UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MAY 31, 2014**

☐ 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. ☒ **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 ☒

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 – 2,749,678 common shares as of July 14, 2014.

Jewett-Cameron Trading Company Ltd.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

JEWETT-CAMERON TRADING COMPANY LTD.

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

May 31, 2014

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

	May 31, 2014	August 31, 2013
ASSETS		
Current assets		
Cash	$ 4,240,397	$ 8,308,445
Accounts receivable, net of allowance of $Nil (August 31, 2013 - $Nil)	4,923,144	3,344,777
Inventory, net of allowance of $115,426 (August 31, 2013 - $134,259) (note 3)	7,245,395	8,520,991
Note receivable	15,000	15,000
Prepaid expenses	1,326,824	587,609
Prepaid income taxes	317,445	270,423
Total current assets	18,068,205	21,047,245
Property, plant and equipment, net (note 4)	2,177,368	2,241,950
Intangible assets, net (note 5)	314,133	368,662
Total assets	$ 20,559,706	$ 23,657,857

- 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, 2014	August 31, 2013
Continued		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 962,733	$ 1,715,458
Litigation reserve (note 13(a))	124,121	144,103
Accrued liabilities	1,127,861	1,149,882
Total current liabilities	2,214,715	3,009,443
Deferred tax liability (note 6)	44,382	50,393
Total liabilities	2,259,097	3,059,836
Contingent liabilities and commitments (note 13)		
Stockholders' equity		
Capital stock (note 8)		
Authorized		
21,567,564 common shares, without par value		
10,000,000 preferred shares, without par value		
Issued		
2,749,678 common shares (August 31, 2013 - 3,134,936)	1,297,457	1,479,246
Additional paid-in capital	600,804	600,804
Retained earnings	16,402,348	18,517,971
Total stockholders' equity	18,300,609	20,598,021
Total liabilities and stockholders' equity	$ 20,559,706	$ 23,657,857

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

JEWETT-CAMERON TRADING COMPANY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)
(Prepared by Management)
(Unaudited)

	Three Month Period Ended May 31,		Nine Month Period Ended May 31,	
	2014	**2013**	**2014**	**2013**
SALES	$ 15,335,570	$ 15,051,509	$ 33,074,500	$ 38,575,738
COST OF SALES	12,384,976	12,021,388	26,516,458	31,114,942
GROSS PROFIT	2,950,594	3,030,121	6,558,042	7,460,796
OPERATING EXPENSES				
Selling, general and administrative expenses	402,013	372,191	1,240,800	1,176,173
Depreciation and amortization	73,145	66,735	212,694	188,431
Wages and employee benefits	922,899	904,687	2,599,270	2,658,240
	1,398,057	1,343,613	4,052,764	4,022,844
Income from operations	1,552,537	1,686,508	2,505,278	3,437,952
OTHER ITEMS				
Gain on sale of property, plant and equipment	-	-	4,109	353,852
Interest and other income	6,734	6,734	20,008	30,049
Interest expense	-	-	-	(400)
	6,734	6,734	24,117	383,501
Income before income taxes	1,559,271	1,693,242	2,529,395	3,821,453
Income tax expense	(622,942)	(674,678)	(1,023,089)	(1,531,512)
Net income	$ 936,329	$ 1,018,564	$ 1,506,306	$ 2,289,941
Basic earnings per common share	$ 0.33	$ 0.32	$ 0.50	$ 0.73
Diluted earnings per common share	$ 0.33	$ 0.32	$ 0.50	$ 0.73
Weighted average number of common shares outstanding:				
Basic	2,866,273	3,135,128	3,042,692	3,135,641
Diluted	2,866,273	3,135,128	3,042,692	3,135,641

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

JEWETT-CAMERON TRADING COMPANY LTD.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)
(Prepared by Management)
(Unaudited)

	Capital Stock				
	Number of Shares	Amount	Additional paid-in capital	Retained earnings	Total
August 31, 2011	3,816,914	$ 1,801,043	$ 600,804	$ 15,086,971	$ 17,488,818
Shares repurchased and cancelled (note 9)	(680,972)	(321,322)	-	(2,754,237)	(3,075,559)
Net income	-	-	-	3,059,931	3,059,931
August 31, 2012	3,135,942	1,479,721	600,804	15,392,665	17,473,190
Shares repurchased and cancelled (note 9)	(1,006)	(475)	-	(6,713)	(7,188)
Net income	-	-	-	3,132,019	3,132,019
August 31, 2013	3,134,936	1,479,246	600,804	18,517,971	20,598,021
Shares repurchased and cancelled (note 9)	(385,258)	(181,789)		(3,621,929)	(3,803,718)
Net income	-	-	-	1,506,306	1,506,306
May 31, 2014	2,749,678	$ 1,297,457	$ 600,804	$ 16,402,348	$ 18,300,609

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 Period Ended May 31, 2014	Three Month Period Ended May 31, 2013	Nine Month Period Ended May 31, 2014	Nine Month Period Ended May 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 936,329	$ 1,018,564	$ 1,506,306	$ 2,289,941
Items not involving an outlay of cash:				
Depreciation and amortization	73,145	66,735	212,694	188,431
(Gain) loss on sale of property, plant and equipment	-	-	(4,109)	(353,852)
Deferred income tax expense (recovery)	2,355	594	(6,011)	152,017
Interest income on litigation	(6,734)	(6,734)	(19,982)	(19,982)
Changes in non-cash working capital items:				
(Increase) decrease in accounts receivable	(666,858)	2,474,524	(1,578,367)	(1,727,858)
Decrease in inventory	283,331	1,017,381	1,275,596	2,410,477
(Increase) decrease in note receivable	(15,000)	(15,000)	-	5,000
(Increase) decrease in prepaid expenses	762,010	(459,525)	(739,215)	(1,501,480)
(Increase) decrease in prepaid income taxes	174,587	128,084	(47,022)	(125,868)
Increase (decrease) in accounts payable and accrued liabilities	133,976	(835,443)	(774,746)	(1,131,569)
Decrease in accrued income taxes	-	-	-	(37,203)
Net cash provided by (used in) operating activities	1,677,141	3,389,180	(174,856)	148,054
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(18,899)	(52,889)	(94,274)	(183,679)
Proceeds from sale of property, plant and equipment	-	-	4,800	410,000
Net cash provided by (used in) investing activities	(18,899)	(52,889)	(89,474)	226,321
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of common stock	(3,234,699)	-	(3,803,718)	(4,884)
Net cash used in financing activities	(3,234,699)	-	(3,803,718)	(4,884)
Net increase (decrease) in cash	(1,576,457)	3,336,291	(4,068,048)	369,491
Cash, beginning of period	5,816,854	4,342,588	8,308,445	7,309,388
Cash, end of period	$ 4,240,397	$ 7,678,879	$ 4,240,397	$ 7,678,879

Supplemental disclosure with respect to cash flows (note 16)

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

1. NATURE OF OPERATIONS

Jewett-Cameron Trading Company Ltd. was incorporated in British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation ("JCLC"), incorporated September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. Effective September 1, 2013, the Company reorganized certain of its subsidiaries. JCLC's name was changed to JC USA Inc. ("JC USA"), and a new subsidiary, Jewett-Cameron Company ("JCC"), was incorporated.

JC USA has the following wholly owned subsidiaries: MSI-PRO Co. ("MSI"), incorporated April 1996, Jewett-Cameron Seed Company, ("JCSC"), incorporated October 2000, Greenwood Products, Inc. ("Greenwood"), incorporated February 2002, and Jewett-Cameron Company, incorporated September 2013. Jewett-Cameron Trading Company Ltd. and its subsidiaries (the "Company") have no significant assets in Canada.

The Company, through its subsidiaries, operates out of facilities located in North Plains, Oregon. JCC's business consists of the manufacturing and distribution of 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. JC USA provides professional and administrative services, including accounting and credit services, to its subsidiary companies.

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, 2014 and August 31, 2013 and its results of operations and cash flows for the three and nine month periods ended May 31, 2014 and May 31, 2013 in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP"). Operating results for the three and nine month periods ended May 31, 2014 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2014.

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, JC USA, JCC, MSI, JCSC, and Greenwood, all of which are incorporated under the laws of Oregon, U.S.A.

All inter-company balances and transactions have been eliminated upon consolidation.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into the Company's consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowances for doubtful accounts receivable and inventory obsolescence, possible product liability and possible product returns, and litigation contingencies and claims. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. At May 31, 2014, cash was $4,240,397 compared to $8,308,445 at August 31, 2013. At May 31, 2014 and August 31, 2013, 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 45 months and 57 months, respectively, and are reviewed annually for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost). The Company does not have any significant asset retirement obligations.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

Currency and foreign exchange

These financial statements are expressed in U.S. dollars as the Company's operations are 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.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Earnings per share (cont'd…)

The earnings per share data for the three and nine month period ended May 31, 2014 and May 31, 2013 are as follows:

	Three Month Periods Ended May 31,		Nine Month Periods Ended May 31,	
	2014	2013	2014	2013
Net income	$ 936,329	$ 1,018,564	$ 1,506,306	$ 2,289,941
Basic weighted average number of common shares outstanding	2,866,273	3,135,128	3,042,692	3,135,641
Effect of dilutive securities Stock options	-	-	-	-
Diluted weighted average number of common shares outstanding	2,866,273	3,135,128	3,042,692	3,135,641

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.

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, 2014, and there were no options outstanding on May 31, 2014.

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.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

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, 2014 and August 31, 2013 follows:

	May 31, 2014		August 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$4,240,397	$4,240,397	$8,308,445	$8,308,445
Accounts receivable, net of allowance	4,923,144	4,923,144	3,344,777	3,344,777
Note receivable	15,000	15,000	15,000	15,000
Accounts payable and accrued liabilities	2,090,594	2,090,594	2,865,340	2,865,340

The following table presents information about the assets that are measured at fair value on a recurring basis as of May 31, 2014, 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, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 4,240,397	$ 4,240,397	$ —	$ —

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 period 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.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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, 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.

Reclassifications

Certain reclassifications have been made to prior years' financial statements to conform to the classifications used in the current period. These reclassifications include adjustments to reflect the reorganization of the corporate structure and reporting segments effective September 1, 2013.

Recent Accounting Pronouncements

Management has reviewed the new accounting guidance and determined that there is not a material impact on our financial statements.

3. INVENTORY

A summary of inventory is as follows:

	May 31, 2014	August 31, 2013
Wood products and metal products	$ 6,362,171	$ 7,984,678
Industrial tools	548,166	482,949
Agricultural seed products	335,058	53,364
	$ 7,245,395	$ 8,520,991

(Expressed in U.S. Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

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

	May 31, 2014	August 31, 2013
Office equipment	$ 562,656	$ 565,575
Warehouse equipment	1,465,993	1,431,707
Buildings	2,688,616	2,681,989
Land	761,924	761,924
	5,479,189	5,441,195
Accumulated depreciation	(3,301,821)	(3,199,245)
Net book value	$ 2,177,368	$ 2,241,950

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

5. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	May 31, 2014	August 31, 2013
Patent	$ 850,000	$ 850,000
Other	43,655	43,655
	893,655	893,655
Accumulated amortization	(579,522)	(524,993)
Net book value	$ 314,133	$ 368,662

6. DEFERRED INCOME TAXES

Deferred income tax liability as of May 31, 2014 of $44,382 (August 31, 2013 – $50,393) 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, 2014 or August 31, 2013. At August 31, 2013, the line of credit borrowing limit was $5,000,000. In March 2014, the Company voluntarily elected to reduce the line of credit borrowing limit to $1,000,000.

Bank indebtedness, when it exists, is secured by an assignment of accounts receivable and inventory. Interest is calculated solely on the one month LIBOR rate plus 175 basis points.

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.

Common Stock Split

The Company declared a two for one stock split of its common stock with a record date at the close of business on April 25, 2013. Shareholders received one additional common share for each common share held as of the record date. The stock split was effective as of May 2, 2013. Share and per share data have been retroactively adjusted to reflect the effects of the stock split.

9. CANCELLATION OF CAPITAL STOCK

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

During the 3rd quarter of fiscal 2014 ended May 31, 2014, the Company repurchased and cancelled a total of 327,078 common shares under a 10b5-1 share repurchase plan. The total cost was $3,234,699 at an average price of $9.89 per share. The premium paid to acquire these shares over their per share book value in the amount of $3,080,365 was recorded as a decrease to retained earnings.

During the 2nd quarter of fiscal 2014 ended February 28, 2014, the Company repurchased and cancelled a total of 58,180 common shares under a 10b5-1 share repurchase plan. The total cost was $569,019 at an average price of $9.78 per share. The premium paid to acquire these shares over their per share book value in the amount of $541,564 was recorded as a decrease to retained earnings.

During the 4th quarter of fiscal 2013 ended August 31, 2013, the Company repurchased and cancelled a total of 192 common shares under a 10b5-1 share repurchase plan. The total cost was $2,304 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 $2,213 was recorded as a decrease to retained earnings.

During the 2nd quarter of fiscal 2013 ended February 28, 2013, the Company repurchased and cancelled a total of 814 common shares common shares of its common stock under a 10b5-1 share repurchase plan. The total cost was $4,884 at an average price of $6.00 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 83,798 common shares of its common stock under a 10b5-1 share repurchase plan. The total cost was $382,510 at an average price of $4.56 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.

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

During the 2nd quarter of fiscal 2012 ended February 29, 2012, the Company repurchased and cancelled a total of 497,174 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 $4.50 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 100,000 shares of its common stock under a 10b5-1 share repurchase plan. The total cost was $454,120 at an average share price of $4.54 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 May 31, 2014 and August 31, 2013.

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 was terminated, subject to the approval of the Internal Revenue Service. No further contributions shall be made to the ESOP. On October 18, 2013, the Internal Revenue Service issued a favorable determination letter for the termination of the ESOP, and the Plan has distributed the remaining assets to participants.

ESOP compensation expense was $Nil and $Nil for the fiscal years ended August 31, 2013 and 2012, respectively, and is included in wages and employee benefits. No shares were owned by the ESOP at August 31, 2013 or 2012.

12. PENSION AND PROFIT-SHARING PLANS

The Company has a deferred compensation 401(k) plan for all employees with at least 12 months of service pending a semi-annual enrolment time. The plan allows for a non-elective discretionary contribution based on the first $60,000 of eligible compensation. For the nine month periods ended May 31, 2014 and 2013, the 401(k) compensation expense was $147,685 and $166,224, respectively.

13. 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.

In July 2014, upon remand from the Oregon Supreme Court, the Oregon Court of Appeals has concluded that Greenwood Forest Products, Inc. as defendants are entitled to a new trial, and, as a consequence, 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 is currently assessing the impact of this new ruling, and is evaluating potential next steps. As of the date of this filing, the potential exposure to the Company of this new ruling is $1.8 million (Note 17).

(Expressed in U.S. Dollars)

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

During the year ended August 31, 2013, the Company recorded $26,716 of interest income due to the favorable difference in interest rates between the judgments. During the nine months ended May 31, 2014, the Company recorded $19,982 of interest income.

A summary of the litigation reserve is as follows:

	May 31, 2014	August 31, 2013
Litigation loss	$ -	$ -
Litigation reserve	144,103	170,819
Interest expense	-	-
Interest income	(19,982)	(26,716)
Total	$ 124,121	$ 144,103

b) At May 31, 2014 and August 31, 2013 the Company had an un-utilized line-of-credit (note 7). The line-of-credit has certain financial covenants. The Company is in compliance with these covenants.

14. 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.

Effective September 1, 2013, the Company reorganized certain of its subsidiaries. The majority of fixed and intangible assets, and certain Corporate and administrative functions which were formerly contained within the "Lawn, garden, pet and other" reporting segment are now classified as "Corporate and administrative." The segment information for the nine months ended May 31, 2013 has been restated for comparability purposes.

Following is a summary of segmented information for the nine month periods ended May 31:

	2014	**2013**
Sales to unaffiliated customers:		
Industrial wood products	$ 4,439,588	$ 5,935,267
Lawn, garden, pet and other	25,472,054	26,742,571
Seed processing and sales	2,045,763	4,193,249
Industrial tools and clamps	1,117,095	1,704,651
	$ 33,074,500	$ 38,575,738

(Expressed in U.S. Dollars)

14. SEGMENT INFORMATION (cont'd…)

	2014	2013	
Income (loss) before income taxes:			
Industrial wood products	$ (41,110)	$ (10,469)	
Lawn, garden, pet and other	1,863,335	2,801,768	
Seed processing and sales	48,170	121,749	
Industrial tools and clamps	63,137	110,654	
Corporate and administrative	595,863	443,899	*
	$ 2,529,395	$ 3,467,601	
Identifiable assets:			
Industrial wood products	$ 1,056,139	$ 1,659,045	
Lawn, garden, pet and other	11,037,069	8,785,144	
Seed processing and sales	435,798	111,381	
Industrial tools and clamps	715,657	602,305	
Corporate and administrative	7,315,043	10,428,333	
	$ 20,559,706	$ 21,586,208	
Depreciation and amortization:			
Industrial wood products	$ 735	$ 634	
Lawn, garden, pet and other	36,507	18,901	
Seed processing and sales	9,565	11,549	
Industrial tools and clamps	3,628	4,723	
Corporate and administrative	162,259	152,624	
	$ 212,694	$ 188,431	
Capital expenditures:			
Industrial wood products	$ -	$ 3,602	
Lawn, garden, pet and other	-	-	
Seed processing and sales	-	1,476	
Industrial tools and clamps	1,300	7,379	
Corporate and administrative	92,974	171,222	
	$ 94,274	$ 183,679	
Interest expense:			
Lawn, garden, pet and other	$ -	$ 400	

* For comparability purposes, the 2013 amount excludes gain on sale of property, plant and equipment of $353,852.

(Expressed in U.S. Dollars)

14. SEGMENT INFORMATION (cont'd…)

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, 2014 and 2013:

	2014	2013
Sales	$ 16,443,767	$ 12,475,035

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, 2014 and 2013:

	2014	2013
United States	$ 30,761,104	$ 34,320,602
Canada	686,530	1,889,696
Mexico / Latin America	1,318,436	2,256,420
Europe	183,753	54,615
Asia/Pacific	124,677	54,405
	$ 33,074,500	$ 38,575,738

All of the Company's significant identifiable assets were located in the United States as of May 31, 2014 and 2013.

15. 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 May 31, 2014, three customers accounted for accounts receivable greater than 10% of total accounts receivable at 66%. At May 31, 2013, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 64%. 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, 2014, there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to $12,850,844. For the nine months ended May 31, 2013, there were two suppliers that accounted for greater than 10% of total purchases, and the aggregate purchases amounted to $12,622,276.

(Expressed in U.S. Dollars)

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Certain cash payments for the three and nine months ended May 31, 2014 and 2013 are summarized as follows:

	Three Month Periods Ended May 31		**Nine Month Periods Ended May 31**	
	2014	2013	2014	2013
Cash paid during the periods for:				
Interest	$ -	$ -	$ -	$ 400
Income taxes	$ 446,000	$ 546,000	$ 1,075,824	$ 1,530,812

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

17. SUBSEQUENT EVENTS

The Company received notice in July 2014 in the lawsuit Greenwood Products, Inc. et al v. Greenwood Forest Products, Inc. et al., Case No. 05-02553 (Multnomah County Circuit Court) which involves a Company subsidiary as plaintiff (note 13). Upon remand from the Oregon Supreme Court, the Oregon Court of Appeals has concluded that Greenwood Forest Products, Inc. as defendants are entitled to a new trial. As a consequence, the Court 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 is currently assessing the impact of this new ruling, and is evaluating potential next steps. As of the date of this filing, the potential exposure to the Company of this new ruling is $1.8 million.

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, 2014 and August 31, 2013 and its results of operations and cash flows for the three and nine month periods ended May 31, 2014 and May 31, 2013 in accordance with U.S. GAAP. Operating results for the three and nine month periods ended May 31, 2014 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2014.

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

Effective September 1, 2013, the Company reorganized certain of its subsidiaries. Jewett-Cameron Lumber Corporation (JCLC) was changed to JC USA Inc. (JC USA), which has the following four wholly-owned subsidiaries.

The industrial wood products segment reflects the business conducted by Greenwood Products, Inc. (Greenwood), Greenwood is a processor and distributor of industrial wood products used in a variety of markets and applications, including the marine and transportation markets.

The lawn, garden, pet and other segment reflects the business of the newly incorporated Jewett-Cameron Company (JCC), which is a manufacturer and distributor of specialty metal products and a wholesaler of wood products formerly conducted by JCLC. Wood products include fencing and landscape timbers, while metal products include dog kennels, proprietary gate support systems, perimeter fencing, and greenhouses. JCC uses contract manufacturers to make the specialty metal products. Some of the products that JCC 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). 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). MSI imports and distributes products including pneumatic air tools, industrial clamps, and saw blades; that are primarily sold to retailers that in turn sell to contractors and end users.

RESULTS OF OPERATIONS

Three Months Ended May 31, 2014 and May 31, 2013

For the three months ended May 31, 2014, sales increased by $284,061 to $15,335,570 from sales of $15,051,509 for the three months ended May 31, 2013. This represents an increase of 2%.

Sales at Greenwood were $1,034,638 for the three months ended May 31, 2014 compared to sales of $1,862,740 for the three months ended May 31, 2013, which was a decrease of $828,102, or 44%. Demand for Greenwood's products remained weak, as sales to boat manufactures continue to be severely affected by the downturn in the economy. Boat manufacturers continue to work down excess inventory accumulated over the several years. In February 2014, the Company sold its excess inventory related to the marine industry in an arm's length transaction. The Company does not anticipate a significant marine industry recovery in the near future. Nevertheless, the Company will maintain a readiness to participate in the marine segment when, and if, the market rebounds. Greenwood is continuing to develop new customer relationships and establish additional uses for its products. For the three months ended May 31, 2014, Greenwood had an operating loss of ($8,761), which was an improvement of $12,034 compared to the operating loss of ($20,795) for the three months ended May 31, 2013.

Sales at JCC were $13,542,198 for the three months ended May 31, 2014 compared to sales of $11,737,628 for the three months ended May 31, 2013. This represents an increase of $1,804,570, or 15%. A portion of the increase was due to the shipment of orders that were delayed in the prior quarter by manufacturing constraints. Operating income for current quarter was $1,583,787 compared to operating income of $1,721,414 for quarter ended May 31, 2013. The decrease in income is due to higher raw material prices as well as increases in overall market competitiveness.

Sales at JCSC were $366,902 for the three months ended May 31, 2014 compared to sales of $692,239 for the three months ended May 31, 2013, which was a decrease of $325,337, or 47%. Product seed sales decreased primarily due to the departure of our lead salesman during 2013. Seed cleaning service revenue has declined as more growers have begun to clean in-house. There has also been an overall reduction in grass seed acreage as higher grain prices have encouraged growers to shift acreage to higher margin food crops. Operating loss at JCSC for the quarter was ($56,050) compared to an operating loss of ($49,638) for the prior year's quarter. The higher operating loss was consistent with the decline in sales.

Sales at MSI for the three months ended May 31, 2014 were $391,833, which was a decline of $367,070, or 48%, from sales of $758,903 for the three months ended May 31, 2013. The Company has wound down certain sales programs of its lower margin products and has concentrated on selling its more profitable products. Operating income was $25,149 for the current three month period, which was a decrease of $29,262, or 54%, compared to operating income of $54,411 for the quarter ended May 31, 2013.

Gross margin for the three months ended May 31, 2014 was 19.2% compared to 20.1% for the three months ended May 31, 2013.

Operating expenses increased by $54,444 to $1,398,057 from $1,343,613 for the three months ended May 31, 2013, which was largely due to the higher level of sales for the current quarter. Selling, General and Administrative Expenses rose to $402,013 from $372,191. Wages and Employee Benefits increased to $922,899 from $904,687, and Depreciation and Amortization rose to $73,145 from $66,735.

Income tax expense for the three months ended May 31, 2014 was $622,942 compared to $674,678 for the three month period ended May 31, 2013. 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 May 31, 2014 was $936,329, or $0.33 per basic and diluted share, compared to $1,018,564, or $0.32 per basic and diluted share, for the quarter ended May 31, 2013. The current quarter's earnings per share was positively affected by the repurchase of common shares and lower weighted average number of common shares outstanding.

Nine Months Ended May 31, 2014 and May 31, 2013

For the nine months ended May 31, 2014, sales decreased by $5,501,238, or 14.3%, to $33,074,500 from sales of $38,575,738 in the nine month period ended May 31, 2013.

Sales at Greenwood were $4,439,588 for the nine months ended May 31, 2014 compared to sales of $5,935,268 for the nine months ended May 31, 2013. This represents a decrease of $1,495,680, or 25%. Demand for Greenwood's products remained weak, as sales to boat manufactures continue to be severely affected by the downturn in the economy. Boat manufacturers continue to work down excess inventory accumulated over the several years. In February 2014, the Company sold its excess inventory related to the marine industry in an arm's length transaction. The Company does not anticipate a significant marine industry recovery in the near future. Nevertheless, the Company will maintain a readiness to participate in the marine segment when, and if, the market rebounds. Greenwood is continuing to develop new customer relationships and establish additional uses for its products. The operating loss for Greenwood for the nine months ended May 31, 2014 was ($41,110) compared to an operating loss of ($10,469) for the nine months ended May 31, 2013.

Sales at JCC were $25,472,054 for the nine months ended May 31, 2014 compared to sales of $26,742,571 for the nine months ended May 31, 2013, which was a decrease of $1,270,517, or 5%. Operating income at JCC was $2,480,573 compared to $3,217,884 for the nine months ended May 31, 2013, which was a decrease of $737,311, or 23%. The decline in sales and operating income was due to several factors, including an increase in overall market competitiveness. Raw material prices have risen, resulting in lower margins. Selling expenses have increased in efforts to obtain new business, including trade shows, travel and the addition of one salesman, as the Company has focused its attention on the addition of small and mid-sized customers. The Company has also offered new customers sales incentives including introductory pricing. Overall, the operating results of JCC are seasonal with the first two quarters of the fiscal year being much slower than the final two quarters of the fiscal year.

Sales at JCSC for the nine months ended May 31, 2014 were $2,045,763, which was a decrease of $2,147,486, or 51% from sales of $4,193,249 for the nine months ended May 31, 2013. Product seed sales decreased primarily due to the departure of our lead salesman during 2013. Seed cleaning service revenue has declined as more growers have begun to clean in-house. There has also been an overall reduction in grass seed acreage as higher grain prices have encouraged growers to shift acreage to higher margin food crops. Operating income was $60,984 for the nine months ended May 31, 2014 compared to income of $142,663 for the nine months ended May 31, 2013. The decline in the segment's operating income is consistent with the lower level of sales.

Sales at MSI were $1,117,095 for the nine months ended May 31, 2014, which was a decrease of $587,556, or 34%, from sales of $1,704,651 for the nine months ended May 31, 2013. The Company has wound down certain sales programs of its lower margin products and has concentrated on selling more profitable products. Operating income was $83,336 for the current nine month period compared to operating income of $129,774 for the nine months ended May 31, 2013.

Gross margin for the nine month period ended May 31, 2014 was 19.8% compared to 19.3% for the nine months ended May 31, 2013.

Operating expenses rose slightly by $29,920 to $4,052,764 from operating expenses of $4,022,844 in the nine month period ended May 31, 2013. Selling, General and Administrative Expenses rose to $1,240,800 from $1,176,173. The increase of $64,627 was primarily due to the Company's new sales initiatives and adding small and mid-sized customers at JCC. Wages and Employee Benefits declined by $58,970 to $2,599,270 from $2,658,240, and Depreciation and Amortization rose to $212,694 from $188,431, an increase of $24,263.

Other items in the current nine month period ended May 31, 2014 included the gain on sale of property, plant and equipment of $4,109. During the nine months ended May 31, 2013, results included the one-time gain of $353,852 from the sale of approximately 1.64 acres of land to the State of Oregon.

Income tax expense in the current nine month period was $1,023,089 compared to $1,531,512 for the nine months ended May 31, 2013. The Company estimates income tax expense for the period based on combined federal and state rates that are currently in effect.

Net income for the nine months ended May 31, 2014 was $1,506,306, or $0.50 per basic and diluted share, compared to net income of $2,289,941, or $0.73 per basic and diluted share, for the nine months ended May 31, 2013. The net income in the current period was positively affected by the buyback of common shares which resulted in a lower weighted average number of common shares. The prior year's period was positively affected by the one-time gain of $353,852 from the sale of property.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2014, the Company had working capital of $15,853,490 compared to working capital of $18,037,802 as of August 31, 2013, a decrease of $2,184,312. The decrease was largely due to the repurchase of 385,258 common shares at a cost of $3,803,718, which was partially offset by the net income during the nine month period of $1,506,306. Cash declined to $4,240,397 from $8,308,445, primarily due to the cash expenditures for repurchase of common shares. Accounts receivable rose to $4,923,144 from $3,344,777 due to the seasonal cycle of sales to customers and the related timing of cash receipts. Inventory decreased by $1,275,596 to $7,245,395 and prepaid expenses, which are largely related to down payments for future inventory purchases, increased by $739,215 to $1,326,824. Prepaid income taxes increased to $317,445 from $270,423. Accounts payable declined by $752,725 due to the seasonal cycle of payments to inventory suppliers. Accrued liabilities declined by $22,021. Litigation reserve declined by $19,982 as differences in interest rates resulted in a reduction in the amount reserved.

As at May 31, 2014, accounts receivable and inventory represented 67% of current assets and 59% of total assets. For the three months ended May 31, 2014, the accounts receivable collection period, or DSO, was 30 days compared to 29 days for the three months ended May 31, 2013. For the nine month period ended May 31, 2014, the DSO was 41 days compared to 34 days for the nine months ended May 31, 2013. Inventory turnover for the three months ended May 31, 2014 was 55 days compared to 40 days for the three months ended May 31, 2013. For the nine months ended May 31, 2014, inventory turnover was 81 compared to 52 days for the nine months ended May 31, 2013.

External sources of liquidity include a line of credit from U.S. Bank of $1,000,000 of which the Company had not borrowed against at May 31, 2014. Borrowing under the line of credit is secured by an assignment of accounts receivable and inventory. The interest rate is calculated solely on the one month LIBOR rate plus 175 basis points. As of May 31, 2014, the one month LIBOR rate plus 175 basis points was 1.90% (0.15% + 1.75%). 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 nine months ended May 31, 2014, the Company repurchased and cancelled 385,258 common shares at a total cost of $3,803,718, which represents an average price of $9.87. A new 10b5-1 share repurchase plan (the "new Plan") was approved by the Board of Directors and became effective on April 14, 2014. This new plan allows for the repurchase of up to 300,000 common shares through the facilities of the NASDAQ Stock Market ("NASDAQ"). The Plan will remain in place until November 14, 2014 but may be limited or terminated at any time without prior notice. As of July 14, 2014, a total of 71,765 common shares have been repurchased under the new Plan.

Business Risks

This quarterly report includes "forward–looking statements" as that term is defined in Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," "anticipates," or "hopeful," or the negative of those terms or other comparable terminology, or by discussions of strategy, plans or intentions. For example, this section contains numerous forward-looking statements. All forward-looking statements in this report are made based on management's current expectations and estimates, which involve risks and uncertainties, including those described in the following paragraphs.

Risks Related to Our Common Stock

We may decide to acquire assets or enter into business combinations, which could be paid for, either wholly or partially with our common stock and if we decide to do this our current shareholders would experience dilution in their percentage of ownership.

Our Articles of Incorporation give our Board of Directors the right to enter into any contract without the approval of our shareholders. Therefore, our management could decide to make an investment (buy shares, loan money, etc.) without shareholder approval. If we acquire an asset or enter into a business combination, this could include exchanging a large amount of our common stock, which could dilute the ownership interest of present stockholders.

Future stock distributions could be structured in such a way as to be 1) diluting to our current shareholders or 2) could cause a change in control to new investors.

If we raise additional funds by selling more of our stock, the new stock may have rights, preferences or privileges senior to those of the rights of our existing stock. If common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders. The result of this would be a lessening of each present stockholder's relative percentage interest in our company.

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

The Company's common shares currently trade within the NASDAQ Capital Market in the United States. The common shares also formerly traded on the Toronto Stock Exchange ("TSX") in Canada until the Company voluntarily delisted from the TSX on October 11, 2012. The average daily trading volume of our common stock on NASDAQ was 8,890 shares for the nine months ended May 31, 2014. 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.

In the past we have at times experienced decreasing products sales with certain customers. The reasons for this can be generally attributed to: increased competition; general economic conditions; demand for products; and consumer interest rates. If economic conditions deteriorate or if consumer preferences change, we could experience a significant decrease in profitability.

If our top customers were lost, we could experience lower sales volumes.

For the nine months ended May 31, 2014, our top ten customers represented 77% 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 $1,000,000, of which $1,000,000 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, 2013. 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, 2014. However, the Company is exposed to interest rate risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash as well as interest paid on debt.

The Company has a line of credit whose interest rate may fluctuate over time based on economic changes in the environment. The Company is subject to interest rate risk and could be subject to increased interest payments if market interest rates fluctuate. The Company does not expect any change in the interest rates to have a material adverse effect on the Company's results from operations.

Foreign Currency Risk

The Company operates primarily in the United States. However, a relatively small amount of business is conducted in currencies other than U.S. dollars. Also, to the extent that the Company uses contract manufacturers in China, currency exchange rates can influence the Company's purchasing costs.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

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

   In February 2012, the Company received the decision from the Oregon Supreme Court which 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, 2013, the Company recorded $26,716 of interest income due to the favorable difference in interest rates between the judgments. During the nine months ended May 31, 2014, the Company recorded $19,982 of interest income.

   Subsequent to the period ended May 31, 2014, the Company received notice in July 2014 that upon remand from the Oregon Supreme Court, the Oregon Court of Appeals has concluded that Greenwood Forest Products, Inc. as defendants are entitled to a new trial. As a consequence, the Court 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 is currently assessing the impact of this new ruling, and is evaluating potential next steps. As of the date of this filing, the potential exposure to the Company of this new ruling is $1.8 million.

b) In January 2013, the Company's subsidiary JC USA Inc. (formerly 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 fiscal year ended August 31, 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. 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 14, 2014

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

July 14, 2014

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

CERTIFICATIONS

I, Donald M. Boone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jewett-Cameron Trading Company Ltd;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 14, 2014

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

CERTIFICATIONS

I, Murray G. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jewett-Cameron Trading Company Ltd;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 14, 2014

By: */s/ "Murray G. Smith"*
Murray G. Smith,
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Jewett-Cameron Trading Company Ltd. (the "Company") on Form 10-Q for the period ended May 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company does hereby certify, to such officer's knowledge, that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 14, 2014

Signed: /s/ *"Donald M. Boone"*

Donald M. Boone,
President and CEO

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Jewett-Cameron Trading Company Ltd. (the "Company") on Form 10-Q for the period ended May 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company does hereby certify, to such officer's knowledge, that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 14, 2014

Signed: */s/ "Murray G. Smith"*

Murray G. Smith,
Chief Financial Officer