UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MAY 31, 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	**NONE**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
32275 N.W. Hillcrest, North Plains, Oregon	**97133**
(Address Of Principal Executive Offices)	(Zip Code)

(503) 647-0110

(Registrant's Telephone Number, Including Area Code)

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. **[X] Yes** [ ] No

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller Reporting Company [X]

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

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 July 11, 2012.

Jewett-Cameron Trading Company Ltd.

Index to Form 10-Q

PART I – FINANCIAL INFORMATION

PART II – OTHER INFORMATION

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

JEWETT-CAMERON TRADING COMPANY LTD.

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

MAY 31, 2012

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

	May 31, 2012	August 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,639,288	$ 6,774,127
Accounts receivable, net of allowance of $2,852 (August 31, 2011 - $Nil)	5,173,954	3,897,086
Inventory, net of allowance of $181,960 (August 31, 2011 - $204,860) (note 3)	4,998,450	5,815,593
Note receivable	61,500	41,500
Prepaid expenses	1,707,970	848,341
Prepaid income taxes	-	682,527
Total current assets	16,581,162	18,059,174
Property, plant and equipment, net (note 4)	1,758,584	1,850,037
Intangible assets, net (note 5)	464,707	510,771
Deferred income taxes (note 6)	155,810	157,862
Total assets	$ 18,960,263	$ 20,577,844

- Continued -

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

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

	May 31, 2012	August 31, 2011
Continued		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 677,042	$ 519,265
Litigation reserve (note 12(a))	177,552	1,627,915
Accrued liabilities	1,199,343	941,846
Accrued income taxes	204,170	-
Total current liabilities	2,258,107	3,089,026
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, 2011 - 1,908,457)	1,479,721	1,801,043
Additional paid-in capital	600,804	600,804
Retained earnings	14,621,631	15,086,971
Total stockholders' equity	16,702,156	17,488,818
Total liabilities and stockholders' equity	$ 18,960,263	$ 20,577,844

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 May 31,		Nine Month Periods to May 31,	
	2012	**2011**	**2012**	**2011**
SALES	$ 16,113,435	$ 12,913,331	$ 35,105,842	$ 30,858,396
COST OF SALES	13,306,308	10,483,142	28,741,219	24,856,594
GROSS PROFIT	2,807,127	2,430,189	6,364,623	6,001,802
OPERATING EXPENSES				
Selling, general and administrative expenses	233,947	399,226	1,122,892	1,297,627
Depreciation and amortization	61,279	65,296	186,773	196,430
Wages and employee benefits	955,702	929,882	2,663,388	2,637,929
	1,250,928	1,394,404	3,973,053	4,131,986
Income from operations	1,556,199	1,035,785	2,391,570	1,869,816
OTHER ITEMS				
Loss on sale of property, plant and equipment	-	(6,988)	-	(2,652)
Interest and other income	7,234	-	7,234	23
Interest expense	(743)	(16,333)	(743)	(424,344)
Litigation gain (loss) (Note 12(a))	-	-	1,443,629	(962,137)
	6,491	(23,321)	1,450,120	(1,389,110)
Income before income taxes	1,562,690	1,012,464	3,841,690	480,706
Income taxes	625,600	408,140	1,552,793	225,768
Net income	$ 937,090	$ 604,324	$ 2,288,897	$ 254,938
Basic earnings per common share	$ 0.59	$ 0.30	$ 1.29	$ 0.12
Diluted earnings per common share	$ 0.59	$ 0.30	$ 1.29	$ 0.12
Weighted average number of common shares outstanding:				
Basic	1,599,851	2,002,355	1,773,859	2,108,585
Diluted	1,599,851	2,002,355	1,773,859	2,108,585

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, 2009	2,390,977	$ 2,256,112	$ 600,804	$ 15,755,990	$ 18,612,906
Shares repurchased and cancelled (note 9)	(79,040)	(74,298)	-	(474,853)	(549,151)
Net income	-	-	-	1,982,814	1,982,814
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	-	-	-	2,288,897	2,288,897
May 31, 2012	1,567,971	$ 1,479,721	$ 600,804	$ 14,621,631	$ 16,702,156

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 Ended May 31,		Nine Month Periods Ended May 31,	
	2012	**2011**	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 937,090	$ 604,324	$ 2,288,897	$ 254,938
Items not involving an outlay of cash:				
Depreciation and amortization	61,279	65,296	186,773	196,430
Loss on sale of property, plant and equipment	-	6,988	-	2,652
Deferred income tax expense (recovery)	495	(4,650)	2,052	3,582
Changes in non-cash working capital items:				
(Increase) decrease in accounts receivable	(1,219,911)	1,385,839	(1,276,868)	(677,014)
(Increase) decrease in inventory	1,484,917	(258,197)	817,143	(611,574)
(Increase) in note receivable	-	-	(20,000)	-
(Increase) decrease in prepaid expenses	(506,245)	16,706	(859,629)	(87,764)
(Increase) decrease in prepaid income taxes	-	(88,551)	682,527	(647,530)
Decrease in taxes receivable	-	200,941	-	-
(Decrease) increase in accounts payable and accrued liabilities	(16,511)	(93,442)	(1,035,089)	1,905,884
(Decrease) increase in accrued income taxes	(24,188)	-	204,170	-
Net cash provided by operating activities	716,926	1,835,254	989,976	339,604
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(5,675)	(25,553)	(36,206)	(61,122)
Purchase of intangible assets and other			(13,050)	
Proceeds from sale of property, plant and equipment	-	-	-	5,450
Net cash used in investing activities	(5,675)	(25,553)	(49,256)	(55,672)
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of common stock	(382,510)	(911,126)	(3,075,559)	(3,361,970)
Net cash used in financing activities	(382,510)	(911,126)	(3,075,559)	(3,361,970)
Net increase (decrease) in cash and cash equivalents	328,741	898,575	(2,134,839)	(3,078,038)
Cash and cash equivalents, beginning of period	4,310,547	4,733,701	6,774,127	8,710,314
Cash and cash equivalents, end of period	$ 4,639,288	$ 5,632,276	$ 4,639,288	$ 5,632,276

Supplemental disclosure with respect to cash flows (note 15)

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

1. NATURE OF OPERATIONS

Jewett-Cameron Trading Company Ltd. was incorporated in British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation ("JCLC"), incorporated September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. 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 May 31, 2012 and August 31, 2011 and its results of operations and cash flows for the three and nine month periods ended May 31, 2012 and May 31, 2011 in accordance with U.S. GAAP. Operating results for the three and nine month periods ended May 31, 2012 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2012.

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.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Cash and cash equivalents

The Company considers cash and cash equivalents to be highly liquid in nature. At May 31, 2012, cash and cash equivalents were $4,639,288 compared to $6,774,127 at August 31, 2011.

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 69 months and 81 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. Any amounts expressed in Canadian dollars are indicated as such.

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

Earnings per share

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

The earnings per share data for the periods ended on May 31, 2012 and May 31, 2011 are as follows:

	Three Month Periods Ended May 31,		Nine Month Periods Ended May 31,	
	2012	2011	2012	2011
Net income	$ 937,090	$ 604,324	$ 2,288,897	$ 254,938
Basic weighted average number of common shares outstanding	1,599,851	2,002,355	1,773,859	2,108,585
Effect of dilutive securities Stock options	-	-	-	-
Diluted weighted average number of common shares outstanding	1,599,851	2,002,355	1,773,859	2,108,585

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.

(Expressed in U.S. Dollars)

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 nine month period ended May 31, 2012, and there were no options outstanding on May 31, 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 and cash equivalents - the carrying amount approximates fair value because the amounts consist of cash held at a bank and cash held in short term investment accounts.

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

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 May 31, 2012 and August 31, 2011 follows:

	May 31, 2012		**August 31, 2011**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	$4,639,288	$4,639,288	$6,774,127	$6,774,127
Accounts receivable	5,173,954	5,173,954	3,897,086	3,897,086
Note receivable	61,500	61,500	41,500	41,500
Accounts payable and accrued liabilities	1,876,385	1,876,385	1,461,111	1,461,111

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 May 31, 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 situations where there is little, if any, market activity for the asset:

	May 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 4,639,288	$ 4,639,288	$ —	$ —

The fair values of cash and cash equivalents 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, products sold and collection of the amounts is reasonably assured.

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 January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Improving Disclosures about Fair Value Measurements," which amends existing disclosure requirements under ASC 820. ASU No. 2010-06 requires new disclosures for significant transfers between Levels 1 and 2 in the fair value hierarchy and separate disclosures for purchases, sales, issuances, and settlements in the reconciliation of activity for Level 3 fair value measurements. This ASU also clarifies the existing fair value disclosures regarding the level of disaggregation and the valuation techniques and inputs used to measure fair value. ASU No. 2010-06 will only impact disclosures and is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures on purchases, sales, issuances and settlements in the roll forward of activity for Level 3 fair value measurements. Those disclosures are effective for interim and annual periods beginning after December 15, 2010. Other than requiring additional disclosures, adoption of this new guidance did not have and is not expected to have a material impact on the Company's financial statements.

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 a material impact on the Company's 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 a material impact on the Company's 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 a material impact on the Company's consolidated financial statements.

(Expressed in U.S. Dollars)

3. INVENTORY

A summary of inventory is as follows:

	May 31, 2012	August 31, 2011
Wood products and metal products	$ 4,188,962	$ 4,926,121
Industrial tools	575,954	456,523
Agricultural seed products	233,534	432,949
	$ 4,998,450	$ 5,815,593

4. PROPERTY, PLANT AND EQUIPMENT

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

	May 31, 2012	August 31, 2011
Office equipment	$ 613,711	$ 612,709
Warehouse equipment	1,171,206	1,136,002
Buildings	2,339,815	2,339,815
Land	615,213	615,213
	4,739,945	4,703,739
Accumulated depreciation	(2,981,361)	(2,853,702)
Net book value	$ 1,758,584	$ 1,850,037

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.

(Expressed in U.S. Dollars)

5. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	May 31, 2012	**August 31, 2011**
Patent	$ 850,000	$ 850,000
Other	43,655	30,605
	893,655	880,605
Accumulated amortization	(428,948)	(369,834)
Net book value	$ 464,707	$ 510,771

6. DEFERRED INCOME TAXES

Deferred income tax assets as of May 31, 2012 of $155,810 (August 31, 2011 - $157,862) 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 May 31, 2012 or August 31, 2011.

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 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.

9. CANCELLATION OF CAPITAL STOCK (cont'd…)

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.

During the 4th quarter of Fiscal 2010, the Company re-purchased and cancelled a total of 79,040 shares of its common stock under a 10b5-1 share re-purchase plan. The total cost was $549,151 at an average share price of $6.95 per share. The premium paid to acquire these shares over their per share book value in the amount of $474,853 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 Toronto Stock Exchange ("TSX"), 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 May 31, 2012 and August 31, 2011.

(Expressed in U.S. Dollars)

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 $141,518 and $146,677 for the fiscal years ended August 31, 2011 and 2010, respectively, and is included in wages and employee benefits. The ESOP shares are as follows:

	May 31, 2012	**August 31, 2011**
Shares owned by ESOP	Nil	224,939

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 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 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.

(Expressed in U.S. Dollars)

12. CONTINGENT LIABILITIES AND COMMITMENTS (cont'd…)

During the third quarter of fiscal 2012 ended May 31, 2012, the Company recorded $6,734 of Interest Income due to the favorable difference in interest rates between the judgements.

A summary of the litigation reserve is as follows:

	May 31, 2012	August 31, 2011
Litigation loss	$ -	$ 962,137
Litigation reserve	184,286	225,000
Interest expense	-	440,778
Interest income	(6,734)	-
Total	$ 177,552	$ 1,627,915

b) At May 31, 2012 and August 31, 2011, 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.

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 nine month periods ended May 31, 2012 and 2011:

	2012		**2011**	
Sales to unaffiliated customers:				
Industrial wood products	$ 5,700,139		$ 6,038,169	
Lawn, garden, pet and other	22,874,080		19,378,907	
Seed processing and sales	4,452,635		3,974,494	
Industrial tools and clamps	2,078,988		1,466,826	
	$ 35,105,842		$ 30,858,396	
Income (loss) before income taxes:				
Industrial wood products	$ (150,505)		$ (359,134)	
Lawn, garden, pet and other	2,375,934	*	2,031,644	*
Seed processing and sales	116,771		200,501	
Industrial tools and clamps	108,239		77,694	
Unallocated overhead	(59,112)		(83,466)	
	$ 2,391,327		$ 1,867,239	

(Expressed in U.S. Dollars)

13. SEGMENT INFORMATION (cont'd…)

Identifiable assets:		
Industrial wood products	$ 2,181,410	$ 2,046,179
Lawn, garden, pet and other	15,561,693	16,997,153
Seed processing and sales	388,133	704,261
Industrial tools and clamps	786,072	668,139
Unallocated overhead	42,955	41,853
	$ 18,960,263	$ 20,457,585
Depreciation and amortization:		
Industrial wood products	$ 1,209	$ 1,335
Lawn, garden, pet and other	168,711	178,013
Seed processing and sales	13,198	15,177
Industrial tools and clamps	3,655	1,905
	$ 186,773	$ 196,430
Capital expenditures:		
Industrial wood products	$ -	$ -
Lawn, garden, pet and other	23,721	27,142
Seed processing and sales	2,485	33,980
Industrial tools and clamps	10,000	-
	$ 36,206	$ 61,122
Interest expense:		
Lawn, garden, pet and other	$ 743	$ 424,344

* For comparability purposes, the 2012 amount excludes reversal of litigation reserve of $1,443,629 and related interest of $6,734. The 2011 amount excludes one-time charges for litigation reserve of ($962,137) and related interest of ($424,396).

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the nine months ended May 31, 2012 and 2011:

	2012	**2011**
Sales	$ 11,743,006	$ 9,797,366

The Company conducts business primarily in the United States, but also has limited amounts of sales in foreign countries. The following table lists sales by country for the nine months ended May 31, 2012 and 2011:

	2012	**2011**
United States	$ 31,908,507	$ 27,300,354
Canada	1,831,358	2,261,451
Mexico	944,623	351,728
Europe	341,925	394,502
Asia/Pacific	79,429	488,705
Africa	-	34,381
South America	-	27,275
	$ 35,105,842	$ 30,838,396

All of the Company's significant identifiable assets were located in the United States as of May 31, 2012 and 2011.

(Expressed in U.S. Dollars)

14. CONCENTRATIONS

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with a high quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated geographically in the United States amongst a small number of customers. At May 31, 2012, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 62%. At May 31, 2011, two customers accounted for accounts receivable greater than 10% of total accounts receivable at a combined total of 50%. The Company controls credit risk through credit approvals, credit limits, credit insurance and monitoring procedures. The Company performs credit evaluations of its commercial customers but generally does not require collateral to support accounts receivable.

Volume of business

The Company has concentrations in the volume of purchases it conducts with its suppliers. For the nine months ended May 31, 2012, there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to $12,693,623. For the nine months ended May 31, 2011, there were three suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to $12,180,611.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Three Month Periods Ended May 31		Nine Month Periods Ended May 31	
	2012	2011	2012	2011
Cash paid during the periods for:				
Interest	$ 743	$ -	$ 743	$ -
Income taxes	$ 633,435	$ 300,400	$ 633,435	$ 859,379

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

16. SUBSEQUENT EVENTS

Subsequent to the end of the period, on June 1, 2012, the Company acquired the land and fixed assets previously owned by Manning Lumber Company located in Manning, Oregon for $250,000 cash. The Company is currently negotiating an operating lease with an outside party.

Subsequent to the end of the period, the Company's Board of Directors has announced that it is evaluating the Company's dual listing status, and is considering dropping its Toronto Stock Exchange (TSX) listing.

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

These unaudited financial statements are those of the Company and its wholly owned subsidiaries. In the opinion of management, the accompanying Consolidated Financial Statements of Jewett-Cameron Trading Company Ltd., contain all adjustments, consisting only of normal recurring adjustments, necessary to fairly state its financial position as of May 31, 2012 and August 31, 2011 and its results of operations and cash flows for the nine month periods ended May 31, 2012 and 2011 in accordance with U.S. GAAP. Operating results for the three and nine month periods ended May 31, 2012 are not necessarily indicative of the results that may be experienced for the full fiscal year ending August 31, 2012.

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 and other specialty building 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, a proprietary gate support system, 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 large 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 May 31, 2012 and May 31, 2011

For the three months ended May 31, 2012, sales totaled $16,113,435, an increase of $3,200,104 compared to sales of $12,913,331 for the three months ended May 31, 2011. The increase is due to higher sales for JCLC, JCSC and MSI.

Sales at Greenwood $1,992,944 for the three months ended May 31, 2012 compared to sales of $2,087,735 for the three months ended May 31, 2011, which was a decrease of $94,791 or 5%. Demand from the boat manufacturing industry remains weak. The Company is developing new relationships in other industries which has helped overall sales, while the Company maintains a readiness to participate when the boat manufacturing market rebounds. Operating loss before taxes at Greenwood was ($28,747) for the three months ended May 31, 2012, which was an improvement of $87,231 from the loss of ($115,978) recorded in the same period a year ago. This primarily reflects management's continuing efforts to cut Greenwood's operating costs in line with the current level of sales.

Sales at JCLC for the three month ended May 31, 2012 were $11,923,892 compared to sales of $8,671,579 for the three months ended May 31, 2011. This represents an increase of $3,252,313, or 37.5%. Operating income before taxes was $1,479,190, which was an increase of $447,082 compared to operating income of $1,032,108 in the year-ago quarter. The increase in sales is due to many consumers redirecting their vacation time and money into their homes and pets, which is reflected in more home improvement projects and pet amenities. The Company has also had successful test marketing on several new products, some of which began shipping to customers in the current quarter. The increase in operating income was due to the higher sales, although the Company is still experiencing higher raw material and transportation costs which has severely limited the margin improvement.

Sales at JCSC were $1,192,099 for the three month ended May 31, 2012 compared to sales of $1,621,093 for the three months ended May 31, 2011. This represents a decrease of $428,994, or 26%. Operating income before taxes for the current quarter was $3,290 compared to operating income of $87,276 for the year-ago quarter. The decline in operating income was directly attributable to the lower level of sales in the current quarter.

Sales at MSI were $1,004,499 for the three months ended May 31, 2012 compared to sales of $532,924 for the three months ended May 31, 2011, an increase of $471,575, or 88%. Operating income before taxes was $106,358 compared to operating income of $36,870 in the quarter ended May 31, 2011.

Gross margin for the three month period ended May 31, 2012 was 17.4% compared to 18.8% for the three months ended May 31, 2011. The decline was due to increased raw material and transportation costs.

Operating expenses decreased by $143,476 to $1,250,928 for the three month period ended May 31, 2012 from $1,394,404 in the three month period ended May 31, 2011. Selling, General and Administrative Expenses decreased by $165,279 from $399,226 as management worked to control sales costs which was aided by an increase in sales to existing customers. Wages and Employee Benefits rose slightly to $955,702 from $929,882 in the year ago period. Depreciation and Amortization declined $4,017 to $61,279 from $65,296.

Income tax expense for the three month period ended May 31, 2012 was $625,600 compared to $408,140 for the three month period ended May 31, 2011. 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 three month period ended May 31, 2012 was $937,090, or $0.59 per share, compared to net income of $604,324, or $0.30 per share, for the three month period ended May 31, 2011. The increase in earnings per share was due to the higher net income as well as a reduction in the weighted average number of common shares outstanding as a result of the repurchase and cancellation of common shares by the Company.

Nine Months Ended May 31, 2012 and May 31, 2011

For the nine months ended May 31, 2012, sales increased $4,247,446 to $35,105,842 from $30,858,396 for the nine months ended May 31, 2011. The increase primarily reflects higher sales at Jewett Cameron Lumber.

Sales at Greenwood were $5,700,139 for the nine months ended May 31, 2012 compared to sales of $6,038,169 for the nine months ended May 31, 2011. This is a decrease of $338,030, or 6%. Sales to boat manufacturers represented approximately 17% of Greenwood's total sales for the nine months ended May 31, 2012, and demand from these kinds of customers has been severely affected by weak economic conditions. Boat manufacturers continue to work down excess inventory accumulated over the 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. In the meantime, we have been searching for alternative uses for our industrial wood products and developing new customer relationships. Greenwood reported an operating loss before taxes of ($131,191) compared to a loss of ($359,134) for the nine months ended May 31, 2011.

Sales at JCLC were $22,874,080 for the nine months ended May 31, 2012 compared to sales of $19,378,907 for the nine months ended May 31, 2011. This represents an increase of $3,495,173, or 18%. The increase in sales was due to several factors. Many current products are increasing their market share with existing customers due to our sales efforts and the Company being recognized as a reliable and valued supplier, while some new products began shipping in the 3rd quarter. Also, many consumers are employing a "staycation" approach which has resulted in increased spending on home and backyard projects, which includes their pets. Therefore, many customers have expanded their pet product lines. Operating income before taxes and items rose to $2,310,720 from $2,031,644 in the nine months ended May 31, 2011. The Company's margins continue to be negatively impacted by higher material and transportation costs. 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 $4,452,635 for the nine months ended May 31, 2012 compared to sales of $3,974,494 for the nine months ended May 31, 2011, which was an increase of $478,141, or 12%. 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 recent surpluses and wholesale prices. However, overall demand remains relatively weak, primarily from the new home construction and golf course industry in North America. Operating income before taxes for the current nine month period was $142,578 which was a decrease of $57,923 compared to operating income of $200,501 in the prior year’s nine month period.

Sales at MSI were $2,078,988 for the nine month ended May 31, 2012 compared to sale of $1,466,826 for the nine months ended May 31, 2011, which was an increase of $612,162, or 42%. Operating income before taxes for the current nine month period was $127,832 compared to operating income $77,694 in the nine months ended May 31, 2011.

Gross margin for the nine month period ended May 31, 2012 was 18.1% compared to 19.4% for the nine months ended May 31, 2011. The overall gross margin in the current nine month period has been negatively impacted by higher material costs and transportation costs.

Operating expenses for the current nine month period decreased by $158,933, or 3.8%, to $3,973,053 compared to expenses of $4,131,986 for the nine month period ended May 31, 2011. Selling, General and Administrative expenses fell to $1,122,892 from $1,297,627 as higher sales to existing customers aided management's efforts to control costs. Wages and Employee Benefits were relatively unchanged at $2,663,388 in the current nine month period compared to $2,637,929 in the nine months ended May 31, 2011. Depreciation and Amortization declined slightly to $186,773 from $196,430 recorded in the prior nine month period.

Other items in the nine month period ended May 31, 2012 included 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. This reversal has been treated as a one-time gain and contributed to the Company's higher income tax expense and net income for the current nine month period. In the prior nine month period ended May 31, 2011, the Company recorded Litigation Reserve of $962,137 and Interest Expense of $424,344 while the Company appealed the original adverse decision to the Oregon Supreme Court. The Company also recorded Interest and Other Income of $7,234 in the current nine month period, primarily related to the favorable difference in interest rates between the two judgments. Income tax expense in the current nine month period was $1,552,793 compared to income tax expense of $225,768 for the nine months ended May 31, 2011. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect.

Including the positive effects of the reversal of the litigation reserve, net income was $2,288,897, or $1.29 per basic and diluted share, in the current nine month period ended May 31, 2012. In the nine month period ended May 31, 2011, the Company’s net income of $254,938, or $0.12 per basic and diluted share, was negatively affected by the litigation reserve. The earnings per share in the current period was also favorably affected by lower weighted average number of common shares outstanding during the period due to the repurchase and cancellation of common shares by the Company.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2012, the Company had working capital of $14,323,055 compared to working capital of $14,970,148 as of August 31, 2011. This represents a decrease of $647,093, as the positive reversal of the litigation reserve of $1,450,363 was more than offset by the repurchase of 340,486 common shares at a total cost of $3,075,559, all of which was funded from existing cash balances. The largest differences in individual components of working capital during the period were a $2,134,839 decrease in cash and cash equivalents; a $1,276,868 increase in accounts receivable and a $817,143 decrease in inventory, which were due to the Company's higher level of sales; a $20,000 increase in Note receivable; an increase of $859,629 in prepaid expenses; a decrease of $682,527 in prepaid income taxes; an increase of $157,777 in accounts payable; an increase of $257,497 in accrued liabilities; an increase in accrued income taxes of $204,170; and the decrease in litigation reserve of $1,450,363 due to the favorable ruling by the Oregon Supreme Court.

As of May 31, 2012, accounts receivable and inventory represented 61.3% of current assets and 53.7% of total assets. For the three months ended May 31, 2012, the accounts receivable collection period or DSO was 30 compared to 32 for the three months ended May 31, 2011. For the nine months ended May 31, 2012 the DSO was 40 compared to 40 for the nine months ended May 31, 2011. Inventory turnover for the three months ended May 31, 2012 was 40 days compared to 59 days for the three months ended May 31, 2011. For the nine month period ended May 31, 2012, inventory turnover was 52 days compared to 72 days for the nine month period ended May 31, 2011.

External sources of liquidity include a line of credit from U.S. Bank of $5,000,000. At May 31, 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 May 31, 2012, the one month LIBOR rate plus 200 basis points was 2.24% (0.24% + 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 authorized by the Company's' Board of Directors in order to increase shareholder value. In the nine month period ended May 31, 2012, the Company repurchased and cancelled a total of 340,486 common shares at a total cost of $3,075,559, which represents an average cost of $9.03. During fiscal 2011, the Company repurchased and cancelled 403,480 common shares at a total cost of $3,460,145, which represents an average price of $8.58 per share. On May 11, 2012, the Company announced the successful completion and early termination of its 10b5-1 share repurchase plan previously announced on January 17, 2012. As part of its ongoing consideration of alternative ways to leverage the Company's strong cash position, the Board of Directors is evaluating the implementation of another 10b5-1 share repurchase plan.

Subsequent to the end of the period, on June 1, 2012 the Company acquired the land and fixed assets previously owned by Manning Lumber Company located in Manning, Oregon for $250,000 cash. The company is currently negotiating an operating lease with an outside party.

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 and on the TSX Exchange in Toronto, Ontario, Canada. On NASDAQ the average daily trading volume for the nine month period ended May 31, 2012 was approximately 3,244 shares. Trading volume on the TSX Exchange was significantly less than on NASDAQ. With this limited trading volume, investors could find it difficult to purchase or sell the Company's 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 nine months ended May 31, 2012, our top ten customers represented 64% 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. 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 million of which there is no borrowing balance. 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. Based on this process we did not identify any material weaknesses. Although we believe our internal controls are operating effectively, we cannot guarantee that in the future we will not identify any material weaknesses in connection with this ongoing process.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company does not have any derivative financial instruments as of May 31, 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 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

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 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 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 period. During the 3rd quarter of fiscal 2012 ended May 31, 2012, the Company recorded $6,734 of interest income as a result of the favorable difference in interest rates between the two judgments.

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
---No Disclosure Required---

Item 3. Defaults Upon Senior Securities
---No Disclosure Required---

Item 4. Mine Safety Disclosures
---No Disclosure Required---

Item 5. Other Information
---No Disclosure Required---

Item 6. Exhibits
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

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)

July 11, 2012

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

July 11, 2012

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