

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2017**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER **000-19954**

JEWETT-CAMERON TRADING COMPANY LTD.

(Exact Name of Registrant as Specified in its Charter)

BRITISH COLUMBIA

(State or Other Jurisdiction of Incorporation or Organization)

NONE

(I.R.S. Employer Identification No.)

32275 N.W. Hillcrest, North Plains, Oregon

(Address Of Principal Executive Offices)

97133

(Zip Code)

(503) 647-0110

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **No**

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

Large accelerated filer

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 – 2,286,294 common shares as of April 13, 2017.

Jewett-Cameron Trading Company Ltd.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

JEWETT-CAMERON TRADING COMPANY LTD.

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

FEBRUARY 28, 2017

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

	February 28, 2017	August 31, 2016
ASSETS		
Current assets		
Cash	\$ 2,018,532	\$ 4,519,922
Accounts receivable, net of allowance of \$1,308 (August 31, 2016 - \$Nil)	4,547,741	3,342,204
Inventory, net of allowance of \$167,057 (August 31, 2016 - \$176,717) (note 3)	8,886,243	8,069,017
Prepaid expenses	807,693	832,895
Prepaid income taxes	149,487	596
Total current assets	16,409,696	16,764,634
Property, plant and equipment, net (note 4)	3,175,002	2,954,595
Intangible assets, net (note 5)	114,190	150,543
Total assets	\$ 19,698,888	\$ 19,869,772

- Continued -

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

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

	February 28, 2017	August 31, 2016
Continued		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 302,684	\$ 839,972
Accrued liabilities	1,049,803	1,473,792
Total current liabilities	1,352,487	2,313,764
Deferred tax liability (note 6)	26,813	31,353
Total liabilities	1,379,300	2,345,117
Contingent liabilities and commitments (note 12)		
Stockholders' equity		
Capital stock (note 8, 9)		
Authorized		
21,567,564 common shares, without par value		
10,000,000 preferred shares, without par value		
Issued		
2,286,294 common shares (August 31, 2016 – 2,286,294)	1,078,759	1,078,759
Additional paid-in capital	600,804	600,804
Retained earnings	16,640,025	15,845,092
Total stockholders' equity	18,319,588	17,524,655
Total liabilities and stockholders' equity	\$ 19,698,888	\$ 19,869,772

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

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

	Three Month Periods to the end of February		Six Month Periods to the end of February	
	2017	2016	2017	2016
SALES	\$ 9,499,286	\$ 11,188,133	\$ 19,921,089	\$ 23,129,641
COST OF SALES	7,370,224	9,152,554	15,397,585	18,714,207
GROSS PROFIT	2,129,062	2,035,579	4,523,504	4,415,434
OPERATING EXPENSES				
Selling, general and administrative expenses	453,668	531,423	1,004,717	1,074,216
Depreciation and amortization	69,368	68,470	138,007	143,983
Wages and employee benefits	1,057,792	1,095,069	2,040,041	1,971,414
	1,580,828	1,694,962	3,182,765	3,189,613
Income from operations	548,234	340,617	1,340,739	1,225,821
OTHER ITEMS				
(Loss) gain on sale of property, plant and equipment	(393)	5,600	(393)	5,600
Interest and other income	2,000	1,800	3,820	10,534
Litigation expense (Note 12(a))	-	(115,990)	-	(115,990)
	1,607	(108,590)	3,427	(99,856)
Income before income taxes	549,841	232,027	1,344,166	1,125,965
Income tax expense	(240,828)	(100,067)	(549,233)	(461,760)
Net income	\$ 309,013	\$ 131,960	\$ 794,933	\$ 664,205
Basic earnings per common share	\$ 0.14	\$ 0.05	\$ 0.35	\$ 0.27
Diluted earnings per common share	\$ 0.14	\$ 0.05	\$ 0.35	\$ 0.27
Weighted average number of common shares outstanding:				
Basic	2,286,294	2,476,832	2,286,294	2,476,832
Diluted	2,286,294	2,476,832	2,286,294	2,476,832

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, 2015	2,476,832	\$ 1,168,712	\$ 600,804	\$ 15,754,619	\$ 17,524,135
Shares repurchased and cancelled (note 9)	(190,538)	(89,953)	-	(2,034,626)	(2,124,579)
Net income	-	-	-	2,125,099	2,125,099
August 31, 2016	2,286,294	1,078,759	600,804	15,845,092	17,524,655
Net income	-	-	-	794,933	794,933
February 28, 2017	2,286,294	\$ 1,078,759	\$ 600,804	\$ 16,640,025	\$ 18,319,588

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 to the end of February		Six Month Period to the end of February	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 309,013	\$ 131,960	\$ 794,933	\$ 664,205
Items not involving an outlay of cash:				
Depreciation and amortization	69,368	68,470	138,007	143,983
Loss (gain) on sale of property, plant and equipment	393	(5,600)	393	(5,600)
Deferred income taxes	7,705	(9,301)	4,540	3,504
Interest income on litigation	-	-	-	(6,661)
Decrease in litigation reserve	-	(84,010)	-	(84,010)
Changes in non-cash working capital items:				
Decrease (increase) in accounts receivable	(1,161,352)	535,231	(1,205,537)	(96,348)
Decrease (increase) in inventory	(1,197,634)	651,225	(817,226)	840,559
Decrease in note receivable	-	360	-	1,310
Decrease in prepaid expenses	54,425	543,620	25,202	210,611
Increase in prepaid income taxes	(149,487)	(159,031)	(148,891)	(132,461)
Decrease in accounts payable and accrued liabilities	(396,374)	(373,786)	(961,277)	(285,100)
Decrease in income taxes payable	(310,974)	-	-	-
Net cash provided by (used in) operating activities	(2,774,917)	1,299,138	(2,169,856)	1,253,992
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(109,393)	(37,376)	(335,014)	(47,902)
Proceeds from sale of property, plant and equipment	3,480	5,600	3,480	5,600
Net cash used in investing activities	(105,913)	(31,776)	(331,534)	(42,302)
Net increase (decrease) in cash	(2,880,830)	1,267,362	(2,501,390)	1,211,690
Cash, beginning of period	4,899,362	4,360,625	4,519,922	4,416,297
Cash, end of period	\$ 2,018,532	\$ 5,627,987	\$ 2,018,532	\$ 5,627,987

Supplemental disclosure with respect to cash flows (note 15)

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

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2017
(Unaudited)

1. NATURE OF OPERATIONS

Jewett-Cameron Trading Company Ltd. was incorporated in British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation (“JCLC”), incorporated September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. 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 February 28, 2017 and August 31, 2016 and its results of operations and cash flows for the three and six month periods ended February 28, 2017 and February 29, 2016 in accordance with generally accepted accounting principles of the United States of America (“U.S. GAAP”). Operating results for the three and six month periods ended February 28, 2017 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, JC USA, JCC, MSI, JCSC, and Greenwood, all of which are incorporated under the laws of Oregon, U.S.A.

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

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

Estimates

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

Cash and cash equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. At February 28, 2017, cash was \$2,018,532 compared to \$4,519,922 at August 31, 2016. At February 28, 2017 and August 31, 2016, 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	3-7 years
Warehouse equipment	2-10 years
Buildings	5-30 years

Intangibles

The Company's intangible assets have a finite life and are recorded at cost. 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 12 months and 24 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 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.

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2017
(Unaudited)

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

Earnings per share (cont'd...)

The earnings per share data for the three and six month periods ended February 28, 2017 and February 29, 2016 are as follows:

	Three Month Periods to the end of February,		Six Month Periods to the end of February	
	2017	2016	2017	2016
Net income	\$ 309,013	\$ 131,960	\$ 794,933	\$ 664,205
Basic weighted average number of common shares outstanding	2,286,294	2,476,832	2,286,294	2,476,832
Effect of dilutive securities Stock options	-	-	-	-
Diluted weighted average number of common shares outstanding	2,286,294	2,476,832	2,286,294	2,476,832

Comprehensive income

The Company has no items of other comprehensive income in any year 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 six month period ended February 28, 2017, and there were no options outstanding on February 28, 2017.

Financial instruments

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

Cash - the carrying amount approximates fair value because the amounts consist of cash held at a bank and cash held in short term investment accounts.

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

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

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2017
(Unaudited)

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

Financial instruments (cont'd...)

The estimated fair values of the Company's financial instruments as of February 28, 2017 and August 31, 2016 follows:

	February 28, 2017		August 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	\$2,018,532	\$2,018,532	\$4,519,922	\$4,519,922
Accounts receivable, net of allowance	4,547,741	4,547,741	3,342,204	3,342,204
Accounts payable and accrued liabilities	1,352,487	1,352,487	2,313,764	2,313,764

The following table presents information about the assets that are measured at fair value on a recurring basis as of February 28, 2017, 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:

	February 28, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 2,018,532	\$ 2,018,532	\$ —	\$ —

The fair values of cash are determined through market, observable and corroborated sources.

Income taxes

A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carryforwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Shipping and handling costs

The Company incurs certain expenses related to preparing, packaging and shipping its products to its customers, mainly third-party transportation fees. All costs related to these activities are included as a component of cost of goods sold in the consolidated statement of operations. All costs billed to the customer are included as sales in the consolidated statement of operations.

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2017
(Unaudited)

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

Revenue recognition

The Company recognizes revenue from the sales of lumber, building supply products, industrial wood products, specialty metal products, and other specialty products and tools, when the products are shipped, title passes, and the ultimate collection is reasonably assured. Revenue from the Company's seed operations is generated from seed processing, handling and storage services provided to seed growers, and by the sales of seed products. Revenue from the provision of these services and products is recognized when the services have been performed, products sold and collection of the amounts is reasonably assured.

Recent Accounting Pronouncements

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:

	February 28, 2017	August 31, 2016
Wood products and metal products	\$ 8,285,145	\$ 7,374,255
Industrial tools	395,041	450,924
Agricultural seed products	206,057	243,838
	<u>\$ 8,886,243</u>	<u>\$ 8,069,017</u>

4. PROPERTY, PLANT AND EQUIPMENT

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

	February 28, 2017	August 31, 2016
Office equipment	\$ 544,584	\$ 615,031
Warehouse equipment	1,266,050	1,498,960
Buildings	3,990,308	3,697,100
Land	761,924	761,924
	<u>6,562,866</u>	<u>6,573,015</u>
Accumulated depreciation	<u>(3,387,864)</u>	<u>(3,618,420)</u>
Net book value	<u>\$ 3,175,002</u>	<u>\$ 2,954,595</u>

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2017
(Unaudited)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd...)

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

5. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	February 28, 2017	August 31, 2016
Patent	\$ 850,000	\$ 850,000
Other	43,655	43,655
	<u>893,655</u>	<u>893,655</u>
Accumulated amortization	<u>(779,465)</u>	<u>(743,112)</u>
Net book value	<u>\$ 114,190</u>	<u>\$ 150,543</u>

6. DEFERRED INCOME TAXES

Deferred income tax liability as of February 28, 2017 of \$26,813 (August 31, 2016 – \$31,353) reflects 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 \$3,000,000 line of credit as of February 28, 2017 or August 31, 2016.

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.

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 4th quarter of fiscal 2016 ended August 31, 2016, the Company repurchased and cancelled a total of 112,152 common shares under a 10b5-1 share repurchase plan. The total cost was \$1,378,701 at an average price of \$12.29. The premium paid to acquire these shares over their per share book value in the amount of \$1,325,994 was recorded as a decrease to retained earnings. In addition to the shares repurchased under the 10b5-1 repurchase plan, Donald Boone, President and CEO of the Company, voluntarily returned 15,000 common shares to treasury for cancellation. The Company paid no consideration for the shares. Capital stock was reduced by the book value of the shares in the amount of \$7,124, with a corresponding increase to retained earnings of \$7,124.

During the 3rd quarter of fiscal 2016 ended May 31, 2016, the Company repurchased and cancelled a total of 63,386 common shares under a 10b5-1 share repurchase plan. The total cost was \$745,878 at an average price of \$11.77 per share. The premium paid to acquire these shares over their per share book value in the amount of \$715,756 was recorded as a decrease to retained earnings.

10. STOCK OPTIONS

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

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

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

The Company had no stock options outstanding as of February 28, 2017 and August 31, 2016.

11. 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 monthly enrolment time. The plan allows for a non-elective discretionary contribution based on the first \$60,000 of eligible compensation. During the quarter ended February 29, 2016, the Company made an additional 10% contribution for all eligible employees as a one-time compensation bonus. For the six month periods ended February 28, 2017 and February 29, 2016, the 401(k) compensation expense was \$160,157 and \$279,975, respectively.

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.

A series of rulings and appeals between the years ended August 31, 2011 to August 31, 2015, resulted in the Company recognizing aggregate litigation income of \$272,695, and aggregate interest expense of \$363,366 to August 31, 2015, totaling a net loss of \$90,671.

During the year ended August 31, 2016, the Company and Greenwood Forest Products, Inc., settled all litigation between the two companies. The Company made a cash payment of \$200,000 to Greenwood Forest Products, Inc., as full settlement and termination of the litigation (the "Settlement Payment"). During the six months ended February 29, 2016 and year ended August 31, 2016, litigation expense of \$115,990 was recorded. As a result, to the date of settlement during the year ended August 31, 2016, the Company recognized aggregate litigation income, and aggregate interest expense of \$156,705, and \$363,366 respectively, resulting in an aggregate loss of \$206,661.

- b) At February 28, 2017 and August 31, 2016, the Company had an un-utilized line-of-credit of \$3,000,000 (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.

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
February 28, 2017
(Unaudited)

13. SEGMENT INFORMATION (cont'd...)

Following is a summary of segmented information for the six month periods ended February 28, 2017 and February 29, 2016:

	2017	2016
Sales to unaffiliated customers:		
Industrial wood products	\$ 1,697,032	\$ 2,858,363
Lawn, garden, pet and other	15,585,202	17,376,563
Seed processing and sales	1,638,954	2,348,469
Industrial tools and clamps	999,901	546,246
	<u>\$ 19,921,089</u>	<u>\$ 23,129,641</u>
Income (loss) before income taxes:		
Industrial wood products	\$ (63,876)	\$ 44,412
Lawn, garden, pet and other	893,787	1,048,667
Seed processing and sales	84,030	(51,425)
Industrial tools and clamps	65,911	(81,262)
Corporate and administrative *	364,314	165,574
	<u>\$ 1,344,166</u>	<u>\$ 1,125,966</u>
Identifiable assets:		
Industrial wood products	\$ 912,060	\$ 1,457,118
Lawn, garden, pet and other	11,390,537	8,814,395
Seed processing and sales	505,684	664,569
Industrial tools and clamps	671,308	504,438
Corporate and administrative	6,219,299	8,509,837
	<u>\$ 19,698,888</u>	<u>\$ 19,950,357</u>
Depreciation and amortization:		
Industrial wood products	\$ 165	\$ 490
Lawn, garden, pet and other	18,275	23,828
Seed processing and sales	6,482	5,332
Industrial tools and clamps	657	1,199
Corporate and administrative	112,428	113,134
	<u>\$ 138,007</u>	<u>\$ 143,983</u>
Capital expenditures:		
Industrial wood products	\$ -	\$ -
Lawn, garden, pet and other	-	-
Seed processing and sales	-	-
Industrial tools and clamps	-	-
Corporate and administrative	335,014	47,902
	<u>\$ 335,014</u>	<u>\$ 47,902</u>
Interest expense:	\$ -	\$ -

* Litigation expense incurred during the period ended February 29, 2016 of \$115,990 is included in this balance (Note 12(a)).

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

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the six months ended February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Sales	\$ 9,159,127	\$ 10,958,881

The Company conducts business primarily in the United States, but also has limited amounts of sales in foreign countries. The following table lists sales by country for the six months ended February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
United States	\$ 18,635,193	\$ 20,857,137
Canada	866,057	611,644
Mexico/Latin America	362,556	1,601,811
Europe	12,408	-
Asia/Pacific	44,875	59,049

All of the Company's significant identifiable assets were located in the United States as of February 28, 2017 and February 29, 2016.

14. CONCENTRATIONS

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with a high quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated geographically in the United States amongst a small number of customers. At February 28, 2017, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 52%. At February 29, 2016, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 59%. The Company controls credit risk through credit approvals, credit limits, credit insurance and monitoring procedures. The Company performs credit evaluations of its commercial customers but generally does not require collateral to support accounts receivable.

Volume of business

The Company has concentrations in the volume of purchases it conducts with its suppliers. For the six months ended February 28, 2017, there were two suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to \$7,425,603. For the six months ended February 29, 2016, there were three suppliers that each accounted for 10% or greater of total purchases, and the aggregate purchases amounted to \$9,607,690.

JEWETT-CAMERON TRADING COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Certain cash payments for the six months ended February 28, 2017 and February 29, 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Cash paid during the periods for:		
Interest	\$ -	\$ -
Income taxes	\$ 686,485	\$ 590,657

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

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

These unaudited financial statements are those of the Company and its wholly owned subsidiaries. In the opinion of management, the accompanying consolidated financial statements of Jewett-Cameron Trading Company Ltd., contain all adjustments, consisting only of normal recurring adjustments, necessary to fairly state its financial position as of February 28, 2017 and August 31, 2016 and its results of operations and cash flows for the three and six month periods ended February 28, 2017 and February 29, 2016 in accordance with U.S. GAAP. Operating results for the three and six month periods ended February 28, 2017 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2017.

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), Greenwood is a processor and distributor of industrial wood products. A major product category is treated plywood that is sold to boat manufacturers and the transportation industry.

The lawn, garden, pet and other segment reflects the business of Jewett-Cameron 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 February 28, 2017 and February 29, 2016

For the three months ended February 28, 2017, sales decreased \$1,688,847 to \$9,499,286 from \$11,188,133. This represents a decrease of 15%.

Sales at Greenwood were \$737,417 for the three months ended February 28, 2017 compared to sales of \$1,304,839 for the three months ended February 29, 2016, which was a decrease of \$567,422, or 43%. Overall demand for Greenwood's products continue to lag historic levels. For the three months ended February 28, 2017, Greenwood had an operating loss of (\$35,414) compared to operating income of \$7,163 for the three months ended February 29, 2016.

Sales at JCC were \$7,166,175 for the three months ended February 28, 2017 compared to sales of \$8,507,752 for the three months ended February 29, 2016. This represents a decrease of \$1,341,577, or 16%. During the period, management has worked to broaden its sales channels, including online and internationally. Sales in the prior year's period were positively affected by certain existing customers placing and receiving seasonal orders earlier than in prior years. Operating income for the current quarter was \$573,208 compared to income of \$568,289 for the quarter ended February 29, 2016. The operating results of JCC are historically seasonal with the first two quarters of the fiscal year being slower than the final two quarters of the fiscal year.

Sales at JCSC were \$1,159,843 for the three months ended February 28, 2017 compared to sales of \$1,127,060 for the three months ended February 29, 2016, which was an increase of \$32,783, or 3%. The price of grass seed has been strengthening, which has been helped by continued increases in residential home construction. Operating income at JCSC for the quarter was \$55,193 compared to an operating loss of (\$87,359) for the quarter ended February 29, 2016.

Sales at MSI were \$435,851 for the three months ended February 28, 2017 compared to sales of \$248,482 for the three months ended February 29, 2016, which was an increase of \$187,369, or 75%. The higher sales in the current quarter were primarily due to management's efforts to develop new eCommerce sales channels for the tool and clamp products. Operating income for MSI was \$32,414 for the quarter ended February 28, 2017 compared to an operating loss of (\$46,036) for the quarter ended February 29, 2016.

Gross margin for the three months ended February 28, 2017 was 22.4% compared to 18.2% for the three months ended February 29, 2016.

Operating expenses decreased by \$114,134 to \$1,580,828 from \$1,694,962 for the three months ended February 29, 2016. Selling, General and Administrative Expenses fell to \$453,668 from \$531,423. Wages and Employee Benefits decreased slightly by \$37,277 to \$1,057,792 from \$1,095,069 as the Company made an additional 10% contribution to each eligible employee's 401(k) plan as a one-time compensation bonus in the three months ended February 29, 2016. Depreciation and Amortization increased slightly to \$69,368 from \$68,470.

Income tax expense for the three month period ended February 28, 2017 was \$240,828 compared to \$100,067 for the quarter ended February 29, 2016. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect.

Net income for the quarter ended February 28, 2017 was \$309,013, or \$0.14 per basic and diluted share, compared to net income of \$131,960, or \$0.05 per basic and diluted share, for the quarter ended February 29, 2016. The net income for the prior year's quarter was negatively affected by a one-time litigation loss. The Company and Greenwood Forest Products, Inc. settled their litigation dating from the Company's acquisition of certain inventory from Greenwood Forest in 2003. Both parties determined it was prudent to settle the original claim and counter-claim due to the high cost of the litigation, which had been remanded back to the Oregon Court of Appeals in September 2015 for a third time. The Company recorded a one-time litigation loss of \$115,990 related to the settlement of all the outstanding claims and related costs during the quarter ended February 29, 2016.

Six Months Ended February 28, 2017 and February 29, 2016

For the six months ended February 28, 2017, sales decreased by \$3,208,552, or 14% to \$19,921,089 from sales of \$23,129,641 recorded in the six month period ended February 29, 2016.

Sales at Greenwood were \$1,697,032 for the six months ended February 28, 2017 compared to sales of \$2,858,363 for the six months ended February 29, 2016, a decline of \$1,161,331, or 41%. Sales in the first half of fiscal 2017 have been slow but the Company expects some improvement in the second half of the year as certain primary customers have indicated they will be adding orders. Operating loss for Greenwood for the six months ended February 28, 2017 was (\$63,876) compared to operating income of \$44,412 for the six months ended February 29, 2016.

Sales at JCC were \$15,585,202 for the six months ended February 28, 2017 compared to sales of \$17,376,563 for the six months ended February 29, 2016, which was a decrease of \$1,791,361, or 10%. In the current period, management has endeavored to broaden JCC's sales channels, including increasing eCommerce sales and establishing a dedicated sales team to obtain new customers in international markets. The decrease in sales from the prior year's period was primarily due to higher than normal sales in the six months ended February 29, 2016 as the Company received and shipped seasonal orders from certain customers earlier than in previous years. Operating income at JCC was \$1,294,640 compared to \$1,408,252 for the six months ended February 29, 2016. 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 six months ended February 28, 2017 were \$1,638,954 compared to sales of \$2,348,469 for the six months ended February 29, 2016. This represents a decrease of \$709,515, or 30%. The decline in sales was largely due to lower per pound seed prices in the current six month period compared to the comparable prior year's period when the persistent drought in the Western US and in other seed growing areas temporarily boosted prices due to smaller harvested yields. Operating income for the six months ended February 28, 2017 was \$96,864 compared to an operating loss for the six months ended February 29, 2016 of (\$29,405).

Sales at MSI were for the six months ended February 28, 2017 were \$999,901, which was an increase of \$453,656, or 83%, compared to sales of \$546,245 for the six months ended February 29, 2016. Management has worked to increase eCommerce sales and has also begun to build stronger relationships with distributors. Sales in the prior year's period were negatively affected by the Company's reduction of prices on certain products due to increased competitiveness in certain segments. Operating income at MSI for the six months ended February 28, 2017 was \$79,696 compared to an operating loss of (\$68,301) for the six months ended February 29, 2016.

Gross margin for the six month period ended February 28, 2017 was 22.7% compared to 19.1% for the six months ended February 29, 2016.

Operating expenses for the six months ended February 28, 2017 were relatively unchanged at \$3,182,765 from expenses of \$3,189,613 for the six month period ended February 29, 2016. Selling, General and Administrative Expenses declined to \$1,004,717 from \$1,074,216. Wages and Employee Benefits increased to \$2,040,041 from \$1,971,414 as the Company hired Charlie Hopewell as Chief Operating Officer. Mr. Hopewell was later named President and CEO of the Company upon the retirement of Donald Boone from those positions. Depreciation and Amortization declined slightly to \$138,007 from \$143,983.

Other items in the current six month period ended February 28, 2017 included interest and other income of \$3,820 and loss on sale of property, plant and equipment of (\$393). During the six months ended February 29, 2016, other items included a gain on sale of property, plant and equipment of \$5,600 and interest and other income of \$10,534. Litigation loss of (\$115,990) was related to the settlement of the litigation between the Company and Greenwood Forest Products, Inc.

Income tax expense for the six months ended February 28, 2017 was \$549,233 compared to \$461,760 for the six months ended February 29, 2016. 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 six months ended February 28, 2017 was \$794,933, or \$0.35 per basic and diluted share, compared to net income of \$664,205, or \$0.27 per basic and diluted share, for the six months ended February 29, 2016. The net income in the prior year's period was negatively affected by the one-time litigation loss related to the settlement of the lawsuits with Greenwood Forest Products.

LIQUIDITY AND CAPITAL RESOURCES

As of February 28, 2017, the Company had working capital of \$15,057,209 compared to working capital of \$14,450,870 as of August 31, 2016, an increase of \$606,339. Cash totaled \$2,018,532, a decrease of \$2,501,390. Accounts receivable rose to \$4,547,741 from \$3,342,204 due to the seasonal cycle of sales to customers and the related timing of cash receipts. Inventory increased by \$817,226 and prepaid expenses, which are largely related to down payments for future inventory purchases, decreased by \$25,202. Prepaid income taxes rose to \$149,487 from \$596. Accounts payable decreased by \$537,288 and accrued liabilities decreased by \$423,989.

As of February 28, 2017, accounts receivable and inventory represented 82% of current assets and 68% of total assets. For the three months ended February 28, 2017, the accounts receivable collection period, or DSO, was 43 compared to 31 for the three months ended February 29, 2016. For the six month period ended February 28, 2017, the DSO was 41 compared to 30 for the six months ended February 29, 2016. Inventory turnover for the three months ended February 28, 2017 was 101 days compared to 78 days for the three months ended February 29, 2016. For the six months ended February 28, 2017, inventory turnover was 100 days compared to 77 days for the six months ended February 29, 2016.

External sources of liquidity include a line of credit from U.S. Bank of \$3,000,000. As of February 28, 2017, 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 175 basis points. As of February 28, 2017, the one month LIBOR rate plus 175 basis points was 2.53% (0.78% + 1.75%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

In May 2016, the Company received its final permits for the construction of a warehouse expansion at its headquarters property in North Plains. The completed building measures 150 feet by 80 feet and has a height of 37 feet, and will be used for several new product lines. During the second quarter of fiscal 2017, the Company received its conditional occupation permits and began using the new expansion.

The Company has been utilizing its cash position by repurchasing common shares under formal repurchase plans in order to increase shareholder value. The Company has repurchased common shares through share repurchase plans approved by the Board of Directors in accordance with Rule 10b-18 under the U.S. Securities Exchange Act of 1934.

On March 7, 2016, the Company announced the Board of Directors approved a share repurchase plan to purchase for cancellation up to 250,000 common shares through the facilities of NASDAQ. Transactions may involve Jewett-Cameron insiders or their affiliates executed in compliance with Jewett-Cameron's Insider Trading Policy. The share repurchase plan will be effected in accordance with Rule 10b-18 under the U.S. Securities Exchange Act of 1934, which contains restrictions on the number of shares that may be purchased on a single day, subject to certain exceptions for block purchases, based on the average daily trading volumes ("ADTV") of Jewett-Cameron's shares on NASDAQ. Purchases shall be limited to one "Block" purchase per week in lieu of the 25% of ADTV limitation for compliance with Rule 10b-18(b)(4). A "block" as defined under Rule 10b-18(a)(5) means a quantity of stock that, among other things, is at least 5,000 shares and has a purchase price of at least US\$50,000. The plan commenced on March 10, 2016 and terminated on August 25, 2016. Under the Plan, the Company repurchased a total of 175,538 common shares at a cost of \$2,124,579 which is an average price of \$12.10.

In addition to the Rule 10b-18 share repurchases, Donald M. Boone, CEO, President and Director, voluntarily returned 15,000 common shares to the Company's treasury for cancellation in August 2015. In June 2016, Mr. Boone voluntarily returned an additional 15,000 to treasury for cancellation. The Company paid no consideration for these shares.

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 average daily trading volume of our common stock on NASDAQ was 2,748 shares for the six months ended February 28, 2017. 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 six months ended February 28, 2017, our top ten customers represented 78% of our total sales. We would experience a significant decrease in sales and profitability and would have to cut back our operations, if these customers were lost and could not be replaced. Our top ten customers are in the U.S., Canada and Mexico and are primarily in the retail home improvement industry.

We could experience delays in the delivery of our products to our customers causing us to lose business.

We purchase our products from other vendors and a delay in shipment from these vendors to us could cause significant delays in our delivery to our customers. This could result in a decrease in sales orders to us and we would experience a loss in profitability.

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 \$3,000,000, of which \$3,000,000 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, 2016. Based on this process we did not identify any material weaknesses. Although we believe our internal controls are operating effectively, we cannot guarantee that in the future we will not identify any material weaknesses in connection with this ongoing process.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company does not have any derivative financial instruments as of February 28, 2017. However, the Company is exposed to interest rate risk.

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

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

Foreign Currency Risk

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

Changes in Internal Control Over Financial Reporting

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

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

- 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.

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During the year ended August 31, 2016, the Company and Greenwood Forest Products, Inc., settled all litigation between the two companies. The Company made a cash payment of \$200,000 to Greenwood Forest Products, Inc., as full settlement and termination of the litigation (the "Settlement Payment"). During the year ended August 31, 2016, litigation expense of \$115,990 was recorded. As a result, to the date of settlement during the year ended August 31, 2016, the Company has recognized aggregate litigation income, and aggregate interest expense of \$156,705, and \$363,366 respectively, resulting in an aggregate loss of \$206,661.

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

---No Disclosure Required---

Item 3. Defaults Upon Senior Securities

---No Disclosure Required---

Item 4. Mine Safety Disclosures

---No Disclosure Required---

Item 5. Other Information

---No Disclosure Required---

Item 6. Exhibits

- 3.1 Amended and Restated Articles of Incorporation of Jewett-Cameron Lumber Corporation
-- Filed as an exhibit to the 10-Q Quarterly Report filed on January 13, 2014 --
- 3.2 Articles of Incorporation of Jewett-Cameron Company.
-- Filed as an exhibit to the 10-Q Quarterly Report filed on January 13, 2014 --
- 31.1 Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Charles Hopewell
- 32.1 Certification of Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act), Charles Hopewell

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Jewett-Cameron Trading Company Ltd.
(Registrant)

April 13, 2017

/s/ "Charles Hopewell"

Charles Hopewell,
President/CEO/CFO

CERTIFICATIONS

I, Charles Hopewell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jewett-Cameron Trading Company Ltd;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 13, 2017

By: /s/ "Charles Hopewell"
Charles Hopewell,
Chief Executive Officer and President,
and Principal Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Jewett-Cameron Trading Company Ltd. (the “Company”) on Form 10-Q for the period ended February 28, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company does hereby certify, to such officer’s knowledge, that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 13, 2017

Signed: /s/ “Charles Hopewell”

**Charles Hopewell,
Chief Executive Officer and President,
and Principal Financial Officer**