

## FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended AUGUST 31, 2012

Or

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.**

(Name of registrant as specified in its charter)

British Columbia, Canada  
(State or Incorporation or Organization)

N/A  
(IRS Employer ID No.)

32275 NW Hillcrest, North Plains, Oregon, USA 97133  
(Address of principal executive offices)

Registrant's Telephone Number 503-647-0110

Securities to be registered pursuant to Section 12(b) of the Act: None

Securities to be registered pursuant to Section 12(g) of the Act:  
Common Shares without par value.  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act  
 Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
 Yes  No

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 twelve 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
 Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer [ ]

Accelerated filer [ ]

Non-accelerated filer [ ]

Smaller Reporting Company [ X ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

[ ] Yes [X] No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: February 29, 2012 = \$8,209,426

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of November 7, 2012:

**1,567,971**

**Jewett-Cameron Trading Company Ltd.**

**Form 10-K Annual Report**

**Fiscal Year Ended August 31, 2012**

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## PART I

### **ITEM 1. BUSINESS**

#### **Forward-Looking Statements**

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words like “plans”, “expects”, “aims”, “believes”, “projects”, “anticipates”, “intends”, “estimates”, “will”, “should”, “could” and similar expressions in connection with any discussion, expectation, or projection of future operating or financial performance, events or trends. Forward-looking statements are based on management's current expectations and assumptions, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially from these expectations and assumptions due to changes in global political, economic, business, competitive, market, regulatory and other factors. We undertake no obligation to publicly update or review any forward-looking information, whether as a result of new information, future developments or otherwise.

These factors include, but are not limited to the fact that the Company is in a highly competitive business and may seek additional financing to expand its business, and are set forth in more detail elsewhere in this Annual Report, including in the sections, ITEM 1A, “Risk Factors”, and ITEM 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations”.

#### **Introduction**

Jewett-Cameron Trading Company Ltd. is organized under the laws of British Columbia, Canada. In this Annual Report, the “Company”, “we”, “our” and “us” refer to Jewett-Cameron Trading Company Ltd. and its subsidiaries.

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 and clamps

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

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

The seed processing and sales segment reflects the business of Jewett-Cameron Seed Company (JCSC), a wholly owned subsidiary of JCLC. JCSC processes and distributes agricultural seed. Most of this segment's sales come from selling seed to distributors with a lesser amount of sales derived from cleaning seed.

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

Total Company sales were approximately \$45.9 and \$42.1 million during fiscal years ended August 31, 2012 and 2011, respectively.

The Company's principal office is located at 32275 NW Hillcrest Street, North Plains, Oregon; and the Company's website address is [www.jewettcameron.com](http://www.jewettcameron.com). Mail is not delivered to the street address, and the Company's mailing address is P.O. Box 1010, North Plains, OR 97133. The Company's phone number is (503) 647-0110, and the fax number is (503) 647-2272.

The Company files reports and other information with the Securities and Exchange Commission located at 100 F. Street NE, Washington, D.C. 20549. Copies of these filings may be accessed through their website at [www.sec.gov](http://www.sec.gov). Reports are also filed under Canadian regulatory requirements on SEDAR, and these reports may be accessed at [www.sedar.com](http://www.sedar.com).

The contact person for the Company is Donald M. Boone, President, Chief Executive Officer, Treasurer and Director.

At the Company's annual meeting, which was held on March 9, 2007, shareholders approved a three for two stock split, which was distributed on or about March 23, 2007 to holders of record on March 19, 2007. The stock started trading on a post-split basis on March 15, 2007. All share counts and per share figures reflect this stock split.

The Company's authorized capital includes 20,000,000 common shares without par value; and 10,000,000 preferred shares without par value. As of August 31, 2012 there were 1,567,971 common shares outstanding. As of November 7, 2012, there were 1,567,971 common shares outstanding. The Company's common shares are listed on the NASDAQ Capital Market in the United States with the symbol "JCTCF". The Company's common shares were listed on the Toronto Stock Exchange ("TSX") in Canada with the symbol "JCT". However, subsequent to the fiscal 2012 year-end, the Company announced that it has voluntarily delisted its common shares from the TSX as it no longer desires to maintain dual listings, due to the costs involved and as the volume of trading on the TSX has been minimal. The delisting from the TSX occurred as of the close of business on October 11, 2012.

The Company's fiscal year ends on August 31st.

## **General Development of Business**

### Incorporation and Subsidiaries

Jewett-Cameron Trading Company Ltd. was incorporated under the Company Act of British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation ("JCLC"), which was incorporated in September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. JCLC has the following wholly owned subsidiaries. MSI-PRO Co. ("MSI"), incorporated in April 1996, Jewett-Cameron Seed Company, ("JCSC"), incorporated in October 2000, and Greenwood Products, Inc. ("Greenwood"), incorporated in February 2002. Jewett-Cameron Trading Company, Ltd. and its subsidiaries have no significant assets in Canada.

### Corporate Development

Incorporated in 1953, JCLC operated as a small lumber wholesaler based in Portland, Oregon. In September 1984, the original stockholders sold their interest in the corporation to a new group of investors. Two members of that group remain active in the Company. These individuals are Donald Boone, the President, Chief Executive Officer, Treasurer and Director; and Michael Nasser, Corporate Secretary.

In July 1987, the Company acquired JCLC in what was not an arms-length transaction.

In early 1986, prior to JCLC being acquired by the Company, JCLC acquired Material Supply International ("Material Supply"). Material Supply was engaged in the importation and distribution of pneumatic air tools and industrial clamps. The product line was re-branded as "MSI-PRO" and MSI was incorporated in 1996 to carry-on the business of Material Supply.

In October 2000, JCSC was incorporated in anticipation of JCLC acquiring the business and certain assets of a firm called Agrobiotech Inc. JCSC operates as a seed storage, processing and sales business.

In February 2002, Greenwood was incorporated in anticipation of JCLC acquiring the business and certain assets of Greenwood Forest Products Inc. Greenwood is involved in the processing and distribution of specialty wood products.

In June 2012, the Company acquired land and fixed assets located in Manning, Oregon for \$250,000 cash.

## Narrative Description of Business

The Company's operations are classified into four segments. Sales, income before taxes, assets, depreciation and amortization, capital expenditures, and interest expense by segment are shown in the footnotes to the financial statements.

### Industrial Wood Products - Greenwood

Greenwood operated out of leased office space located in a suburb of Portland, Oregon until September 30, 2009. At that time the lease on the office space was terminated and Greenwood co-located its operations in the building utilized by JCLC and MSI. This business involves the wholesale distribution of a variety of specialty wood products. A major product category is treated plywood that is sold to boat manufacturers and the transportation industry.

During fiscal 2012 and 2011, sales to boat manufacturers represented approximately 17% and 15% respectively of total segment sales. Likewise, Greenwood's total sales for fiscal 2012 and 2011 were 17% and 20% respectively of total Company sales.

The markets in which Greenwood competes are sensitive to downturns in the U.S economy.

Inventory is maintained at non-owned warehouse and wood treating facilities throughout the United States and is primarily shipped to customers on a just-in-time basis. Inventory is generally not purchased on a speculative basis in anticipation of price changes.

Greenwood has no significant backlog of orders.

### Lawn, Garden, Pet and Other - JCLC

JCLC operates out of a 5.6 acre owned facility located in North Plains, Oregon that includes an office, a warehouse, a paved yard, and a remanufacturing plant. This business is a wholesaler of wood products and a manufacturer and distributor of specialty metal products. Wood products include fencing and landscape timbers, while metal products include dog kennels, proprietary gate support systems, perimeter fencing, and greenhouses. JCLC uses contract manufacturers to make the specialty metal products. Some of the products that JCLC distributes flow through the Company's facility in North Plains, Oregon, and some are shipped direct to the customer from the manufacturer. Primary customers are home centers and other retailers.

The home improvement business is seasonal, with higher levels of sales occurring between February and August. Inventory buildup occurs until the start of the season in February and then gradually declines to seasonal low levels at the end of the summer.

JCLC has concentrated on building a customer base for lawn, garden, and pet related products. Management believes this market is less sensitive to downturns in the U.S. economy than is the market for new home construction.

The wood products that JCLC distributes are not unique and are available from multiple suppliers. However, the metal products that JCLC manufactures and distributes may be somewhat differentiated from similar products available from other suppliers.

JCLC owns the patents and manufacturing rights connected with the Adjust-A-Gate products, which are the gate support systems for wood, vinyl, and composite fences. Management believes the ownership of these patents results in an important competitive advantage for these products. JCLC also has two licensing agreements to market pet products.

Backlog orders are a factor in this business as customers may place firm priced orders for both wood and metal products for shipments to take place three to four months in the future.

### Seed Processing and Sales - JCSC

JCSC operates out of an approximately 13 acre owned facility located adjacent to North Plains, Oregon. 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. Even though the harvest and processing cycle is seasonal, sales of JCSC tend to be fairly uniform throughout the year. However, profitability around the month of August may be unusually high based on a seasonal surge in cleaning sales, which are much more profitable sales than product sales.

JCSC has no backlog of sales orders.

### Industrial Tools and Clamps - MSI

This business operates from the same owned facilities as JCLC. MSI imports and distributes products including pneumatic air tools, industrial clamps, and saw blades. These products are primarily sold to retailers that in turn sell to contractors and end users. Sales of these products tend to be relatively uniform throughout the year.

MSI's product line was expanded in 2007 to include saw blades, digital calipers, and laser guides. These newer products carry the Avenger Products brand label.

### Customer Concentration

The top ten customers were responsible for 62% and 56% of total Company sales for the years ended August 31, 2012 and August 31, 2011 respectively. Also, the Company's single largest customer was responsible for 20% and 18% of total Company sales for the years ended August 31, 2012 and August 31, 2011 respectively.

### Employees

As of August 31, 2012, the Company had 49 full-time employees. By segment these employees were located as follows: Greenwood 4, JCLC 28, JCSC 11, and MSI 6. None of these employees are represented by unions at the Company. Jewett-Cameron Trading Company Ltd. has no direct employees, and the officers of the Company are employed by JCLC.

## **ITEM 1A. RISK FACTORS**

Investors should carefully consider the following risk factors and all other information contained in this Annual Report. There is a great deal of risk involved. Any of the following risks could affect our business, its financial condition, its potential profits or losses, and could result in you losing your entire investment if our business became insolvent. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those not presently known to us or that we currently deem immaterial, also may result in decreased revenues, increased expenses or other events which could result in a decline in the price of our common stock.

### **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.

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 in Canada until the Company voluntarily delisted from the Toronto Stock Exchange on October 11, 2012. The average daily trading volume of our common stock was 3,300 shares on NASDAQ for the fiscal year ended August 31, 2012 and significantly less in Canada. 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 fiscal year ended August 31, 2012 our top ten customers represented 62% of our total sales, and our single largest customer was responsible for 20% of our total sales. We would experience a significant decrease in sales and profitability and would have to cut back our operations, if these customers were lost and could not be replaced. Our top ten customers are in the U.S., Canada and Mexico, and are primarily in the marine and retail home improvement industries.

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

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

***We could lose our credit agreement and could result in our not being able to pay our creditors.***

We have a line of credit with U.S. Bank in the amount of \$5 million, of which \$5 million is available. We are currently in compliance with the requirements of our existing line of credit. If we lost this credit it could become impossible to pay some of our creditors on a timely basis.

***If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could harm our business and we could be subject to regulatory scrutiny.***

We have completed a management assessment of internal controls as prescribed by Section 404 of the Sarbanes-Oxley Act, which we were required to do in connection with our year ended August 31, 2012. Based on this process we did not identify any material weaknesses. Although we believe our internal controls are operating effectively, we cannot guarantee that in the future we will not identify any material weaknesses in connection with this ongoing process.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

--- No Disclosure Necessary ---



## **ITEM 2. PROPERTIES**

The Company's executive offices are located at 32275 NW Hillcrest Street, North Plains, OR 97133. The 5.6 acre facility, which is owned, consists of 40,000 square feet of covered space (6,000 office, 10,000 manufacturing, and 24,000 warehouse), a little over three acres of paved yard space, and was completed in October 1995. The facility provides office space for all of the Company's executive offices and is used as a distribution center to service the Company's customer base for JCLC, Greenwood and MSI.

The property associated with JCSC, which is owned, consists of a little over 13 acres of land, 105,000 square feet of buildings, rolling stock, and equipment. It is currently used for seed processing and storage. It is located at 31345 NW Beach Road, Hillsboro, OR 97124, which is adjacent to North Plains, OR. During fiscal 2010, the Company purchased a seed testing lab located at 31895 NW Hillcrest Street, North Plains, OR 97133. The facility is 2,000 square feet and provides testing facilities for JCSC. The company formerly leased the property for \$729 per month until the expiration of the lease on January 4, 2010. At that time, the Company exercised its option to buy the land and building for a total cost of \$150,946.

In June 2012, the Company acquired land and fixed assets located in Manning, Oregon for \$250,000 cash. The land consists of 7.5 acres and the fixed assets included 12,000 square feet of buildings. The Company is currently negotiating an operating lease with an outside party.

During September 2009, Greenwood functioned out of an approximately 4,000 square foot leased office space located at 5885 SW Meadows Road, Lake Oswego, OR 97035. The lease payment was \$7,500 per month, and upon expiration of the lease on September 30, 2009, Greenwood co-located its operations in the building utilized by JCLC and MSI.

We believe that our facilities are currently adequate for our requirements, and that our current equipment is in good condition and is suitable for the operations involved.

## **ITEM 3. 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 in fiscal 2011 ended August 31, 2011 related to the judgment. In the first quarter of fiscal 2012 ended November 30, 2011, the Company recorded additional interest of \$16,204.

In February 2012, the Company received the decision from the Oregon Supreme Court which reversed in part the decision of the Oregon Court of Appeals in a way favorable to the Company. The case is now returned to the Oregon Court of Appeals for further consideration. As the decision was favorable to Jewett Cameron, the Company has reversed \$1,459,832 of the litigation reserve and accrued interest during the 2nd quarter of fiscal 2012 ended February 29, 2012. The reversal has been treated as a one-time gain during the period. During the 3rd and 4th quarters of fiscal 2012 ended August 31, 2012, the Company recorded \$13,467 of interest income as a result of the favorable difference in interest rates between the two judgments.

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

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

#### **ITEM 4. MINE SAFETY DISCLOSURES**

--- No Disclosure Necessary ---

### **PART II**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

##### **Market Information**

Our common shares trade on the NASDAQ Capital Market (formerly the NASDAQ Small Cap Market) in the United States. The trading symbol for our common stock is "JCTCF" and the CUSIP number for the stock is 47733C-20-7. Our common stock began trading on the NASDAQ Small Cap Stock Market in April 1996.

Table No. 1 lists the volume of trading along with the high, low, and closing sales prices on the NASDAQ Capital Market for the Company's common shares. Prices are adjusted to reflect all stock splits.

Table No. 1  
NASDAQ Capital Market  
Common Shares Trading Activity  
(US Dollars)

Period Ended	Volume	High	Low	Closing
Monthly				
9/30/12	133,900	\$ 13.61	\$ 10.13	\$ 13.61
Quarterly				
8/31/12	224,900	\$ 11.80	\$ 8.59	\$ 10.12
5/31/12	123,500	\$ 9.50	\$ 8.68	\$ 9.05
2/29/12	401,400	\$ 9.39	\$ 7.58	\$ 9.15
11/30/11	85,100	\$ 9.25	\$ 7.45	\$ 8.00
8/31/11	135,200	\$ 10.98	\$ 8.68	\$ 9.13
5/31/11	264,200	\$ 10.79	\$ 8.86	\$ 10.50
2/28/11	204,800	\$ 10.60	\$ 8.77	\$ 10.60
11/30/10	456,400	\$ 9.88	\$ 6.75	\$ 9.35
Annually				
8/31/12	834,900	\$ 11.80	\$ 7.45	\$ 10.12
8/31/11	1,060,600	\$ 10.98	\$ 6.75	\$ 9.13
8/31/10	390,300	\$ 8.30	\$ 5.73	\$ 6.85
8/31/09	239,700	\$ 7.33	\$ 4.00	\$ 5.84
8/31/08	432,286	\$ 10.48	\$ 6.50	\$ 7.34

The Company's common shares formerly traded on the Toronto Stock Exchange ("TSX") in Canada, under the trading symbol "JCT". The common stock commenced public trading on the Toronto Stock Exchange in February 1994 following over six years of trading on the Vancouver Stock Exchange. Effective at the close of business on October 11, 2012, the Company voluntarily delisted its common shares from the TSX. The Company no longer desires to maintain dual listings due to the costs involved and the volume of trading on the TSX has been minimal.

Table No. 2 lists the volume of trading along with the high, low, and last prices on the TSX for the Company's common shares. Prices are adjusted to reflect all stock splits.

Table No. 2  
Toronto Stock Exchange  
Common Shares Trading Activity  
(Canadian Dollars)

Period Ended	Volume	High	Low	Last
Monthly 9/30/12	4,200	\$ 13.27	\$ 10.37	\$ 13.27
Quarterly				
8/31/12	8,200	\$ 11.25	\$ 9.01	\$ 10.37
5/31/12	1,500	\$ 9.10	\$ 9.00	\$ 9.10
2/29/12	7,500	\$ 9.05	\$ 8.00	\$ 9.04
11/30/11	3,200	\$ 8.75	\$ 8.00	\$ 8.45
8/31/11	6,700	\$ 10.44	\$ 8.50	\$ 8.50
5/31/11	7,100	\$ 11.00	\$ 10.00	\$ 10.45
2/28/11	5,000	\$ 10.09	\$ 8.74	\$ 10.09
11/30/10	3,800	\$ 9.31	\$ 7.00	\$ 9.05
Annually				
8/31/12	20,400	\$ 11.25	\$ 8.00	\$ 10.37
8/31/11	22,600	\$ 11.00	\$ 7.00	\$ 8.50
8/31/10	11,000	\$ 7.53	\$ 6.25	\$ 7.40
8/31/09	9,500	\$ 7.50	\$ 4.00	\$ 6.75
8/31/08	7,700	\$ 9.39	\$ 6.49	\$ 7.50

### **Holders**

Computershare Investor Services Inc. which is located in Vancouver, British Columbia, Canada is the registrar and transfer agent for the common shares.

On November 7, 2012 there were 1,567,971 of the Company's common shares outstanding.

### **Dividends**

The Company has not declared any dividends since incorporation and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain earnings for use in its operations, expansion of its business, and the possible repurchase of Company shares. There are no restrictions that limit the ability of the Company to pay dividends on common equity or that are likely to do so in the future.

### **Recent Sales of Securities: Use of Proceeds from Securities**

The Company has sold no securities in the last 3 fiscal years.

### **Purchases of equity securities by the issuer and affiliated purchasers**

During the fiscal years ended August 31, 2011 and 2012, 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 November 3, 2010, the Company announced a share repurchase plan which commenced on November 8, 2010 and terminated on November 30, 2010. 297,072 shares of its common stock were repurchased under the plan and subsequently cancelled. The total cost was \$2,450,844 at an average share price of \$8.25 per share.

On January 13, 2011, the Company announced a share repurchase plan which commenced on January 24, 2011 and terminated on May 6, 2011. Under this plan, the Company repurchased and cancelled a total of 95,908 common shares, all of which were purchased from the Jewett Cameron Employee Stock Ownership Plan. The total cost of the shares acquired was \$911,126 at an average share price of \$9.50 per share.

On July 13, 2011, the Company announced the implementation of a new share repurchase plan. Under this plan, the Company could repurchase and cancel up to 300,000 common shares through the facilities of the NASDAQ Stock Market ("NASDAQ"). Transactions may involve the Jewett-Cameron Trading Company Employee Stock Ownership Plan, and may also 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. This share repurchase plan commenced on July 25, 2011 and terminated on October 21, 2011. The Company repurchased a total of 60,500 common shares under this plan, including 28,352 shares purchased from the Jewett Cameron Employee Stock Ownership Plan. The total cost of the shares acquired was \$552,295 at an average share price of \$9.13.

On January 17, 2012, the Company announced the implementation of a new share repurchase plan. Under this plan, the Company could repurchase and cancel up to 300,000 common shares through the facilities of the NASDAQ Stock Market ("NASDAQ") under similar terms as the July 13, 2011 plan. This share repurchase plan commenced on January 23, 2012 and terminated on May 11, 2012. The Company repurchased a total of 290,486 common shares under this plan, including 196,537 shares purchased from the Jewett Cameron Employee Stock Ownership Plan. The total cost of the shares acquired was \$2,621,440 at an average share price of \$9.02.

On August 17, 2012, the Company announced the Board of Directors had authorized a new Rule 10b-18 share repurchase plan to purchase for cancellation up to 400,000 common shares through facilities of NASDAQ. Transactions may involve Jewett-Cameron insiders or their affiliates executed in compliance with Jewett-Cameron's Insider Trading Policy. Purchases shall be limited to daily purchases in an amount up to 25% of the Average Daily Trading Volume ("ADTV") in its shares, or 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. This share repurchase plan commenced on August 20, 2012 and will remain in place until March 15, 2013 but may be limited or terminated at any time without prior notice. As of November 7, 2012, no common shares have been repurchased under the new plan.

### **ITEM 6. SELECTED FINANCIAL DATA**

--- No Disclosure Necessary for Smaller Reporting Companies ---

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

The Company's operations are classified into four reportable segments as follows:

- Industrial wood products (Greenwood) – Distribution of specialty wood products.
- Lawn, garden, pet and other (JCLC) – Wholesaling of wood products and manufacturing and distribution of specialty metal products.
- Seed processing and sales (JCSC) – Processing and distribution of agricultural seed.
- Industrial tools and clamps (MSI) – Importing and distribution of products including pneumatic air tools, industrial clamps, and saw blades.

### **Quarterly Results**

The following table summarizes quarterly financial results in fiscal 2012 and fiscal 2011. (Figures are thousands of dollars except per share amounts.)

	<b>For the Year Ended August 31, 2012</b>				
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Full Year</b>
Sales	\$ 7,241	\$ 11,752	\$ 16,113	\$ 10,840	\$ 45,946
Gross profit	1,466	2,091	2,807	2,275	8,639
Net income	64	1,288	937	771	3,060
Basic earnings per share	\$ 0.04	\$ 0.75	\$ 0.54	\$ 0.45	\$ 1.78
Diluted earnings per share	\$ 0.04	\$ 0.75	\$ 0.54	\$ 0.45	\$ 1.78

  

	<b>For the Year Ended August 31, 2011</b>				
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Full Year</b>
Sales	\$ 6,085	\$ 11,860	\$ 12,913	\$ 11,198	\$ 42,056
Gross profit	1,446	2,126	2,430	2,124	8,126
Net income / (loss)	(846)	497	604	647	902
Basic earnings / (loss) per share	\$ (0.41)	\$ 0.24	\$ 0.30	\$ 0.31	\$ 0.44
Diluted earnings / (loss) per share	\$ (0.41)	\$ 0.24	\$ 0.30	\$ 0.31	\$ 0.44

2012 quarterly per share earnings were calculated using weighted average number of common shares outstanding of 1,722,106 (2011 - 2,060,587).

### **RESULTS OF OPERATIONS**

#### **Fiscal Years Ended August 31, 2012 and August 31, 2011**

Sales totaled \$45,945,530 in fiscal 2012 compared to sales of \$42,056,470 in fiscal 2011, which was an increase of \$3,889,060, or 9%. Sales increased at JCLC, JCSC and MSI as we successfully increased our market share in certain product lines, but were offset somewhat due to lower sales at Greenwood.

Gross margin was 18.8% in fiscal 2012 compared to 19.3% in fiscal 2011. The gross margins for the current year continue to be negatively affected by higher material and transportation costs. Operating expenses decreased by \$213,852 from \$5,290,113 in fiscal 2011 to \$5,076,261 in fiscal 2012. The decline was primarily due to continued efforts at cost control, particularly in Selling, general and administrative, which fell to \$1,463,550 from \$1,680,428. Wages and employee benefits rose slightly to \$3,368,495 from \$3,348,143 in fiscal 2011. Depreciation and amortization declined to \$244,216 in fiscal 2012 compared to \$261,542 in fiscal 2011. Income from operations rose to \$3,563,140 in fiscal 2012 compared to \$2,836,248 in fiscal 2011.

Income before income taxes was \$5,019,994 in fiscal 2012 compared to \$1,430,703 in fiscal 2011. The higher income in the current year was largely due to other items related to the favorable decision for the Company from the Oregon Supreme Court in the Company's lawsuit filed in relation to the acquisition of inventory by Greenwood Products. This included the reversal of litigation reserves which provided income of \$1,443,629 in fiscal 2012 compared to litigation loss of \$962,137 and interest expense of \$440,726 in fiscal 2011 which was recorded while the Company appealed the original adverse decision to the Oregon Supreme Court. In fiscal 2012 the Company also recorded interest income of \$13,968 related to the favorable difference in interest rates between the two judgments. Current and deferred income tax expense was \$1,960,063 in fiscal 2012 compared to \$528,309. The higher expense was due to the higher net income as well as the reversal of the litigation reserves, while income taxes were decreased in fiscal 2011 due to an income tax recovery related to the increase in the litigation reserve which had the effect of lowering the overall income tax expense for the year. The Company calculates income tax expense based on combined federal and state rates that are currently in effect.

Including the positive effects of the reversal of the litigation reserve, net income for fiscal 2012 was \$3,059,931, or \$1.78 per basic and diluted share. Net income for fiscal 2011 was \$902,394, or \$0.44 per basic and diluted share, which was negatively impacted by the increase in litigation reserve. The earnings per share in 2012 were also favorably affected by the lower weighted average common shares outstanding due to the repurchase and cancellation of 340,486 common shares during fiscal 2012. The weighted number of shares outstanding was 1,722,106 in fiscal 2012 compared to 2,060,587 in fiscal 2011.

#### Industrial Wood Products - Greenwood

Sales at Greenwood in fiscal 2012 were \$7,866,469 compared to sales of \$8,498,680 in fiscal 2011, which was a decrease of \$632,211, or 7%. The year over year decline was largely due to continued weak demand for our products. Sales of plywood to boat manufacturers represented approximately 17% and 15% of Greenwood's total sales during 2012 and 2011 respectively, and demand from these customers has been severely affected by the continued weak economic conditions. Boat manufacturers continue to work down excess inventory accumulated over the several years, and until such point, we do not foresee an industry recovery. We continue to develop a readiness to participate when the market rebounds. In the meantime, we have been searching for alternative uses for our industrial wood products and developing new customer relationships. Greenwood had an operating loss of \$89,973 in fiscal 2012 compared to an operating loss of \$343,400 in fiscal 2011. The smaller operating loss reflects management's operating expense control at Greenwood, but the current depressed economic conditions and weak demand from the marine sector continues to be a challenge for this segment.

#### Lawn, Garden, Pet and Other - JCLC

Sales at JCLC were \$29,819,201 in fiscal 2012 compared to sales of \$26,461,084 in fiscal 2011, which was an increase of \$3,358,117, or 13%. The increase in sales was due to several factors. Many current products are increasing their market share with existing customers due to our sales efforts and the Company being recognized as a reliable and valued supplier, while some new products began shipping in the 3rd quarter. Also, the weak economy has resulted in many consumers employing a "staycation" approach which has produced increased spending on home and backyard projects, including their pets. Therefore, many of our customers have expanded their pet product lines. The following table shows a breakdown between the metal and wood categories in this segment.

<u>Fiscal Year</u>	<u>Sales in Millions of Dollars</u>			<u>Percent of Total Sales</u>		
	<u>Metal</u>	<u>Wood</u>	<u>Total</u>	<u>Metal</u>	<u>Wood</u>	<u>Total</u>
2012	\$21.3	\$8.5	\$29.8	71%	29%	100%
2011	\$20.2	\$6.3	\$26.5	76%	24%	100%

Operating income at JCLC for 2012 was \$3,451,704 compared to operating income of \$2,967,668 in 2011. The higher operating income was primarily due to the higher level of sales, although overall margins continued to be pressured due to higher raw materials and transportation costs.

### Seed Processing and Sales - JCSC

Sales at JCSC were \$5,733,323 in fiscal 2012 compared to sales of \$5,197,530 in fiscal 2011, which represents an increase of \$535,793, or 10%. Higher cereal and livestock feed prices have caused a shift by some growers from grass seed to grains, which continue to have a positive effect on recent surpluses and wholesale prices. However, overall demand remains relatively weak, primarily from the new home construction and golf course industry in North America. Operating income at JCSC was \$105,003 in fiscal 2012 compared to income of \$215,910 in 2011, with the decline primarily due to higher raw material costs, and lower seed cleaning revenues on heightened competition.

### Industrial Tools and Clamps - MSI

Sales at MSI were \$2,526,537 in fiscal 2012 compared to sales of \$1,899,176 in fiscal 2011, which was an increase of \$627,361 or 33%. Operating income at MSI was \$173,614 in fiscal 2012 compared to income of \$97,974 in fiscal 2011. The higher sales and income was due to the introduction of several new products by the Company.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Fiscal Year Ended August 31, 2012**

As of August 31, 2012, the Company had working capital of \$14,930,305 compared to working capital of \$14,970,148 as of August 31, 2011, which represents a decrease of \$39,843. The largest changes affecting working capital includes the increase in cash and cash equivalents of \$535,261, a decrease in accounts receivable of \$804,244, an increase in inventory of \$1,269,796, and a decrease in prepaid expenses of \$459,384 as prepayments made to contract manufacturers on inventory purchase orders were credited upon delivery of the product. Prepaid income taxes declined from \$682,527 as of August 31, 2011 to \$Nil as of August 31, 2012 due to differences in the timing and amount of estimated tax payments. Current liabilities decrease slightly to \$2,966,271 from \$3,089,026. Accounts payable rose to \$1,577,182 from \$519,265 which was related to the increase in inventory; Litigation reserve fell to \$170,819 from \$1,627,915 due to the favorable decision for the Company by the Oregon Supreme Court in its legal proceedings; and accrued liabilities increased by \$239,221. The ratio of current assets to current liabilities or current ratio as of August 31, 2012 was 6.03.

For the fiscal year ended August 31, 2012, the accounts receivable collection period or DSO was 25 days compared to 34 days for the year ended August 31, 2011. Inventory turnover for the year ended August 31, 2012 was 63 days compared to 65 days for the year ended August 31, 2011.

During the year the Company repurchased and cancelled 340,486 common shares which used cash of \$3,075,559. The Company also used cash of \$311,670 for the purchase of property, plant and equipment, which included the purchase of the land and fixed assets from Manning Lumber for \$250,000.

Based on the Company's current working capital position, its policy of retaining earnings, and the line of credit available, the Company has adequate working capital to meet its needs for the coming fiscal year.

### **Short-term and Long-term Debt**

External sources of liquidity include a line of credit from U.S. Bank of \$5 million, of which \$5 million is available. Borrowing under the line of credit is secured by an assignment of accounts receivable and inventory. The interest rate is calculated solely on the one month LIBOR rate plus 200 basis points. As of August 31, 2012 the one month LIBOR rate plus 200 basis points was 2.24% (0.24% + 2.00%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

## **OTHER MATTERS**

### **Contractual Obligations and Commercial Commitments**

The Company currently has no contractual obligations or commercial commitments.

### **Inflation**

The Company does not believe that inflation had a material impact during fiscal 2012 or 2011. Typically the Company passes price increases on to the customer.

### **Critical Accounting Policies**

Management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On a regular basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

During the year ended August 31, 2012, the Company did not adopt any new accounting policy that would have a material impact on the consolidated financial statements, nor did it make changes to accounting policies. Senior Management has discussed with the Audit Committee the development, selection and disclosure of accounting estimates used in the preparation of the consolidated financial statements.

### **Recent Accounting Pronouncements**

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

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

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

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



## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Risk**

The Company did not have any derivative financial instruments as of August 31, 2012, and the Company does not use derivative instruments for trading purposes.

Changes in U.S. interest rates affect the interest earned on the Company's cash equivalents as well as interest paid on debt. The Company has a line of credit with an interest rate based on published rates that 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

The financial statements and notes thereto are attached hereto. The audit report of Davidson & Company, LLP Chartered Accountants is included herein immediately preceding the audited consolidated financial statements.

### **Audited Consolidated Financial Statements: fiscal 2012 and 2011**

Report of Independent Registered Accounting Firm dated November 7, 2012

Consolidated Balance Sheets

Balance Sheets at 8/31/2012 and 8/31/2011

Consolidated Statements of Operations

For the years ended 8/31/2012 and 8/31/2011

Consolidated Statements of Stockholders' Equity

For the years ended 8/31/2012 and 8/31/2011

Consolidated Statements of Cash Flows

For the years ended 8/31/2012 and 8/31/2011

Notes to Financial Statements

Report of Independent Registered Accounting Firm dated November 7, 2012

Schedule II: Valuation and Qualifying Accounts

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in U.S. Dollars)**

**AUGUST 31, 2012**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of  
Jewett-Cameron Trading Company Ltd. and Subsidiaries

We have audited the accompanying balance sheets of Jewett-Cameron Trading Company Ltd. and Subsidiaries as of August 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. Jewett-Cameron Trading Company Ltd. and Subsidiaries' management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewett-Cameron Trading Company Ltd. and Subsidiaries as of August 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

November 7, 2012



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6  
Telephone (604) 687-0947 Fax (604) 687-6172

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in U.S. Dollars)  
AS OF AUGUST 31

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 7,309,388	\$ 6,774,127
Accounts receivable, net of allowance of \$6,509 (August 31, 2011 - \$0)	3,092,842	3,897,086
Inventory, net of allowance of \$139,869 (August 31, 2011 - \$204,860) (note 3)	7,085,389	5,815,593
Note receivable	20,000	41,500
Prepaid expenses	388,957	848,341
Prepaid income taxes	-	682,527
Total current assets	17,896,576	18,059,174
<b>Property, plant and equipment, net</b> (note 4)	1,997,109	1,850,037
<b>Intangible assets, net</b> (note 5)	444,203	510,771
<b>Deferred income taxes</b> (note 6)	101,573	157,862
<b>Total assets</b>	<u>\$ 20,439,461</u>	<u>\$ 20,577,844</u>

- Continued -

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

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in U.S. Dollars)  
AS OF AUGUST 31

	<u>2012</u>	<u>2011</u>
Continued		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,577,182	\$ 519,265
Litigation reserve (Note 13(a))	170,819	1,627,915
Accrued liabilities	1,181,067	941,846
Accrued income taxes	<u>37,203</u>	<u>-</u>
Total current liabilities	2,966,271	3,089,026
<b>Contingent liabilities and commitments</b> (note 13)		
<b>Stockholders' equity</b>		
Capital stock (note 8)		
Authorized		
20,000,000 common shares, without par value		
10,000,000 preferred shares, without par value		
Issued		
1,567,971 common shares (August 31, 2011 - 1,908,457)	1,479,721	1,801,043
Additional paid-in capital	600,804	600,804
Retained earnings	<u>15,392,665</u>	<u>15,086,971</u>
Total stockholders' equity	<u>17,473,190</u>	<u>17,488,818</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 20,439,461</u>	<u>\$ 20,577,844</u>

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

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in U.S. Dollars)  
YEAR ENDED AUGUST 31

	<u>2012</u>	<u>2011</u>
<b>SALES</b>	\$ 45,945,530	\$ 42,056,470
<b>COST OF SALES</b>	<u>37,306,129</u>	<u>33,930,109</u>
<b>GROSS PROFIT</b>	8,639,401	8,126,361
<b>OPERATING EXPENSES</b>		
Selling, general and administrative	1,463,550	1,680,428
Depreciation and amortization	244,216	261,542
Wages and employee benefits	<u>3,368,495</u>	<u>3,348,143</u>
	<u>5,076,261</u>	<u>5,290,113</u>
<b>Income from operations</b>	<u>3,563,140</u>	<u>2,836,248</u>
<b>OTHER ITEMS</b>		
Loss on sale of property, plant and equipment	-	(2,652)
Interest and other income (loss)	13,968	(30)
Interest expense	(743)	(440,726)
Litigation income (loss) (note 13(a))	<u>1,443,629</u>	<u>(962,137)</u>
	<u>1,456,854</u>	<u>(1,405,545)</u>
<b>Income before income taxes</b>	5,019,994	1,430,703
<b>Income taxes</b> (note 6)		
Current	1,903,774	487,589
Deferred	<u>56,289</u>	<u>40,720</u>
<b>Net income for the year</b>	<u>\$ 3,059,931</u>	<u>\$ 902,394</u>
<b>Basic earnings per common share</b>	\$ 1.78	\$ 0.44
<b>Diluted earnings per common share</b>	\$ 1.78	\$ 0.44
<b>Weighted average number of common shares outstanding:</b>		
Basic	1,722,106	2,060,587
Diluted	<u>1,722,106</u>	<u>2,060,587</u>

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

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
(Expressed in U.S. Dollars)  
YEAR ENDED AUGUST 31

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

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

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in U.S. Dollars)  
YEAR ENDED AUGUST 31

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 3,059,931	\$ 902,394
Items not affecting cash:		
Depreciation and amortization	244,216	261,542
Loss on sale of property, plant and equipment	-	2,652
Deferred income taxes	56,289	40,720
Litigation (income) loss	(1,443,629)	962,137
Interest (income) expense on litigation	(13,467)	440,726
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	804,244	(22,972)
Decrease in note receivable	21,500	-
(Increase) decrease in inventory	(1,269,796)	450,189
Decrease (increase) decrease in prepaid expenses	459,384	(791,645)
Decrease (increase) in prepaid income taxes	682,527	(682,527)
Increase (decrease) in accounts payable and accrued liabilities	1,297,138	82,132
Increase (decrease) in accrued income taxes	37,203	(8,133)
Net cash provided by operating activities	<u>3,935,540</u>	<u>1,637,215</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of property, plant and equipment	-	5,450
Purchase of property, plant and equipment	(311,670)	(118,707)
Purchase of intangible assets and other	(13,050)	-
Net cash used in investing activities	<u>(324,720)</u>	<u>(113,257)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of common stock	(3,075,559)	(3,460,145)
Net cash used in financing activities	<u>(3,075,559)</u>	<u>(3,460,145)</u>
<b>Net increase (decrease) in cash</b>	535,261	(1,936,187)
<b>Cash, beginning of year</b>	<u>6,774,127</u>	<u>8,710,314</u>
<b>Cash, end of year</b>	<u>\$ 7,309,388</u>	<u>\$ 6,774,127</u>

**Supplemental disclosure with respect to cash flows (note 16)**

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



**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. NATURE OF OPERATIONS**

Jewett-Cameron Trading Company Ltd. was incorporated in British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation (“JCLC”), incorporated September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. JCLC has the following wholly owned subsidiaries: MSI-PRO Co. (“MSI”), incorporated April 1996, Jewett-Cameron Seed Company, (“JCSC”), incorporated October 2000, and Greenwood Products, Inc. (“Greenwood”), incorporated February 2002. Jewett-Cameron Trading Company, Ltd. and its subsidiaries (the “Company”) have no significant assets in Canada.

The Company, through its subsidiaries, operates out of facilities located in North Plains, Oregon. JCLC’s business consists of the manufacturing and distribution of specialty metal products and wholesale distribution of wood products to home centers and other retailers located primarily in the United States. Greenwood is a processor and distributor of industrial wood and other specialty building products principally to customers in the marine and transportation industries in the United States. MSI is an importer and distributor of pneumatic air tools and industrial clamps in the United States. JCSC is a processor and distributor of agricultural seeds in the United States.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Generally accepted accounting principles**

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

**Principles of consolidation**

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

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

**Estimates**

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

**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 August 31, 2012, cash was \$7,309,388 compared to \$6,774,127 at August 31, 2011. At August 31, 2012 and 2011, there were no cash equivalents.

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

**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 66 months and 78 months, respectively, and are reviewed annually for impairment.

**Asset retirement obligations**

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

**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.

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

**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.

The earnings per share data for the fiscal years ended August 31, 2012 and 2011 are as follows:

	<b>2012</b>	<b>2011</b>
Net income	\$ 3,059,931	\$ 902,394
Basic weighted average number of common shares outstanding	1,722,106	2,060,587
Effect of dilutive securities Stock options	-	-
Diluted weighted average number of common shares outstanding	1,722,106	2,060,587
Basic and diluted earnings per common share	\$ 1.78	\$ 0.44

**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 years ended August 31, 2012 and 2011, and there were no options outstanding on August 31, 2012 or 2011.

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

**Financial instruments**

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

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

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

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

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

The estimated fair values of the Company's financial instruments as of August 31, 2012 and 2011 follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	\$7,309,388	\$7,309,388	\$6,774,127	\$6,774,127
Accounts receivable, net of allowance	3,092,842	3,092,842	3,897,086	3,897,086
Note receivable	20,000	20,000	41,500	41,500
Accounts payable and accrued liabilities	2,758,249	2,758,249	1,461,111	1,461,111

The following table presents information about the assets that are measured at fair value on a recurring basis as of August 31, 2012, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	August 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 7,309,388	\$ 7,309,388	\$ —	\$ —

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

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

**Income taxes**

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

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

**Shipping and handling costs**

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

**Revenue recognition**

The Company recognizes revenue from the sales of lumber, building supply products, industrial wood products, 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 year.

**Recent Accounting Pronouncements**

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

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

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

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

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

**3. INVENTORY**

A summary of inventory as of August 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Wood products and metal products	\$ 6,457,600	\$ 4,926,121
Industrial tools	437,347	456,523
Agricultural seed products	190,442	432,949
	<u>\$ 7,085,389</u>	<u>\$ 5,815,593</u>

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**4. PROPERTY, PLANT AND EQUIPMENT**

A summary of property, plant, and equipment as of August 31, 2012 and 2011 follows:

	<b>2012</b>	<b>2011</b>
Office equipment	\$ 491,470	\$ 612,709
Warehouse equipment	1,343,311	1,136,002
Buildings	2,362,555	2,339,815
Land	818,072	615,213
	<u>5,015,408</u>	<u>4,703,739</u>
Accumulated depreciation	<u>(3,018,299)</u>	<u>(2,853,702)</u>
Net book value	<u>\$ 1,997,109</u>	<u>\$ 1,850,037</u>

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

**5. INTANGIBLE ASSETS**

A summary of intangible assets as of August 31, 2012 and 2011 follows:

	<b>2012</b>	<b>2011</b>
Patent	\$ 850,000	\$ 850,000
Other	43,655	30,605
	893,655	880,605
Accumulated amortization	<u>(449,452)</u>	<u>(369,834)</u>
Net book value	<u>\$ 444,203</u>	<u>\$ 510,771</u>

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**6. INCOME TAXES**

A reconciliation of the provision for income taxes with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows:

	<u>2012</u>	<u>2011</u>
Computed tax at the federal statutory rate	\$ 1,646,365	\$ 429,518
State taxes, net of federal benefit	241,237	40,164
Depreciation	(3,266)	18,456
Inventory reserve	62,282	15,365
Other	13,445	24,806
<b>Provision for income taxes</b>	<b>\$ 1,960,063</b>	<b>\$ 528,309</b>
Current income taxes	\$ 1,903,774	\$ 487,589
Deferred income taxes	56,289	40,720
	<u>\$ 1,960,063</u>	<u>\$ 528,309</u>

Deferred income tax assets as of August 31, 2012 of \$101,573 (August 31, 2011 - \$157,862) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

	<u>2012</u>	<u>2011</u>
Deferred tax assets:		
Allowance for inventory	\$ 77,920	\$ 140,202
Allowance for bad debts	2,727	-
Difference between book and tax depreciation	20,926	17,660
Total deferred tax assets	101,573	157,862
Valuation allowance	-	-
<b>Net deferred tax assets</b>	<b>\$ 101,573</b>	<b>\$ 157,862</b>

**7. BANK INDEBTEDNESS**

There was no bank indebtedness under the Company's line of credit as of August 31, 2012 or August 31, 2011.

Bank indebtedness, when it exists, is secured by an assignment of accounts receivable and inventory. Interest is calculated solely on the one month LIBOR rate plus 200 basis points.

**8. CAPITAL STOCK**

**Common stock**

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



**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**

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**9. CANCELLATION OF CAPITAL STOCK**

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

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

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

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

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

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

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

During the 4th quarter of fiscal 2010, the Company re-purchased and cancelled a total of 79,040 shares of its common stock under a 10b5-1 share re-purchase plan. The total cost was \$549,151 at an average share price of \$6.95 per share. The premium paid to acquire these shares over their per share book value in the amount of \$474,853 was recorded as a decrease to retained earnings.

**10. STOCK OPTIONS**

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

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

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

The Company had no stock options outstanding as of the years ended August 31, 2012 and August 31, 2011.

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

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

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

	<b>2012</b>	<b>2011</b>
Shares owned by ESOP	Nil	224,939

**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 enrollment time. The plan allows for a non-elective discretionary contribution based on the first \$60,000 of eligible compensation. For the years ended August 31, 2012 and 2011 the 401(k) compensation expense was \$186,906 and \$53,432, respectively.

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**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.

During the third and fourth quarters of fiscal 2012 ended August 31, 2012, the Company recorded \$13,467 of Interest income due to the favourable difference in interest rates between the judgments.

A summary of the litigation reserve is as follows:

	August 31, 2012	August 31, 2011
Litigation loss	\$ -	\$ 962,137
Litigation reserve	184,286	225,000
Interest expense	-	440,778
Interest income	(13,467)	-
<b>Total</b>	<b>\$ 170,819</b>	<b>\$ 1,627,915</b>

- b) At August 31, 2012 and August 31, 2011 the Company had an un-utilized line-of-credit of \$5,000,000 (note 7). The line-of-credit has certain financial covenants. The Company is in compliance with these covenants.

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**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.

Following is a summary of segmented information for the years ended August 31:

	<u>2012</u>	<u>2011</u>
<b>Sales to unaffiliated customers:</b>		
Industrial wood products	\$ 7,866,469	\$ 8,498,680
Lawn, garden, pet and other	29,819,201	26,461,084
Seed processing and sales	5,733,323	5,197,530
Industrial tools and clamps	2,526,537	1,899,176
	<u>\$ 45,945,530</u>	<u>\$ 42,056,470</u>
<b>Income (loss) before income taxes:</b>		
Industrial wood products	\$ (109,345)	\$ (350,378)
Lawn, garden, pet and other	3,437,720 *	2,882,208 *
Seed processing and sales	71,614	180,527
Industrial tools and clamps	147,859	73,218
Unallocated overhead	15,050	48,043
	<u>\$ 3,562,898</u>	<u>\$ 2,833,618</u>
<b>Identifiable assets:</b>		
Industrial wood products	\$ 1,961,561	\$ 2,814,024
Lawn, garden, pet and other	16,632,902	16,265,811
Seed processing and sales	1,320,437	917,012
Industrial tools and clamps	514,637	586,897
Unallocated overhead	9,924	(5,900)
	<u>\$ 20,439,461</u>	<u>\$ 20,577,844</u>
<b>Depreciation and amortization:</b>		
Industrial wood products	\$ 1,613	\$ 1,737
Lawn, garden, pet and other	220,539	236,484
Seed processing and sales	16,780	20,378
Industrial tools and clamps	5,284	2,943
	<u>\$ 244,216</u>	<u>\$ 261,542</u>

\* For comparability purposes, this amount excludes one-time charges for litigation income of \$1,443,629 and related interest of \$13,467 in fiscal 2012 and litigation reserve of (\$962,137) and related interest of (\$440,778) in fiscal 2011.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)

**14. SEGMENT INFORMATION (cont'd...)**

	<u>2012</u>	<u>2011</u>
<b>Capital expenditures:</b>		
Industrial wood products	\$ -	\$ -
Lawn, garden, pet and other	294,705	82,932
Seed processing and sales	15,465	35,775
Industrial tools and clamps	14,550	-
	<u>324,720</u>	<u>\$ 118,707</u>
<b>Interest expense:</b>		
Industrial wood products	\$ -	\$ -
Lawn, garden, pet and other	-	440,726
Seed processing and sales	-	-
Industrial tools and clamps	-	-
Unallocated overhead	743	-
	<u>\$ 743</u>	<u>\$ 440,726</u>

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the years ended August 31:

	<u>2012</u>	<u>2011</u>
Sales	\$ 15,202,776	\$ 14,578,000

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 fiscal years ended August 31:

	<u>2012</u>	<u>2011</u>
United States	\$ 41,935,912	\$ 37,275,697
Canada	2,099,210	2,735,212
Mexico/Latin America	1,434,467	1,002,259
Europe	395,957	481,388
Asia/Pacific	79,984	527,533
Africa	-	34,381

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

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)

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**15. CONCENTRATIONS**

*Credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with a high quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated geographically in the United States amongst a small number of customers. At August 31, 2012, two customers accounted for accounts receivable greater than 10% of total accounts receivable for a combined total of 29%. At August 31, 2011, three customers accounted for accounts receivable greater than 10% of total accounts receivable for a combined total of 57%. 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 fiscal year ended August 31, 2012, there were two suppliers which each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$16,763,460. For the fiscal year ended August 31, 2011, there were three suppliers which each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$16,523,308.

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

Certain cash payments for the years ended August 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Cash paid during the year for:		
Interest	\$ 743	\$ -
Income taxes	\$ 520,000	\$ 1,159,779

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

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of  
Jewett-Cameron Trading Company Ltd. and Subsidiaries

Our report on the consolidated financial statements of Jewett-Cameron Trading Company Ltd. and Subsidiaries as at August 31, 2012 and 2011 and for the years then ended is included on Page 19 of this Form 10-K. In connection with our audits of such consolidated financial statements, we have also audited the related consolidated financial statement Schedule II for the years ended August 31, 2012 and 2011 included in this Form 10-K.

In our opinion, the consolidated financial statement schedule referred to above for the years ended August 31, 2012 and 2011, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information required to be included therein.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

November 7, 2012



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6  
Telephone (604) 687-0947 Fax (604) 687-6172

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENT SCHEDULE**  
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**  
**AUGUST 31, 2012**

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions Credited to Costs and Expenses	Deductions From Reserves	Balance at End of Year
<b>August 31, 2011</b>					
Allowance deducted from related Balance sheet account:					
Inventory	\$ 221,200	\$ -	\$ -	\$ (16,340)	\$ 204,860
Deferred tax valuation account	\$ -	\$ -	\$ -	\$ -	-
<b>August 31, 2012</b>					
Allowance deducted from related Balance sheet account:					
Inventory	\$ 204,860	\$ -	\$ -	\$ (64,991)	\$ 139,869
Deferred tax valuation account	\$ -	\$ -	\$ -	\$ -	\$ -



**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

--- No Disclosure Necessary ---

**ITEM 9A. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures*

Management has evaluated, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, 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.

*Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under supervision and with the participation of our management including our Chief Executive Officer and our Chief Financial Officer we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation our management concluded that our internal control over financial reporting was effective as of August 31, 2012.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K.

*Changes in Internal Controls*

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

--- No Disclosure Necessary ---

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Table No. 4 lists as of November 7, 2012 the names of the Directors of the Company. The Directors will serve until the next Annual Shareholders' Meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles/By-Laws of the Company.

Table No. 4  
Directors

Name	Age	Date First Elected Or Appointed
Donald M. Boone (2)	72	July 1987
Ted A. Sharp (1) (2)	64	September 2004
Jeffrey G. Wade (1) (2)	71	March 2007
Ralph E. Lodewick (1) (2)	77	February 2008

- (1) Member of Audit Committee.
- (2) Resident of Oregon, USA and citizen of the United States.

Table No. 5 lists, as of November 7, 2012, the names of the executive officers of the Company. The executive officers serve at the pleasure of the board of directors. All executive officers are residents and citizens of the United States and spend 100% of their time on the affairs of the Company, with the exception of the CFO who spends 50% of his time on the affairs of the Company.

Table No. 5  
Executive Officers

Name	Position	Age	Date of Board Approval
Donald M. Boone	President, Chief Executive Officer and Treasurer	72	July 1987
Murray G. Smith	Chief Financial Officer	41	September 2009
Michael C. Nasser	Corporate Secretary	66	July 1987

#### Family Relationships/Other Relationships/Arrangements

There are no arrangements or understandings between any two or more directors or executive officers, pursuant to which he/she was selected as a director or executive officer. There are no family relationships, material arrangements or understandings between any two or more directors or executive officers.

#### Written Management Agreements

--- No Disclosure Necessary ---

#### Business Experience

**Donald M. Boone** has over 44 years of management experience and has been Chief Executive Officer of the Company since its beginning in 1987. Before this he worked for companies including Sunrise Forest Products, Oregon Pacific Industries, and Tektronix.

**Murray G. Smith** is a licensed CPA with over 20 years of accounting and finance leadership experience. Prior to joining Jewett-Cameron as Chief Financial Officer, he led the Company's Sarbanes-Oxley compliance program the previous two years. Previous employers have included Intel, Arthur Andersen, & Teledyne, and he currently serves as Chief Financial Officer of Paulson Capital Corporation, an investment company whose common shares are traded on NASDAQ. Mr. Smith is a graduate of the University of Washington.

**Michael C. Nasser** has over 39 years of experience in sales and sales management and has worked in this capacity for the Company since its inception. Prior to this he worked for companies including Sunrise Forest Products and Oregon Pacific Industries. Mr. Nasser is a graduate of Portland State University.

**Ted A. Sharp** is Chairman of the Company's Audit Committee. He has been a Certified Public Accountant since 1978 and since 2002 has been Controller for Cherry City Electric in Salem, Oregon. Previously he was Chief Financial Officer of Cord Communications, and before that he worked for companies including Westtower Communications. Mr. Sharp is a graduate of the University of Oregon.

**Jeffrey G. Wade** has approximately 39 years of business experience holding a variety of positions. These have included Finance Director – International Operations for Novell, Chief Financial Officer of Univel, and Group Controller – International Operations for Tektronix. Mr. Wade has an MBA from Northeastern University, and his undergraduate degree is from Willamette University.

**Ralph E. Lodewick** has an extensive business and governance background covering over 43 years. Employers have included Tektronix, and he has owned businesses involved in art and music. He has served on the board of directors of City Arts and the Mt. Hood Festival of Jazz. Also, he has been a board member and board president of the Jazz Society of Oregon and the Multnomah Arts Center Association.

### **Involvement in Certain Legal Proceedings**

There have been no events during the last five years that are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person including:

- 1) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- 2) Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations/other minor offenses);
- 3) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities or banking activities; and
- 4) Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### **Audit Committee Financial Expert**

Our Board of Directors has determined that Ted Sharp is the "audit committee financial expert", as defined in Item 401(h) of Regulation S-K. Mr. Sharp is independent as that term is used in Section 240.14a-101 under the Exchange Act and as defined under NASDAQ Rule 4200 9a) (15).

### **Audit Committees**

The Company has an audit committee, which recommends to the board of directors the engagement of the independent auditors of the Company and reviews with the independent auditors the scope and results of the Company's audits, the Company's internal accounting controls, and the professional services furnished by the independent auditors to the Company. The board of directors, in light of the increased responsibilities placed on the audit committee during 2002 by the Sarbanes-Oxley Act and the SEC, adopted an Amended and Restated Charter in late 2002.

The audit committee is directly responsible for the appointment, compensation and oversight of auditors; and concerns about accounting and auditing matters; and has the authority to engage independent counsel and other outside advisors.

The audit committee may delegate to one or more designated members of the audit committee the authority to grant pre-approvals required by this policy / procedure. The decisions of any audit committee member to whom authority is delegated to pre-approve a service shall be presented to the audit committee at its next scheduled meeting.

In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, we introduced a procedure for the review and pre-approval of any services performed by Davidson & Company, LLP Chartered Accountants, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of Davidson & Company, LLP Chartered Accountants for audit and permitted non-audit services are submitted to the audit committee for approval prior to the beginning of any such services.

The current members of the audit committee are Ted Sharp, Jeff Wade, and Ralph Lodewick. All current members of the audit committee are “independent” within the meaning of the new regulations from the SEC regarding audit committee membership.

The audit committee met three times in fiscal 2010, three times in fiscal 2011, and two times in fiscal 2012.

#### **Compliance with Section 16(a) of the Exchange Act.**

The Company has reviewed the Forms 3 and 4 furnished to the Company under Rule 16a-3(e) of the Securities Exchange Act during the most recent fiscal year and the Forms 5 furnished to the company with respect to its most recent fiscal year, as well as any written representations received by the company from persons required to file such forms, and management has determined there were no reports that failed to be filed on a timely basis as required by Section 16(a) of the Securities Exchange Act during the most recent fiscal year.

#### **Code of Ethics**

The Company has a written “code of ethics” that meets the United States' Sarbanes-Oxley standards. The code is posted on the Company’s website.

#### **Limitation of Liability and Indemnification**

Our certificate of incorporation limits the personal liability of our board members for breaches by them of their fiduciary duties. Our bylaws also require us to indemnify our directors and officers to the fullest extent permitted by British Columbia law. British Columbia law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for any of the following acts:

- a. any breach of their duty of loyalty to the Company or its stockholders;
- b. acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- c. unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions; and
- d. any transaction from which the director derived an improper personal benefit.

Such limitation of liability may not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission. In addition, British Columbia laws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether indemnification would be permitted under British Columbia law. We currently maintain liability insurance for our directors and executive officers.

Among other things, this will provide for indemnification of our directors and executive officers for certain expenses (including attorneys’ fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person’s services as a director or executive officer of ours, any subsidiary of ours or any other company or enterprise to which the person provided services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

## ITEM 11. EXECUTIVE COMPENSATION

Table No. 6 details compensation paid or accrued for fiscal 2012, 2011 and 2010 for the Company's chief executive officer, each of the Company's most highly compensated executive officers who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$100,000 per year.

Table No. 6  
Summary Compensation Table  
Executive Officers

Name and Principal Position	Fiscal Year	Annual Compensation			Long-term Compensation			All Other Comp.
		Salary	Bonus	Other Annual Comp.	Awards Restricted Stock Awards	Securities Underlying Options/ SARS (#)	Payouts LTIP Payouts	
Donald Boone, President, Chief Executive Officer, Treasurer	2012	\$ 36,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,440
	2011	\$ 36,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,960
	2010	\$ 36,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,841
Michael Nasser, Corporate Secretary	2012	\$177,000	\$50,000	\$ -	\$ -	\$ -	\$ -	\$ 2,400
	2011	\$177,000	\$60,000	\$ -	\$ -	\$ -	\$ -	\$ 9,400
	2010	\$177,000	\$40,000	\$ -	\$ -	\$ -	\$ -	\$ 7,141
Murray Smith, Chief Financial Officer	2012	\$ 87,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,400
	2011	\$ 87,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,090
	2010	\$ 87,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,213

The Company may grant stock options to directors, executive officers and employees. The Company established an ESOP that covered all eligible employees. However, effective June 30, 2012, the ESOP has been terminated, subject to the approval of the Internal Revenue Service. The Company has a 401(k) Plan which allows for a non-elective discretionary contribution based on the first \$60,000 of eligible compensation.

Other than participation in the Company's stock option plan, ESOP, and 401(k), no funds were set aside or accrued during fiscal 2012 to provide pension, retirement or similar benefits for directors or executive officers.

The Company has no plans or arrangements with respect to remuneration received or that may be received by executive officers of the Company to compensate such executive officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

No executive officer or director received other compensation in excess of the lesser of \$25,000 or 10% of such officer's cash compensation, and all executive officers or directors as a group did not receive other compensation, which exceeded \$25,000 times the number of persons in the group or 10% of the compensation.

Except for our ESOP and 401(k) Plan we have no material stock option plan, bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers. Michael Nasser received bonuses, which were determined by the Chief Executive Officer.

## **Stock Options**

The Company may grant stock options to purchase securities to directors and employees on terms and conditions acceptable to the regulatory authorities in Canada, notably the Toronto Stock Exchange, the Ontario Securities Commission and British Columbia Securities Commission. The Company has no formal written stock option plan.

Under our stock option program, stock options for up to 10% of the number of our 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 our 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.

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, and the maximum term of each stock option may not exceed ten years and are determined in accordance with Toronto Stock Exchange ("TSX") guidelines.

No options were granted during fiscal 2010, fiscal 2011 or fiscal 2012, and as of August 31, 2012 there were no options outstanding.

## **401(k) Plan**

The Company has a 401(k) Plan which allows for a non-elective discretionary contribution based on the first \$60,000 of eligible compensation. For the years ended August 31, 2012 and 2011 the 401(k) compensation expense was \$186,906 and \$53,432, respectively. The contributions for Donald Boone were \$1,440 and \$1,440 for the fiscal years ended August 31, 2012 and 2011 respectively. The contributions for Michael Nasser were \$2,400 and \$2,400 for the fiscal years ended August 31, 2012 and 2011 respectively. The contributions for Murray Smith were \$2,400 and \$Nil for the fiscal years ended August 31, 2012 and 2011, respectively. There are no un-funded liabilities.

## **Employee Stock Ownership Plan (ESOP)**

The Company formerly sponsored an ESOP that covered all U.S. employees who were employed by the Company on August 31st of each year and who had at least one thousand hours with the company in the twelve months preceding that date. The ESOP granted to participants in the plan certain ownership rights in, but not possession of, the 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 recorded compensation expense based on the market price of the shares acquired on the open market or on the price of shares purchased from the Company. ESOP compensation expense was \$Nil and \$141,518 for the fiscal years ended August 31, 2012 and 2011 respectively. The ESOP shares allocated as of August 31, 2012 and 2011 were Nil and Nil respectively. The contributions for Donald Boone were \$Nil and \$2,520 for the fiscal years ended August 31, 2012 and 2011 respectively. The contributions for Michael Nasser were \$Nil and \$7,000 for the fiscal years ended August 31, 2012 and 2011 respectively. The contributions for Murray Smith were \$Nil and \$6,090 for the fiscal years ended August 31, 2012 and 2011, respectively. There are no un-funded liabilities.

Starting for the first time in the fiscal year ended August 31, 2008 the compensation expense associated with the ESOP has been invested on behalf of the plan participants in the Vanguard Star Fund, which is a low cost, broadly diversified mutual fund that owns both stocks and bonds. This move by the Company was designed to provide plan participants with some degree of diversification in their ownership stake in the ESOP. Effective June 30, 2012, the ESOP has been terminated, subject to the approval of the Internal Revenue Service. No further contributions shall be made to the ESOP. Upon receipt of approval from the Internal Revenue Service, the remaining assets shall be distributed to the participants pursuant to the terms of the Plan.

## **Long-Term Incentive Plan / Defined Benefit or Actuarial Plan**

During fiscal 2012 the Company had no Long-Term Incentive Plan ("LTIP") and no LTIP awards were made. Also, during fiscal 2012 the Company had no Defined Benefit or Actuarial Plan.

### **Compensation Committee Interlocks and Insider Participation**

The Company has no compensation committee, and the independent members of the board of directors perform equivalent functions.

No board of director member and none of our executive officers have a relationship that would constitute an interlocking relationship with executive officers and directors of another entity.

### **Employment Contracts**

### **Termination of Employment and Change-in-Control Arrangements**

--- No Disclosure Necessary ---

### **Director Compensation**

The Company has no formal plan for compensating its directors for their service in their capacity as directors. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. The board of directors may award special remuneration to any director undertaking any special services on behalf of the Company other than services ordinarily required of a director. During fiscal 2012 the following cash payments were paid to directors to compensate them for board meetings attended: Ted Sharp \$3,100, Jeff Wade \$3,100 and Ralph Lodewick \$3,100.

### **Executive Officer Compensation**

The Company has no compensation committee and a majority of the board of directors performs equivalent functions.

As in prior years all judgments regarding executive compensation for fiscal 2012 were based primarily upon our assessment of each executive officer's performance and contribution towards enhancing long-term shareowner value. We rely upon judgment and not upon rigid guidelines or formulas or short-term changes in our stock price in determining the amount and mix of compensation for each executive officer.

Decisions concerning 2012 compensation considered each executive officer's level of responsibility and performance. As noted above, specific decisions involving 2012 executive officer compensation were ultimately based on a judgment about the individual executive officer's performance and contribution towards enhancing long-term shareholder value.

The board of director's basis for Donald Boone's compensation was set many years ago, and this compensation has remained unchanged at his request. This amount of compensation is substantially less than what would ordinarily be considered as normal compensation for being Chief Executive Officer of the Company.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The Company is a publicly owned corporation. It is not controlled directly or indirectly by another corporation or any foreign government.

Table No. 7 shows directors, executive officers, and 5% shareholders who beneficially owned the Company's common stock and the amount of the Company's voting stock owned as of November 7, 2012.

Table No. 7.  
Shareholdings of Directors, Executive Officers,  
and 5% Shareholders

Class	Name and Address of of Beneficial Owner	Amount of Beneficial and Voting Ownership	Percent of Class (1)
Common	Donald M. Boone 12615 S.W. Parkway Portland, Oregon 97225	495,481	31.6%
Common	Michael C. Nasser 3150 S.W. 72nd Avenue Portland, Oregon 97225	187,184	11.9%
Common	Murray G. Smith 13318 Hidden Bay Court Lake Oswego, Oregon 97035	Nil	Nil
<b>Total directors, executive officers, and 5% shareholders</b>		682,665	43.5%

(1) Based on 1,567,971 shares outstanding as of November 7, 2012.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

There have been no transactions or proposed transactions, which have materially affected or will materially affect the Company in which any director, executive officer, or beneficial holder of more than 5% of the outstanding common stock, or any of their respective relatives, spouses, associates or affiliates has had or will have any direct or material indirect interest.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The audit committee is directly responsible for the appointment, compensation and oversight of auditors; and has the authority and the funding to engage independent counsel and other outside advisors.

The audit committee may delegate to one or more designated members of the audit committee the authority to grant pre-approvals required by this policy and procedure. The decisions of any audit committee member to whom authority is delegated to pre-approve a service shall be presented to the audit committee at its next meeting.

In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, we introduced a procedure for the review and pre-approval of any services performed by Davidson & Company, LLP Chartered Accountants, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of Davidson & Company, LLP Chartered Accountants for audit and permitted non-audit services are submitted to the finance and audit committee for approval prior to the beginning of any such services.



Fees, including reimbursements for expenses and for professional services rendered by Davidson & Company, LLP Chartered Accountants to the Company were:

<b>Principal Accountant Fees and Services</b>	<b>Fiscal Year</b>	
	<b>2012</b>	<b>2011</b>
Audit fees	\$ 90,350	\$ 90,000
Tax fees	1,000	1,000
All other fees (1)	24,750	24,750
<b>Total</b>	<b>\$ 116,100</b>	<b>\$ 115,750</b>
(1) FY2012:	\$8,250 to review the Q1 Form 10Q	
	\$8,250 to review the Q2 Form 10Q	
	\$8,250 to review the Q3 Form 10Q	
FY2011:	\$8,250 to review the Q1 Form 10Q	
	\$8,250 to review the Q2 Form 10Q	
	\$8,250 to review the Q3 Form 10Q	

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

**(A) Financial Statements and Schedules:**

**(B) Exhibits:**

2. Plan of acquisition, reorganization, arrangement, liquidation or succession:  
No Disclosure Necessary
3. Articles of Incorporation/By-Laws:  
Incorporated by reference to Form 10 Registration Statement, as amended.
4. Instruments defining the rights of holders, including indentures  
--- Refer to Exhibit #3 ---
9. Voting Trust Agreements: No Disclosure Necessary.
10. Material Contracts:  
Incorporated by reference to Form 10 Registration Statement, as amended.
11. Statement re Computation of Per Share Earnings: No Disclosure Necessary
12. Statements re computation of ratios: No Disclosure Necessary
13. Annual Report to security holders, Form 10-Q or  
quarterly report to security holders: No Disclosure Necessary
14. Code of Ethics: No Disclosure Necessary
16. Letter on Change of Certifying Accountant: No Disclosure Necessary
18. Letter on change in accounting principles: No Disclosure Necessary
21. Subsidiaries of the Registrant: Refer to page 4 of this Form 10-K
22. Published report regarding matters submitted to vote  
No Disclosure Necessary
23. Consent of Experts and Counsel: No Disclosure Necessary
24. Power of Attorney: No Disclosure Necessary
31. Rule 13a-14a/15d-14(a) Certifications
32. Section 1350 Certifications
99. Additional Exhibits: No Disclosure Necessary

## SIGNATURE PAGE

Pursuant to the requirements of Section 13 or 15(d) 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

Dated: November 7, 2012

By: /s/ "Donald M. Boone"  
Donald M. Boone,  
President/CEO/Treasurer/Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: November 7, 2012

By: /s/ "Donald M. Boone"  
Donald M. Boone,  
President/CEO/Treasurer/Director

Dated: November 7, 2012

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

Dated: November 7, 2012

By: /s/ "Michael C. Nasser"  
Michael C. Nasser,  
Corporate Secretary

Dated: November 7, 2012

By: /s/ "Ted A. Sharp"  
Ted A. Sharp,  
Director

Dated: November 7, 2012

By: /s/ "Jeffrey G. Wade"  
Jeffrey G. Wade,  
Director

Dated: November 7, 2012

By: /s/ "Ralph E. Lodewick"  
Ralph E. Lodewick,  
Director