UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MAY 31, 2018**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ________ TO ________

COMMISSION FILE NUMBER 000-19954

JEWETT-CAMERON TRADING COMPANY LTD.

(Exact Name of Registrant as Specified in its Charter)

BRITISH COLUMBIA	**NONE**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
32275 N.W. Hillcrest, North Plains, Oregon	**97133**
(Address Of Principal Executive Offices)	(Zip Code)

(503) 647-0110

(Registrant's Telephone Number, Including Area Code)

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller Reporting Company ☒

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, no par value – 4,456,788 common shares as of July 11, 2018

Jewett-Cameron Trading Company Ltd.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

JEWETT-CAMERON TRADING COMPANY LTD.

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

MAY 31, 2018

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

	May 31, 2018	**August 31, 2017**
ASSETS		
Current assets		
Cash	$ 6,251,001	$ 5,912,250
Accounts receivable, net of allowance of $Nil (August 31, 2017 - $1,725)	7,092,526	3,565,055
Inventory, net of allowance of $117,906 (August 31, 2017 - $156,713) (note 3)	7,713,010	8,807,545
Prepaid expenses	775,919	595,776
Prepaid income taxes	114,413	-
Total current assets	21,946,869	18,880,626
Property, plant and equipment, net (note 4)	3,101,128	3,222,572
Intangible assets, net (note 5)	3,726	77,837
Total assets	$ 25,051,723	$ 22,181,035

- Continued -

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

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

	May 31, 2018	**August 31, 2017**
Continued		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,219,344	$ 638,128
Accrued liabilities	1,835,289	1,807,192
Total current liabilities	3,054,633	2,445,320
Deferred tax liability (note 6)	52,779	11,344
Total liabilities	3,107,412	2,456,664
Stockholders' equity		
Capital stock (note 8, 9)		
Authorized		
21,567,564 common shares, without par value		
10,000,000 preferred shares, without par value		
Issued		
4,468,988 common shares (August 31, 2017 – 4,468,988)	1,054,316	1,054,316
Additional paid-in capital	600,804	600,804
Retained earnings	20,289,191	18,069,251
Total stockholders' equity	21,944,311	19,724,371
Total liabilities and stockholders' equity	$ 25,051,723	$ 22,181,035

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

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

	Three Month Period Ended May 31, 2018	Three Month Period Ended May 31, 2017	Nine Month Period Ended May 31, 2018	Nine Month Period Ended May 31, 2017
SALES	$ 19,934,709	$ 16,718,234	$ 42,690,017	$ 36,639,323
COST OF SALES	15,944,995	12,906,533	33,877,749	28,304,118
GROSS PROFIT	3,989,714	3,811,701	8,812,268	8,335,205
OPERATING EXPENSES				
Selling, general and administrative expenses	596,830	466,014	1,658,781	1,470,731
Depreciation and amortization	71,560	84,693	266,970	222,700
Wages and employee benefits	1,312,479	1,237,756	3,587,126	3,277,797
	(1,980,869)	(1,788,463)	(5,512,877)	(4,971,228)
Income from operations	2,008,845	2,023,238	3,299,391	3,363,977
OTHER ITEMS				
Loss on sale of property, plant and equipment	-	-	(27,022)	(393)
Interest and other income	8,156	2,400	16,639	6,220
	8,156	2,400	(10,383)	5,827
Income before income taxes	2,017,001	2,025,638	3,289,008	3,369,804
Income tax expense	(627,792)	(819,503)	(1,069,068)	(1,368,736)
Net income	$ 1,389,209	$ 1,206,135	$ 2,219,940	$ 2,001,068
Basic earnings per common share	$ 0.31	$ 0.26	$ 0.50	$ 0.44
Diluted earnings per common share	$ 0.31	$ 0.26	$ 0.50	$ 0.44
Weighted average number of common shares outstanding:				
Basic	4,468,988	4,572,588	4,468,988	4,572,588
Diluted	4,468,988	4,572,588	4,468,988	4,572,588

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

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

	Capital Stock				
	Number of Shares	Amount	Additional paid-in capital	Retained earnings	Total
August 31, 2016	4,572,588	$ 1,078,759	$ 600,804	$ 15,845,092	$ 17,524,655
Shares repurchased and cancelled (note 9)	(103,600)	(24,443)	-	(502,498)	(526,941)
Net income	-	-	-	2,726,657	2,726,657
August 31, 2017	4,468,988	$ 1,054,316	$ 600,804	$ 18,069,251	$ 19,724,371
Net income	-	-	-	2,219,940	2,219,940
May 31, 2018	4,468,988	$ 1,054,316	$ 600,804	$ 20,289,191	$ 21,944,311

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

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

	Nine Month Period Ended May 31, 2018	Nine Month Period Ended May 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,219,940	$ 2,001,068
Items not involving an outlay of cash:		
Depreciation and amortization	266,970	222,700
Loss on sale of property, plant and equipment	27,022	393
Deferred income tax expense	41,435	2,162
Changes in non-cash working capital items:		
(Increase) in accounts receivable	(3,527,471)	(2,190,337)
Decrease in inventory	1,094,535	15,354
(Increase) decrease in prepaid expenses	(180,143)	60,093
(Increase) decrease in prepaid income taxes	(114,413)	596
Increase in accounts payable and accrued liabilities	609,313	287,928
Increase in income taxes payable	-	317,074
Net cash provided by operating activities	437,188	717,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(99,437)	(368,365)
Proceeds from sale of property, plant and equipment	1,000	3,480
Net cash used in investing activities	(98,437)	(364,885)
Net increase in cash	338,751	352,146
Cash, beginning of period	5,912,250	4,519,922
Cash, end of period	$ 6,251,001	$ 4,872,068

Supplemental disclosure with respect to cash flows (note 14)

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

1. NATURE OF OPERATIONS

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

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

The Company, through its subsidiaries, operates out of facilities located in North Plains, Oregon. JCC's business consists of the manufacturing and distribution of specialty metal products and wholesale distribution of wood products to home centers and other retailers located primarily in the United States. Greenwood is a processor and distributor of industrial wood and other specialty building products principally to customers in the marine and transportation industries in the United States. MSI is an importer and distributor of pneumatic air tools and industrial clamps in the United States. JCSC is a processor and distributor of agricultural seeds in the United States. JC USA provides professional and administrative services, including accounting and credit services, to its subsidiary companies.

On May 28, 2018, the Company completed a 2-for-1 forward stock split of its common shares. All share and per share amounts have been retroactively restated (Note 8).

These unaudited financial statements are those of the Company and its wholly owned subsidiaries. In the opinion of management, the accompanying Consolidated Financial Statements of Jewett-Cameron Trading Company Ltd., contain all adjustments, consisting only of normal recurring adjustments, necessary to fairly state its financial position as of May 31 2018 and August 31, 2017 and its results of operations and cash flows for the three and nine month periods ended May 31, 2018 and 2017 in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP"). Operating results for the three and nine month periods ended May 31, 2018 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

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

Principles of consolidation

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

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

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Estimates

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

Cash and cash equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. At May 31, 2018, cash was $6,251,001 compared to $5,912,250 at August 31, 2017. At May 31, 2018 and August 31, 2017, there were no cash equivalents.

Accounts receivable

Trade and other accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable primarily includes trade receivables from customers. The Company estimates doubtful accounts on an item-by-item basis and includes over aged accounts as part of allowance for doubtful accounts, which are generally ones that are ninety days or greater overdue.

The Company extends credit to domestic customers and offers discounts for early payment. When extension of credit is not advisable, the Company relies on either prepayment or a letter of credit.

Inventory

Inventory, which consists primarily of finished goods, is recorded at the lower of cost, based on the average cost method, and market. Market is defined as net realizable value. An allowance for potential non-saleable inventory due to excess stock or obsolescence is based upon a review of inventory components.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. The Company provides for depreciation over the estimated life of each asset on a straight-line basis over the following periods:

Office equipment	3-7 years
Warehouse equipment	2-10 years
Buildings	5-30 years

Intangibles

The Company's intangible assets have a finite life and are recorded at cost. Amortization is calculated using the straight-line method over the remaining life of the asset. The intangible assets are reviewed annually for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligations

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

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

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

Currency and foreign exchange

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

The Company does not have significant 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 number of common shares outstanding has been adjusted for a 2 for 1 forward stock split effective May 28, 2018 (Note 8).

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Earnings per share (cont'd…)

The earnings per share data for the three and nine month periods ended May 31, 2018 and 2017 are as follows:

	Three Month Periods ended May 31,		Nine Month Periods ended May 31,	
	2018	2017	2018	2017
Net income	$ 1,389,209	$ 1,206,135	$ 2,219,940	$ 2,001,068
Basic weighted average number of common shares outstanding	4,468,988	4,572,588	4,468,988	4,572,588
Effect of dilutive securities Stock options	-	-	-	-
Diluted weighted average number of common shares outstanding	4,468,988	4,572,588	4,468,988	4,572,588

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 nine month period ended May 31, 2018, and there were no options outstanding on May 31, 2018.

Financial instruments

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

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

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

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

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

The estimated fair values of the Company's financial instruments as of May 31, 2018 and August 31, 2017 follows:

	May 31, 2018		August 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$6,251,001	$6,251,001	$5,912,250	$5,912,250
Accounts receivable, net of allowance	7,092,526	7,092,526	3,565,055	3,565,055
Accounts payable and accrued liabilities	3,054,633	3,054,633	2,445,320	2,445,320

The following table presents information about the assets that are measured at fair value on a recurring basis as of May 31, 2018 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	May 31, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 6,251,001	$ 6,251,001	$ —	$ —

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

Income taxes

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

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

Shipping and handling costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Revenue recognition

The Company recognizes revenue from the sales of lumber, building supply products, industrial wood products, specialty metal products, and other specialty products and tools, when the customer takes ownership and assumes the risk of loss. Depending on the specific item, our products are sold to customers either F.O.B ("Free-on-Board") origin or F.O.B. destination. For products shipped F.O.B origin, we have determined that the transfer and title and risk of loss generally occurs when product is shipped to the customer and accordingly we recognize revenue at the point of shipping. For products shipped F.O.B destination, we have determined that transfer of title and risk of loss generally occurs when product is received by the customer, and accordingly we recognize revenue at the point of delivery to the customer. Sales returns and allowances are estimated and recorded as a reduction to sales in the period in which sales are recorded. We record net shipping charges in cost of goods sold. Revenue from the Company's seed operations is generated from seed processing, handling and storage services provided to seed growers, and by the sales of seed products. Revenue from the provision of these services and products is recognized when the services have been performed, products sold and collection of the amounts is reasonably assured.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods and is to be retrospectively applied. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company will adopt this ASU effective September 1, 2018, using the full retrospective approach, prospectively. The Company expects no material impact on its financial statements on adoption as the sale of goods by the Company is performed on a standalone basis and revenue is recognized when the customer obtains control of the goods and in an amount that considers the impact of estimated returns, discounts and after allowances that are variable in nature.

In November 2015, an ASU was issued to simplify the presentation of deferred income taxes. The amendments in this ASU require that deferred tax liabilities and assets be classified as non-current on the balance sheet as compared to the current requirements to separate deferred tax liabilities and assets into current and non-current amounts. This ASU is effective for annual periods beginning after December 15, 2016, including interim periods within those annual periods. Earlier application is permitted. This ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company adopted this ASU on September 1, 2017, prospectively. There was no material impact on the Company's financial statements on adoption.

In February 2016, Topic 842, *Leases* was issued to replace the leases requirements in Topic 840, *Leases*. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. Topic 842 will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods and is to be retrospectively applied. Earlier application is permitted. The adoption of this new guidance is not expected to have a material impact on the Company's consolidated financial statements.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent Accounting Pronouncements (cont'd…)

In July 2015, Topic 330, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory, which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. Inventory measured using last-in, first-out (LIFO) and the retail inventory method (RIM) are not impacted by the new guidance. The new standard is being issued as part of the simplification initiative. Prior to the issuance of the standard, inventory was measured at the lower of cost or market (where market was defined as replacement cost, with a ceiling of net realizable value and floor of net realizable value less a normal profit margin). This necessitated obtaining three data points to determine market value. Replacing the concept of market with the single measurement of net realizable value is intended to create efficiencies for preparers. Further, this change will more closely align U.S. GAAP and IFRS. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those years and is to be prospectively applied. The Company adopted this ASU on September 1, 2017, prospectively. There was no material impact on the Company's financial statements on adoption.

In November 2016, Topic 230, the FASB issued ASU No. 2016-18, Statement of Cash Flows: Restricted Cash, a consensus of the FASB's Emerging Issues Task Force (the "Task Force"). The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. Topic 230 will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. The Company will adopt this ASU on September 1, 2018, prospectively. The Company is currently assessing this ASU's impacts on the Company's consolidated results of operations and financial condition.

3. INVENTORY

A summary of inventory is as follows:

	May 31, 2018	August 31, 2017
Wood products and metal products	$ 7,142,278	$ 8,184,921
Industrial tools	392,728	434,871
Agricultural seed products	178,004	187,753
	$ 7,713,010	$ 8,807,545

(Expressed in U.S. Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

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

	May 31, 2018	**August 31, 2017**
Office equipment	$ 473,702	$ 561,090
Warehouse equipment	1,302,622	1,290,838
Buildings	4,090,527	4,097,438
Land	761,924	761,924
	6,628,775	6,711,290
Accumulated depreciation	(3,527,647)	(3,488,718)
Net book value	$ 3,101,128	$ 3,222,572

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

5. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	May 31, 2018	**August 31, 2017**
Patent	$ -	$ 850,000
Other	43,655	43,655
	43,655	893,655
Accumulated amortization	(39,929)	(815,818)
Net book value	$ 3,726	$ 77,837

During the period, the Company conducted a periodic review of the Company’s patents and determined that two of the patents had expired. The Company immediately amortized the remaining book value of the patents and derecognized the respective costs and accumulated amortization values.

6. DEFERRED INCOME TAXES

Deferred tax liabilities as of May 31, 2018 of $52,779 (August 31, 2017 - $11,344) reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

7. BANK INDEBTEDNESS

There was no bank indebtedness under the Company's $3,000,000 line of credit as of May 31, 2018 or August 31, 2017.

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

8. CAPITAL STOCK

Common Stock

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

Common Stock Split

The Company declared a two for one stock split of its common stock with a record date of the close of business on May 25, 2018. Shareholders received one additional common share for each common share held as of the record date. The stock split was effective as of May 28, 2018. Share and per share data have been retroactively adjusted to reflect the effects of the stock split.

9. CANCELLATION OF CAPITAL STOCK

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

During the 4th quarter of fiscal 2017 ended August 31, 2017, the Company repurchased and cancelled a total of 83,600 common shares under a 10b5-1 share repurchase plan. The total cost was $526,941 at an average price of $6.30 per share. The premium paid to acquire these shares over their per share book value in the amount of $507,217 was recorded as a decrease to retained earnings.

Donald Boone, Chairman and former President and CEO of the Company, voluntarily returned 20,000 common shares to treasury for cancellation during the fiscal year ended August 31, 2017. The Company paid no consideration for the shares. Capital stock was reduced by the book value of the shares in the amount of $4,719, with a corresponding increase to retained earnings of $4,719.

(Expressed in U.S. Dollars)

10. STOCK OPTIONS

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

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

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

The Company had no stock options outstanding as of May 31, 2018 and August 31, 2017.

11. PENSION AND PROFIT-SHARING PLANS

The Company has a deferred compensation 401(k) plan for all employees with at least 12 months of service pending a monthly enrollment time. The plan allows for a non-elective discretionary contribution based on the first $45,000 of eligible compensation, which was decreased from the prior $50,000 during the second quarter of fiscal 2018 and from $60,000 of eligible compensation during the second quarter of fiscal 2017. For the nine month periods ended May 31, 2018 and 2017, the 401(k) compensation expense was $269,594 and $256,385, respectively.

12. 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 as at and for the nine month periods ended May 31, 2018 and 2017:

	2018	2017
Sales to unaffiliated customers:		
Industrial wood products	$ 2,510,763	$ 2,857,334
Lawn, garden, pet and other	37,514,801	29,692,781
Seed processing and sales	1,911,588	2,834,311
Industrial tools and clamps	752,865	1,254,897
	$ 42,690,017	$ 36,639,323

(Expressed in U.S. Dollars)

12. SEGMENT INFORMATION (cont'd…)

	2018	2017
Income (loss) before income taxes:		
Industrial wood products	$ (30,241)	$ (58,597)
Lawn, garden, pet and other	2,556,910	2,494,172
Seed processing and sales	84,474	126,507
Industrial tools and clamps	(9,833)	86,581
Corporate and administrative	687,698	721,141
	$ 3,289,008	$ 3,369,804
Identifiable assets:		
Industrial wood products	$ 684,944	$ 1,066,183
Lawn, garden, pet and other	13,977,679	11,987,315
Seed processing and sales	376,440	528,954
Industrial tools and clamps	460,438	494,625
Corporate and administrative	9,552,222	8,400,927
	$ 25,051,723	$ 22,478,004
Depreciation and amortization:		
Industrial wood products	$ 193	$ 248
Lawn, garden, pet and other	58,108	38,626
Seed processing and sales	5,751	9,857
Industrial tools and clamps	848	986
Corporate and administrative	202,070	172,983
	$ 266,970	$ 222,700
Capital expenditures:		
Industrial wood products	$ -	$ -
Lawn, garden, pet and other	-	-
Seed processing and sales	18,547	12,495
Industrial tools and clamps	-	-
Corporate and administrative	80,890	355,870
	$ 99,437	$ 368,365
Interest expense:	-	-

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the nine months ended May 31, 2018 and 2017:

	2018	2017
Sales	$ 23,678,847	$ 18,011,073

(Expressed in U.S. Dollars)

12. SEGMENT INFORMATION (cont'd…)

The Company conducts business primarily in the United States, but also has limited amounts of sales in foreign countries. The following table lists sales by country for the nine months ended May 31, 2018 and 2017:

		2018		2017
United States	$	41,148,757	$	34,483,170
Canada		1,139,399		1,425,525
Mexico / Latin America		192,539		636,954
Middle East		12,209		-
Europe		27,095		16,330
Asia/Pacific		170,018		77,344

All of the Company's significant identifiable assets were located in the United States as of May 31, 2018 and 2017

13. CONCENTRATIONS

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with a high quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated geographically in the United States amongst a small number of customers. At May 31, 2018, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 53%. At May 31, 2017, two customers accounted for accounts receivable greater than 10% of total accounts receivable at 53%. The Company controls credit risk through credit approvals, credit limits, credit insurance and monitoring procedures. The Company performs credit evaluations of its commercial customers but generally does not require collateral to support accounts receivable.

Volume of business

The Company has concentrations in the volume of purchases it conducts with its suppliers. For the nine months ended May 31, 2018, there were three suppliers that each accounted for 10% of total purchases, and the aggregate purchases amounted to $21,281,697. For the nine months ended May 31, 2017, there were two suppliers that each accounted for 10% of total purchases, and the aggregate purchases amounted to $13,945,620.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

		2018		2017
Cash paid during the periods for:				
Interest	$	-	$	-
Income taxes	$	1,184,983	$	1,032,725

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

15. SUBSEQUENT EVENTS

On June 6, 2018, the Company announced the Board of Directors approved a new share purchase plan in accordance with Rule 10b-18. The Company can purchase for cancellation up to 250,000 common shares through the facilities of NASDAQ. The plan commenced on June 11, 2018 and remains in place until November 30, 2018 but may be limited or terminated at any time without prior notice. As of the date of this Form 10-Q, the Company has repurchased a total of 12,200 common shares under the plan. The total cost was $97,454 at an average price of $7.9888 per share.

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

These unaudited financial statements are those of the Company and its wholly owned subsidiaries. In the opinion of management, the accompanying consolidated financial statements of Jewett-Cameron Trading Company Ltd., contain all adjustments, consisting only of normal recurring adjustments, necessary to fairly state its financial position as of May 31, 2018 and August 31, 2017 and its results of operations and cash flows for the three and nine month periods ended May 31, 2018 and May 31, 2017 in accordance with U.S. GAAP. Operating results for the three and nine month periods ended May 31, 2018 are not necessarily indicative of the results that may be experienced for the fiscal year ending August 31, 2018.

The Company's operations are classified into four reportable operating segments and the parent corporate and administrative segment, 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
- Corporate and administration

The industrial wood products segment reflects the business conducted by Greenwood Products, Inc. (Greenwood). Greenwood is a processor and distributor of industrial wood products. A major product category is treated plywood that is sold primarily to the transportation industry.

The lawn, garden, pet and other segment reflects the business of Jewett-Cameron Company (JCC), which is a wholesaler of wood products and a manufacturer and distributor of specialty metal products. Wood products are primarily fencing, while metal products include pet enclosures and kennels, proprietary gate support systems, perimeter fencing, greenhouses, canopies and umbrellas. Examples of the Company's brands include Lucky Dog, Animal House and AKC (used under license from the American Kennel Club) for pet enclosures and kennels; Adjust-A-Gate, Fit-Right, and Perimeter Patrol for gates and fencing; Early Start, Spring Gardner, and Weatherguard for greenhouses; and TrueShade for patio umbrellas, furniture covers and canopies. JCC uses contract manufacturers to make the specialty metal products. Some of the products that JCC 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 seed processing and sales segment reflects the business of Jewett-Cameron Seed Company (JCSC). JCSC processes and distributes agricultural seed. Most of this segment's sales come from selling seed to distributors with a lesser amount of sales derived from cleaning seed.

The industrial tools segment reflects the business of MSI-PRO (MSI). MSI imports and distributes products including pneumatic air tools, industrial clamps, saw blades, digital calipers, and laser guides. MSI brands include MSI-Pro, Avenger, and ProMax.

JC USA Inc. ("JC USA") is the parent company for the four wholly-owned subsidiaries as described above. JC USA provides professional and administrative services, including warehousing, accounting and credit services, to its subsidiary companies.

The Company's metal products are manufactured in China and are imported into the United States. The Office of the United States Trade Representative ("USTR") has proposed new tariffs on the importation of a number of products into the United States from China. These new proposed tariffs are a response to what the USTR considers to be certain unfair trade practices by China. The Company has reviewed the most recent USTR list of proposed tariffs issued on June 15, 2018 and has determined that the Company's products may be subject to new or revised duties. The proposed duties which may be imposed on the Company's products are included in the second set of tariff lines and remain subject to further review, including a comment process and public hearing. After completion of this process, USTR will issue a final determination on the products from the second set that would be subject to additional duties of up to 25%. The likelihood of such new tariffs ultimately being implemented, as well as the timing of the initial collection of any new tariffs, is uncertain, as the United States and China continue to negotiate the issues. Management is currently assessing the potential impacts of the new duties on the Company's products if they are ultimately implemented by USTR. The Company intends to use its best efforts to mitigate the potential impacts and protect its competitive position in the marketplace.

RESULTS OF OPERATIONS

Three Months Ended May 31, 2018 and May 31, 2017

For the three months ended May 31, 2018, sales increased by $3,216,475, or 19%, to $19,934,709 from sales of $16,718,234 for the three months ended May 31, 2017.

Sales at Greenwood were $995,388 for the three months ended May 31, 2018 compared to sales of $1,160,302 for the three months ended May 31, 2017, which was a decrease of $164,914, or 14%. Demand for Greenwood's products has begun to improve, and recent changes in the product mix and redirecting sales directly to end users has improved Greenwood's margins. For the three months ended May 31, 2018, Greenwood had operating income of $16,942 compared to operating income of $5,279 for the three months ended May 31, 2017.

Sales at JCC were $18,191,284 for the three months ended May 31, 2018 compared to sales of $14,107,579 for the three months ended May 31, 2017. This represents an increase of $4,083,705, or 29%. The higher level of sales was due to the addition of new customers and additional shipments of specialty lumber products, primarily wood fencing products, to areas previously affected by severe storms. Operating income for the current quarter was $1,707,128 compared to income of $1,600,385 for the quarter ended May 31, 2017 as the wood fencing products have significantly less sales margin than other JCC products.

Sales at JCSC were $518,146 for the three months ended May 31, 2018 compared to sales of $1,195,357 for the three months ended May 31, 2017. This is a decrease of $677,211, or 57%. Sales in the current year's quarter were negatively affected by the very late arrival of Spring weather. The poor weather delayed or curtailed planting schedules throughout the Midwest United States which is the largest consumer of the Company's clover seed for use as cover crops. Sales in the prior year's quarter were higher than normal as the late arrival of Spring weather in 2017 pushed some sales historically received in the second quarter into the third quarter. For the quarter ended May 31, 2018, JCSC had an operating loss of ($6,020) compared to an operating profit of $42,477 in the quarter ended May 31, 2017.

Sales at MSI for the three months ended May 31, 2018 were $229,891 compared to sale of $254,996 for the three months ended May 31, 2017, which was a decline of $25,105, or 10%. Conditions in this segment remain challenging due to increased competition. MSI had an operating loss of ($6,055) compared to an operating profit of $20,670 for the three month period ended May 31, 2017.

JC USA is the holding company for the wholly-owned operating subsidiaries. For the quarter ended May 31, 2018, JC USA had operating income of $305,006 compared to operating income of $356,828 for the quarter ended May 31, 2017. The decrease is due to decreased rental and administrative fees charged to its subsidiaries related to lower inventory levels during the period. The results of JC USA are eliminated on consolidation.

Gross margin for the three months ended May 31, 2018 was 20.0% compared to 22.8% for the three months ended May 31, 2017. Margins in the current quarter were negatively affected by the product mix as much of the increase in sales in the quarter were attributable to wood products which have a lower overall margin than metal products.

Operating expenses increased by $192,406 to $1,980,869 from $1,788,463 for the three months ended May 31, 2017, which is consistent with the higher level of sales. Selling, General and Administrative increased to $596,830 from $466,014. Wages and Employee Benefits rose to $1,312,479 from $1,237,756, and Depreciation and Amortization fell to $71,560 from $84,693. Interest and Other Income was $8,156 compared to $2,400 for the year-ago quarter.

Income tax expense for the three months ended May 31, 2018 was $627,792 compared to $819,503 for the three month period ended May 31, 2017. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect. During the current period, the Tax Cuts and Jobs Act became effective which has reduced the Company's Federal tax rate and resulted in the lower income tax expense compared to the prior year's period.

Net income for the quarter ended May 31, 2018 was $1,389,209, or $0.31 per basic and diluted share, compared to net income of $1,206,135 or $0.26 per basic and diluted share, for the quarter ended May 31, 2017 after adjustment for the 2-for-1 stock split effective May 28, 2018.

Nine Months Ended May 31, 2018 and May 31, 2017

For the nine months ended May 31, 2018, sales increased by $6,050,694, or 17%, to $42,690,017 from sales of $36,639,323 for the nine month period ended May 31, 2017.

Sales at Greenwood were $2,510,763 for the nine months ended May 31, 2018 compared to sales of $2,857,334 for the nine months ended May 31, 2017. This represents a decrease of $346,571, or 12%. Historically, a large portion of Greenwood's sales were in the marine industry, but the Company sold its excess marine industry inventory in fiscal 2014. The Company continues to build on new relationships that broaden its historical marine base. Greenwood has successfully penetrated the transportation market adapting many of its marine-grade plywood characteristics to new applications. For the nine months ended May 31, 2018, Greenwood had an operating loss of ($30,241) compared to an operating loss of ($58,597) for the nine months ended May 31, 2017.

Sales at JCC were $37,514,801 for the nine months ended May 31, 2018 compared to sales of $29,692,782 for the nine months ended May 31, 2017, which was an increase of $7,822,019, or 26%. The increase in sales was attributable to new customers and increased sales of specialty lumber, particularly cedar fencing which was sourced in the first quarter shipped during the second and third quarters of the current fiscal year. During the current nine month period, the Company instituted a voluntary recall of a specific product which was sold to a single retail store customer. After two incidents of breakage, the Company and the retailer issued a voluntary safety advisory prior to the US Consumer Product Safety Commission issuing a formal recall of the product in March 2018. The actions taken by the Company included a recall of units sold and a permanent withdrawal from sale of all remaining unsold units. This recall had a negative effect on JCC's sales and income during the current nine month period, as the Company has provided the retailer with a return allowance for the units and destroyed all remaining inventory of the recalled product. The Company does not anticipate additional significant costs related to the recall in future periods. Operating income at JCC was $2,556,910 for the nine months ended May 31, 2018 compared to operating income of $2,494,172 for the nine months ended May 31, 2017, which was an increase of $62,738, or 3%. Overall, the operating results of JCC are seasonal with the first two quarters of the fiscal year being much slower than the final two quarters of the fiscal year.

Sales at JCSC for the nine months ended May 31, 2018 were $1,911,588, which was a decrease of $922,723, or 33%, from sales of $2,834,311 for the nine months ended May 31, 2017. Overall demand for grass seed remains firm due to the continuing strength in the residential housing market in North America, but demand for clover seed from farmers, which is currently the Company's largest seed product, was down significantly in the current period due to poor weather in the Midwest United States. For the nine month period ended May 31, 2018, JCSC had operating income of $84,474 compared to operating income of $126,507 for the nine months ended May 31, 2017.

Sales at MSI were $752,865 for the nine months ended May 31, 2018 compared to sales of $1,254,897 for the nine months ended May 31, 2017, which was a decrease of $502,032, or 40%. During the prior year's period, the Company received a final large order from a now former customer, while results in the current period continue to be negatively affected by increased competition in the segment. For the nine months ended May 31, 2018, MSI had an operating loss of ($9,833) compared to an operating profit of $86,581 for the nine months ended May 31, 2017.

JC USA, the holding company that provides professional and administrative services for the wholly-owned operating subsidiaries had operating income of $687,698 for the nine months ended May 31, 2018 compared to operating income of $721,141 for the nine months ended May 31, 2018. The decrease is due to lower rental and administrative fees charged to its subsidiaries related to lower inventory levels. The results of JC USA are eliminated on consolidation.

Gross margin for the nine month period ended May 31, 2018 was 20.6% compared to 22.7% for the nine months ended May 31, 2017. The lower margin in the current period was primarily due to higher sales of lower margin lumber products.

Operating expenses rose by $541,649 to $5,512,877 from operating expenses of $4,971,228 in the nine month period ended May 31, 2017. Selling, general and administrative expenses increased to $1,658,781 from $1,470,731, an increase of $188,050. Wages and employee benefits increased to $3,587,126 from $3,277,797. Depreciation and amortization increased to $266,970 from $222,700. During the current nine-month period, the Company conducted a periodic review of its patents and determined that two of its patents had expired. The Company immediately amortized the remaining book value of the patents and derecognized the assets.

Other items in the current nine month period ended May 31, 2018 were loss on the sale of property, plant and equipment of ($27,022) and interest and other income of $16,639. In the nine month period ended May 31, 2017 were loss on the sale of property, plant and equipment of ($393) and interest and other income of $6,220.

Income tax expense in the current nine month period was $1,069,068 compared to $1,368,736 for the nine months ended May 31, 2017. The Company estimates income tax expense for the period based on combined federal and state rates that are currently in effect. During the current period, the Tax Cuts and Jobs Act became effective which has reduced the Company's Federal tax rate and resulted in the lower income tax expense compared to the prior year's period.

Net income for the nine months ended May 31, 2018 was $2,219,940, or $0.50 per basic and diluted share, compared to net income of $2,001,068, or $0.44 per basic and diluted share, for the nine months ended May 31, 2017 after adjustment for the 2-for-1 stock split effective May 28, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2018, the Company had working capital of $18,892,236 compared to working capital of $16,435,306 as of August 31, 2017, an increase of $2,456,930. Cash totaled $6,251,001, an increase of $338,751. Accounts receivable increased to $7,092,526 from $3,565,055 due to the seasonal cycle of sales to customers and the related timing of cash receipts. Inventory decreased by $1,094,535 as the Company had previously accelerated certain specialty metal product purchases from China in advance of announced increase in the price of steel. Prepaid expenses, which is largely related to down payments for future inventory purchases, increased by $180,143. Accounts payable increased by $581,216 and accrued liabilities increased by $28,097.

As of May 31, 2018, accounts receivable and inventory represented 67% of current assets and 59% of total assets. For the three months ended May 31, 2018, the accounts receivable collection period, or DSO, was 33 compared to 30 for the three months ended May 31, 2017. For the nine month period ended May 31, 2018, the DSO was 45 compared to 41 for the nine months ended May 31, 2017. Inventory turnover for the three months ended May 31, 2018 was 49 days compared to 60 days for the three months ended May 31, 2017. For the nine months ended May 31, 2018, inventory turnover was 67 days compared to 78 days for the nine months ended May 31, 2017.

External sources of liquidity include a line of credit from U.S. Bank of $3,000,000. As of May 31, 2018, the Company had no borrowing balance leaving the entire amount available. Borrowing under the line of credit is secured by an assignment of accounts receivable and inventory. The interest rate is calculated solely on the one month LIBOR rate plus 175 basis points. As of May 31, 2018, the one month LIBOR rate plus 175 basis points was 3.70% (1.95% + 1.75%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

During the current nine month period ended May 31, 2018, the Company received notice that its application for a patent on its updated Adjust-a-Gate gate system has been granted by the United States Patent and Trademark Office. This new patent will extend the protection on the Adjust-a-Gate products for an additional 15 years.

The Company has been utilizing its cash position by repurchasing common shares under formal repurchase plans in order to increase shareholder value. During the fiscal years ended August 31, 2017 and 2016, 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 May 23, 2017, the Company announced the Board of Directors had authorized a share repurchase plan to purchase for cancellation up to 450,000 common shares (adjusted for the 2-for-1 stock split effective May 28, 2018) through the facilities of NASDAQ. Transactions may involve Jewett-Cameron insiders or their affiliates executed in compliance with Jewett-Cameron's Insider Trading Policy. The share repurchase plan was effected in accordance with Rule 10b-18 under the U.S. Securities Exchange Act of 1934, which contains restrictions on the number of shares that may be purchased on a single day, subject to certain exceptions for block purchases, based on the average daily trading volumes ("ADTV") of Jewett-Cameron's shares on NASDAQ. Purchases shall be limited to one "Block" purchase per week in lieu of the 25% of ADTV limitation for compliance with Rule 10b-18(b)(4). A "block" as defined under Rule 10b-18(a)(5) means a quantity of stock that, among other things, is at least 5,000 shares and has a purchase price of at least US$50,000. The plan commenced on June 1, 2017 and terminated automatically on August 31, 2017. Under the Plan, the Company repurchased a total of 83,600 common shares at a cost of $526,941 which was an average price of $6.30.

On June 6, 2018, the Company announced the Board of Directors authorized a new share repurchase plan under similar terms to the May 2017 repurchase plan. The Company can purchase for cancellation up to 250,000 common shares. The plan commended on June 11, 2018 and will remain in place until November 30, 2018 but may be limited or terminated at any time without prior notice. As of July 5, 2018, the Company had repurchased 12,200 common shares under the new plan at a cost of $97,454 which is an average price of 7.9888.

In addition to the Rule 10b-18 share repurchases, Donald M. Boone, Chairman and former President and CEO, voluntarily returned 15,000 pre-split (30,000 post-split) common shares to the Company's treasury for cancellation in June 2016. In February 2017, Mr. Boone voluntarily returned an additional 10,000 pre-split (20,000 post-split) common shares to treasury for cancellation. The Company paid no consideration for these shares.

Business Risks

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

Risks Related to Our Common Stock

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

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

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

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

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

The Company's common shares currently trade within the NASDAQ Capital Market in the United States. The average daily trading volume of our common stock on NASDAQ was 4,850 shares for the nine months ended May 31, 2018 after adjustment for the 2-for-1 stock split effective May 28, 2018. With this limited trading volume, investors could find it difficult to purchase or sell our common stock.

Risks Related to Our Business

We could experience a decrease in the demand for our products resulting in lower sales volumes.

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

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

For the nine months ended May 31, 2018, our top ten customers represented 87% of our total sales. We would experience a significant decrease in sales and profitability and would have to cut back our operations, if these customers were lost and could not be replaced. Our top ten customers are in the U.S., Canada and Mexico and are primarily in the retail home improvement industry.

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

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

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

We have a line of credit with U.S. Bank in the amount of $3,000,000, of which $3,000,000 is available. We are currently in compliance with the requirements of our existing line of credit. If we lost this credit it could become impossible to pay some of our creditors on a timely basis.

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

We have completed a management assessment of internal controls as prescribed by Section 404 of the Sarbanes-Oxley Act, which we were required to do in connection with our year ended August 31, 2017. Based on this process we did not identify any material weaknesses. Although we believe our internal controls are operating effectively, we cannot guarantee that in the future we will not identify any material weaknesses in connection with this ongoing process.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company does not have any derivative financial instruments as of May 31, 2018. However, the Company is exposed to interest rate risk.

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

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

Foreign Currency Risk

The Company operates primarily in the United States. However, a relatively small amount of business is currently conducted in currencies other than U.S. dollars, and the Company may experience an increase in foreign exchange risk as they expand their international sales. Also, to the extent that the Company uses contract manufacturers in China, currency exchange rates can influence the Company's purchasing costs.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

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

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

---No Disclosure Required---

Item 3. Defaults Upon Senior Securities

---No Disclosure Required---

Item 4. Mine Safety Disclosures

---No Disclosure Required---

Item 5. Other Information

---No Disclosure Required---

Item 6. Exhibits

3.1 Amended and Restated Articles of Incorporation of Jewett-Cameron Lumber Corporation
-= Filed as an exhibit to the 10-Q Quarterly Report filed on January 13, 2014 =-

3.2 Articles of Incorporation of Jewett-Cameron Company.
-= Filed as an exhibit to the 10-Q Quarterly Report filed on January 13, 2014 =-

31.1 Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Charles Hopewell

32.1 Certification of Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act), Charles Hopewell

SIGNATURES

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

Jewett-Cameron Trading Company Ltd.
(Registrant)

Dated July 11, 2018

/s/ "Charles Hopewell"
Charles Hopewell,
President/CEO/CFO

CERTIFICATIONS

I, Charles Hopewell, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 11, 2018

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

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

AS ADOPTED PURSUANT TO

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

In connection with the Quarterly Report of Jewett-Cameron Trading Company Ltd. (the "Company") on Form 10-Q for the period ended May 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company does hereby certify, to such officer's knowledge, that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: July 11, 2018

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