares over their per share book value in the amount of \$4,500 was recorded as a decrease to retained earnings.

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.

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 February 28, 2013 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 for the six month periods ended February 28, 2013, and \$Nil for the fiscal year ended August 31, 2012, respectively, and is included in wages and employee benefits. The ESOP shares are as follows:

	<u>February 28, 2013</u>	<u>August 31, 2012</u>
Shares owned by ESOP	Nil	Nil

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 six months of fiscal 2013 ended February 28, 2013, the Company recorded \$13,249 of interest income.

A summary of the litigation reserve is as follows:

	February 28, 2013	August 31, 2012
Litigation loss	\$ -	\$ -
Litigation reserve	170,819	184,286
Interest expense	-	-
Interest income	(13,249)	(13,467)
Total	\$ 157,570	\$ 170,819

- b) At February 28, 2013 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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2013
(Unaudited)

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 six month periods ended February 28, 2013 and February 29, 2012:

	<u>2013</u>		<u>2012</u>
Sales to unaffiliated customers:			
Industrial wood products	\$ 4,072,527		\$ 3,707,195
Lawn, garden, pet and other	15,004,943		10,950,187
Seed processing and sales	3,501,011		3,260,536
Industrial tools and clamps	945,748		1,074,489
	<u>\$ 23,524,229</u>		<u>\$ 18,992,407</u>
Income (loss) before income taxes:			
Industrial wood products	\$ 10,326		\$ (120,214)
Lawn, garden, pet and other	1,549,491	*	879,921
Seed processing and sales	174,894		120,593
Industrial tools and clamps	62,649		9,548
Unallocated overhead	(23,001)		(54,477)
	<u>\$ 1,774,359</u>		<u>\$ 835,371</u>
Identifiable assets:			
Industrial wood products	\$ 1,495,878		\$ 2,293,515
Lawn, garden, pet and other	18,214,218		15,102,911
Seed processing and sales	924,364		380,542
Industrial tools and clamps	685,864		611,423
Unallocated overhead	88,903		57,990
	<u>\$ 21,409,227</u>		<u>\$ 18,446,381</u>
Depreciation and amortization:			
Industrial wood products	\$ 403		\$ 806
Lawn, garden, pet and other	110,700		113,017
Seed processing and sales	7,740		9,367
Industrial tools and clamps	2,853		2,305
	<u>\$ 121,696</u>		<u>\$ 125,495</u>

* For comparability purposes, the 2013 amount excludes gain on sale of property, plant and equipment of \$353,852. The 2012 amount excludes reversal of litigation reserve of \$1,443,629.

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

	<u>2013</u>	<u>2012</u>
Capital expenditures:		
Industrial wood products	\$ -	\$ -
Lawn, garden, pet and other	130,790	19,053
Seed processing and sales	-	1,478
Industrial tools and clamps	-	10,000
	<u>\$ 130,790</u>	<u>\$ 30,531</u>
Interest expense:		
Lawn, garden, pet and other	\$ 400	\$ -

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the six months ended February 28, 2013 and February 29, 2012:

	<u>2013</u>	<u>2012</u>
Sales	\$ 7,338,811	\$ 3,025,478

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 six months ended February 28, 2013 and February 29, 2012:

	<u>2013</u>	<u>2012</u>
United States	\$ 20,450,160	\$ 17,124,159
Canada	1,243,522	1,078,507
Mexico / Latin America	1,732,181	449,967
Europe	43,961	260,345
Asia/Pacific	54,405	79,429

All of the Company's significant identifiable assets were located in the United States as of February 28, 2013 and February 29, 2012.

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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 February 28, 2013, three customers accounted for accounts receivable greater than 10% of total accounts receivable at 60%. At February 29, 2012, three customers accounted for accounts receivable greater than 10% of total accounts receivable at 58%. 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 six months ended February 28, 2013, there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$8,262,691. For the six months ended February 29, 2012, there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$6,634,034.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Certain cash payments for the six months ended February 28, 2013 and February 29, 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Cash paid during the periods for:		
Interest	\$ 400	\$ -
Income taxes	\$ 984,812	\$ -

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

These unaudited consolidated 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 February 28, 2013 and August 31, 2012 and its results of operations and cash flows for the six month periods ended February 28, 2013 and February 29, 2012 in accordance with U.S. GAAP. Operating results for the three and six month periods ended February 28, 2013 are not necessarily indicative of the results that may be experienced for the full 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. Some of these products carry the Avenger Products brand label.

RESULTS OF OPERATIONS

Three Months Ended February 28, 2013 and February 29, 2012

For the three months ended February 28, 2013, sales increased \$2,476,027 to \$14,227,824 from \$11,751,797 for the three months ended February 29, 2012. This represents a increase of 21%.

Sales at Greenwood were \$1,711,057 for the three months ended February 28, 2013 compared to sales of \$2,219,421 for the three months ended February 29, 2012, which was a decline of 23%. The boat manufacturing industry remains very weak, which has resulted in lower demand for Greenwood's industrial wood products. Operating loss before taxes at Greenwood was \$52,219 for the three months ended February 28, 2013 compared to an operating loss of \$18,858 for the three months ended February 29, 2012.

Sales at JCLC were \$10,232,004 for the three months ended February 28, 2013 compared to sales of \$7,375,821 for the three months ended February 29, 2012. This represents an increase of \$2,856,183, or 39%. Operating income for the current quarter was \$941,076, which was an increase of \$281,774, or 43% compared to operating income of \$659,302, in the prior year's quarter. The higher operating income was in line with the increase in sales. The operating results of JCLC 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 JCSC were \$1,690,366 for the three months ended February 28, 2013, which was an increase of \$116,942, or 7%, compared to sales of \$1,573,424 for the three months ended February 29, 2012. Operating income at JCSC for the current quarter was \$74,521, an increase of \$43,451 from the operating income of \$31,070 recorded by JCSC in the prior year's quarter.

Sales at MSI for the three months ended February 28, 2013 were \$594,397, which was an increase of \$11,267, or 2%, compared to sales of \$583,130 for the three months ended February 29, 2012. Operating income at MSI for the current quarter was \$34,563, which was an increase of 23% from the operating income of \$28,155 for the quarter ended February 29, 2012.

Gross margin for the three months ended February 28, 2013 was 17.1% compared to 17.8% for the three months ended February 29, 2012.

Operating expenses increased by \$41,744 to \$1,460,609 from \$1,418,865 for the three month period ended February 29, 2012. Selling, General and Administrative Expenses increased by \$7,566 from \$460,595 to \$468,161. Wages and Employee Benefits increased by \$34,273 to \$928,246 from \$893,973. Depreciation and Amortization decreased by \$95 to \$64,202 from \$64,297.

For the three months ended February 28, 2013, the Company recorded a gain on the sale of property, plant and equipment of \$353,852. The one-time gain is a result of the sale by the Company of approximately 1.64 acres of land with a cost basis of \$56,148 to the Oregon Department of Transportation for proceeds of \$410,000. For the three months ended February 29, 2012, the Company recorded the reversal of Litigation Reserves of \$1,443,629 and Interest Expense of \$16,023 due to the favorable decision for the Company from the Oregon Supreme Court in the Company's lawsuit filed in relation to the acquisition of inventory by Greenwood Products. These reversals were treated as a one-time gain and contributed to the Company's higher income tax expense and net income for the quarter.

Income tax expense for the three month period ended February 28, 2013 was \$548,485 compared to \$844,494 for the three month period ended February 29, 2012. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect.

Net income for the quarter ended February 28, 2013 was \$790,631, or \$0.50 per basic and diluted share, compared to net income of \$1,287,774, or \$0.71 per basic and diluted share, for the quarter ended February 29, 2012. The net income per share in both periods was positively affected by one-time gains, including the sale of property in the current quarter and the reversal of the litigation reserve in the year-ago quarter. The per share income was also positively affected by the lower average number of common shares outstanding in the current quarter due to the Company's repurchases of common shares.

Six Months Ended February 28, 2013 and February 29, 2012

For the six months ended February 29, 2013, sales increased by \$4,531,822, or 24%, to \$23,524,229 from sales of \$18,992,407 recorded in the six month period ended February 29, 2012. The increase is primarily due to higher sales at JCLC.

Sales at Greenwood were \$4,072,527 for the six months ended February 28, 2013 compared to sales of \$3,707,195 for the six months ended February 29, 2012. This represents an increase of \$365,332, or 10%. 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 at Greenwood was \$10,326 for the current six month period compared to an operating loss of \$102,444 for the six months ended February 29, 2012.

Sales at JCLC were \$15,004,943 for the six months ended February 28, 2013, which was an increase of \$4,054,755, or 37%, from sales of \$10,950,188 for the six months ended February 29, 2012. 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. Operating income before income taxes was \$1,496,471 compared to \$831,530 for the six months ended February 29, 2012. 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 for the six months ended February 28, 2013 were \$3,501,010, which was an increase of \$240,426, or 7%, compared to sales of \$3,260,584 for the six months ended February 29, 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. Operating income for the current six month period was \$192,302 compared to operating income of \$139,288 for the six months ended February 29, 2012.

Sales at MSI were \$945,748 for the six months ended February 28, 2013, which was a decrease of \$128,741, or 12%, compared to sales of \$1,074,489 for the six months ended February 29, 2012. The Company has wound down certain sales programs of its lower margin products and has concentrated on selling more profitable products. This sales shift resulted in higher operating income of \$75,363 for the current six month period compared to operating income of \$21,474 for the six month period ended February 29, 2012.

Gross margin for the six month period ended February 28, 2013 was 18.8% compared to 18.7% for the six months ended February 29, 2012.

Operating expenses declined slightly by \$42,894 to \$2,679,231 in the six month period ended February 28, 2013 from \$2,722,125 in the six month period ended February 29, 2012. Selling, General and Administrative Expenses declined by \$84,962 to \$803,982 from \$888,944. Wages and Employee Benefits rose by \$45,867 to \$1,753,553 from \$1,707,686. Depreciation and Amortization decreased by \$3,799 to \$121,696 from \$125,495.

Other items in the current six month period ended February 28, 2013 included the gain on sale of property, plant and equipment of \$353,852 from the sale of approximately 1.64 acres of land to the State of Oregon. In the six months ended February 29, 2012, the Company recorded the reversal of Litigation Reserves of \$1,443,629 due to the favorable decision for the Company from the Oregon Supreme Court in the Company's lawsuit filed in relation to the acquisition of inventory by Greenwood Products.

Income tax expense in the current six month period was \$856,834 compared to \$927,193 in the six months ended February 29, 2012. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect.

Net income for the six months ended February 28, 2013 was \$1,271,377, or \$0.81 per basic and diluted share, compared to net income of \$1,351,807, or \$0.73 per basic and diluted share, for the six months ended February 29, 2012. The net income per share in both periods was positively affected by one-time gains, including the sale of property in the current six month period and the reversal of the litigation reserve in the year-ago six month period. The per share income was also positively affected by the lower average number of common shares outstanding in the current period due to the Company's repurchases of common shares.

LIQUIDITY AND CAPITAL RESOURCES

As of February 28, 2013, the Company had working capital of \$16,395,275 compared to working capital of \$14,930,305 as of August 31, 2012, an increase of \$1,464,970. The largest differences in individual components in working capital during the period were a \$2,966,800 decrease in cash due to an increase in prepaid expenses and decrease in accounts payable; a \$4,202,382 increase in accounts receivable due to the seasonal cycle of sales to customers and the related timing of cash receipts; a decrease of \$1,393,096 in inventory and an increase of \$1,041,955 in prepaid expenses, which is largely related to down payments for future inventory purchases; and a decrease of \$20,000 in note receivable as the remaining balance of the note was repaid during the period. Accounts payable declined by \$244,691 due to the seasonal cycle of payments to inventory suppliers; Accrued liabilities fell by \$51,434. Accrued income taxes declined by \$37,203 due to the timing of estimated tax payments, and litigation reserve declined by \$13,249 as differences in interest rates resulted in a reduction in the amount reserved.

As of February 28, 2013, accounts receivable and inventory represented 68% of current assets and 61% of total assets. For the three months ended February 28, 2013, the accounts receivable collection period, or DSO, was 46 compared to 31 for the three months ended February 29, 2012. For the six month period ended February 28, 2013, the DSO was 56 compared to 38 from the six months ended February 29, 2012. Inventory turnover for the three months ended February 28, 2013 was 44 days compared to 71 days for the three months ended February 29, 2012. For the six months ended February 28, 2013, inventory turnover was 61 days compared to 73 days for the six months ended February 29, 2012.

External sources of liquidity include a line of credit from U.S. Bank of \$5,000,000 of which the Company had not borrowed against at February 28, 2013. 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 February 28, 2013, the one month LIBOR rate plus 200 basis points was 2.20% (0.20% + 2.00%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

The Company has been utilizing its cash position by repurchasing common shares under 10b5-1 plans in order to increase shareholder value. During the first six months of fiscal 2013 ended February 28, 2013, the Company repurchased and cancelled 407 common shares at a total cost of \$4,884, which represents an average price of \$12.00 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.

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 3,896 shares for the six months ended February 28, 2013. With this limited trading volume, investors could find it difficult to purchase or sell our common stock.

Risks Related to Our Business

We could experience a decrease in the demand for our products resulting in lower sales volumes, which would give us less capital with which to operate.

In the past we have at times experienced decreasing products sales with certain customers. The reasons for this can be generally attributed to factors such as competition, wood products prices, and 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 and could not be replaced.

For the six months ended February 28, 2013, our top ten customers represented 65% 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 home improvement, marine, and agricultural 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 February 28, 2013. 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 equivalents 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.

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) Greenwood Products

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 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 is 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 in fiscal 2011 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 quarter.

b) Oregon Department of Transportation

In January 2013, the Company's subsidiary Jewett-Cameron Lumber Corporation reached a settlement with the State of Oregon Department of Transportation in the Circuit Court of the State of Oregon for Washington County, Case No. C122901CV. Under the settlement agreement, the Company agreed to sell approximately 1.64 acres of land to the Department of Transportation for \$410,000. The land had a cost basis of \$56,148, and the Company recorded a gain on sale of property plant and equipment of \$353,852 during the 2nd quarter of fiscal 2013 ended February 28, 2013.

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

- 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)

April 15, 2013

/s/ "Donald M. Boone"
Donald M. Boone, President/CEO/Director

April 15, 2013

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