

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, 2010

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

COMMISSION FILE NUMBER 000-19954

JEWETT-CAMERON TRADING COMPANY LTD.

(Exact Name of Registrant as Specified in its Charter)

BRITISH COLUMBIA

(State or Other Jurisdiction of Incorporation or Organization)

NONE

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

32275 N.W. Hillcrest, North Plains, Oregon

(Address Of Principal Executive Offices)

97133

(Zip Code)

(503) 647-0110

(Registrant's Telephone Number, Including Area Code)

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

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

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, no par value – 2,390,977 common shares outstanding at July 6, 2010.

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, 2010

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

	May 31, 2010 (Unaudited)	August 31, 2009 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,422,353	\$ 6,828,571
Accounts receivable, net of allowance of \$6,719 (August 31, 2009 - \$3,816)	4,237,395	3,603,916
Inventory, net of allowance of \$65,000 (August 31, 2009 - \$313,000) (note 3)	5,886,863	6,954,811
Note receivable	41,500	41,500
Prepaid expenses	172,650	160,809
Prepaid income taxes	145,445	43,805
Total current assets	18,906,206	17,633,412
Property, plant and equipment, net (note 4)	1,936,871	1,872,191
Intangible assets, net (note 5)	604,449	662,045
Deferred income taxes (note 6)	177,700	261,780
Total assets	\$ 21,625,226	\$ 20,429,428

- 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)

	May 31, 2010 (Unaudited)	August 31, 2009 (Audited)
Continued		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable	\$ 757,161	\$ 999,562
Accrued liabilities	1,181,090	816,960
Total liabilities	<u>1,938,251</u>	<u>1,816,522</u>
Contingent liabilities and commitments (note 11)		
Stockholders' equity		
Capital stock (note 8)		
Authorized		
20,000,000 common shares, without par value		
10,000,000 preferred shares, without par value		
Issued		
2,390,977 common shares (August 31, 2009 - 2,390,977)	2,256,112	2,256,112
Additional paid-in capital	600,804	600,804
Retained earnings	16,830,059	15,755,990
Total stockholders' equity	<u>19,686,975</u>	<u>18,612,906</u>
Total liabilities and stockholders' equity	<u>\$ 21,625,226</u>	<u>\$20,429,428</u>

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

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

	Three Months Periods to May 31,		Nine Month Periods to May 31,	
	2010	2009	2010	2009
SALES	\$ 12,487,415	\$ 11,419,331	\$ 27,537,794	\$ 31,556,356
COST OF SALES	9,612,612	8,992,870	21,285,607	24,866,945
GROSS PROFIT	2,874,803	2,426,461	6,252,187	6,689,411
OPERATING EXPENSES				
Selling, general and administrative expenses	554,635	535,418	1,614,662	1,599,000
Depreciation and amortization	69,465	80,733	203,084	239,121
Wages and employee benefits	930,501	948,812	2,628,063	3,021,579
	1,554,601	1,564,963	4,445,809	4,859,700
Income from operations	1,320,202	861,498	1,806,378	1,829,711
OTHER ITEMS				
Gain on sale of property, plant and equipment	4,500	350	1,008	2,350
Interest and other income	265	705	4,683	19,637
Interest expense	-	-	-	(57,533)
	4,765	1,055	5,691	(35,546)
Income before income taxes	1,324,967	862,553	1,812,069	1,794,165
Income taxes	528,000	379,000	738,000	761,022
Net income	\$ 796,967	\$ 483,553	\$ 1,074,069	\$ 1,033,143
Basic earnings per common share	\$ 0.33	\$ 0.20	\$ 0.45	\$ 0.43
Diluted earnings per common share	\$ 0.33	\$ 0.20	\$ 0.45	\$ 0.43
Weighted average number of common shares outstanding:				
Basic	2,390,977	2,390,977	2,390,977	2,390,977
Diluted	2,390,977	2,390,977	2,390,977	2,390,977

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

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

Common Stock					
	Number of Shares	Amount	Additional paid-in capital	Retained earnings	Total
August 31, 2009	2,390,977	\$ 2,256,112	\$ 600,804	\$ 15,755,990	\$ 18,612,906
Net Income	-	-	-	1,074,069	1,074,069
Balance, May 31, 2010	2,390,977	\$ 2,256,112	\$ 600,804	\$ 16,830,059	\$ 19,686,975

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 Periods Ended May 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$1,074,069	\$1,033,143
Items not involving an outlay of cash:		
Depreciation and amortization	203,084	239,121
Gain on sale of property, plant and equipment	(1,008)	(2,350)
Deferred income taxes	84,080	20,440
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	(633,479)	1,120,583
(Increase) in note receivable	-	(41,500)
(Increase) decrease in inventory	1,067,948	1,389,685
(Increase) decrease in prepaid expenses	(11,841)	(145,345)
(Decrease) increase in accounts payable and accrued liabilities	121,729	(1,468,855)
(Increase) decrease in prepaid income taxes	(101,640)	(399,661)
Net cash provided by operating activities	1,802,942	1,745,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(213,660)	(249,165)
Proceeds from sale of property, plant and equipment	4,500	2,350
Net cash (used in) investing activities	(209,160)	(246,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Promissory note	-	(2,018,811)
Note payable	-	(300,000)
Net cash (used in) financing activities	-	(2,318,811)
Net increase (decrease) in cash and cash equivalents	1,593,782	(820,365)
Cash and cash equivalents, beginning of period	6,828,571	5,758,479
Cash and cash equivalents, end of period	\$8,422,353	\$4,938,114

Supplemental disclosure with respect to cash flows (note 14)

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
(Expressed in U.S. Dollars)
May 31, 2010
(Unaudited)

1. NATURE OF OPERATIONS

Jewett-Cameron Trading Company Ltd. was incorporated in British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation (“JCLC”), incorporated September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. 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 and the vicinity of Portland, Oregon. JCLC’s business consists of warehouse distribution and direct sales of wood products and specialty metal 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.

Significant 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.

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

Cash and cash equivalents

The Company considers cash and cash equivalents to be highly liquid in nature. At May 31, 2010, cash and cash equivalents were \$8,422,353, compared to \$6,828,571 at August 31, 2009.

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 of finished goods, is recorded at the lower of cost, based on the average cost method, or 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 our gate support systems. Amortization is calculated using the straight-line method over the remaining lives of 93 months and 105 months, respectively, and are reviewed annually for impairment.

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

Asset retirement obligations

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

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

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

Currency and foreign exchange

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

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

Earnings per share

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

JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
May 31, 2010
(Unaudited)

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

Earnings per share (cont'd...)

The earnings per share data for the periods presented are as follows:

	Three Month Periods Ended May 31,		Nine Month Periods Ended May 31,	
	2010	2009	2010	2009
Net income	\$ 796,967	\$ 483,553	\$ 1,074,069	\$ 1,033,143
Basic weighted average number of common shares outstanding	2,390,977	2,390,977	2,390,977	2,390,977
Effect of dilutive securities Stock options	-	-	-	-
Diluted weighted average number of common shares outstanding	2,390,977	2,390,977	2,390,977	2,390,977

Comprehensive Income

The Company has no items of comprehensive income in any period presented. Therefore, net income presented in the consolidated statements of operations equals comprehensive income.

Stock-based compensation

The Company follows ASC 718 "Compensation - Stock Compensation" and related interpretations. 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 quarter ended May 31, 2010, and there were no options outstanding on May 31, 2010.

Financial instruments

The Company follows ASC 825 "Financial Instruments," and uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

Cash and cash equivalents - the carrying amount approximates fair value because the amounts consist of cash held at a bank and a money market fund that invests almost exclusively in U.S. Treasury Bills.

JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
May 31, 2010
(Unaudited)

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

Financial instruments (cont'd...)

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.

Promissory note and note payable - the fair value of the promissory note and note payable is determined by discounting the future contractual cash flows under current financing arrangements at discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

The estimated fair values of the Company's financial instruments as of May 31, 2010 and August 31, 2009 are as follows:

	May 31, 2010		August 31, 2009	
	(Unaudited)		(Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 8,422,353	\$ 8,422,353	\$ 6,828,571	\$ 6,828,571
Accounts receivable	4,237,395	4,237,395	3,603,916	3,603,916
Note receivable	41,500	41,500	41,500	41,500
Accounts payable and accrued liabilities	1,938,251	1,938,251	1,816,522	1,816,522

The following table presents information about the assets that are measured at fair value on a recurring basis as of May 31, 2010, 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, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 8,422,353	\$ 8,422,353	\$ —	\$ —

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

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

Financial instruments (cont'd...)

Income taxes

Income taxes are provided in accordance with ASC 740, "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 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 and products sold and collection of the amounts is reasonably assured.

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform to the classifications used in the current period.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board 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.

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

(Expressed in U.S. Dollars)

May 31, 2010

(Unaudited)

3. INVENTORY

A summary of inventory is as follows:

	May 31, 2010	August 31, 2009
	(Unaudited)	(Audited)
Wood products and metal products	\$ 5,209,059	\$ 5,356,199
Industrial tools	478,486	557,722
Agricultural seed products	199,318	1,040,890
	<u>\$ 5,886,863</u>	<u>\$ 6,954,811</u>

4. PROPERTY, PLANT AND EQUIPMENT

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

	May 31, 2010	August 31, 2009
	(Unaudited)	(Audited)
Office equipment	\$ 626,249	\$ 677,791
Warehouse equipment	1,303,187	1,297,383
Buildings	2,181,990	2,089,544
Land	635,381	576,881
	<u>4,746,807</u>	<u>4,641,599</u>
Accumulated depreciation	<u>(2,809,936)</u>	<u>(2,769,408)</u>
Net book value	<u>\$ 1,936,871</u>	<u>\$ 1,872,191</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.

JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
May 31, 2010
(Unaudited)

5. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	May 31, 2010 (Unaudited)	August 31, 2009 (Audited)
Patent	\$ 850,000	\$ 850,000
Other	30,605	30,605
	<u>880,605</u>	<u>880,605</u>
Accumulated amortization	<u>(276,156)</u>	<u>(218,560)</u>
Net book value	<u>\$ 604,449</u>	<u>\$ 662,045</u>

6. DEFERRED INCOME TAXES

Deferred income taxes as of May 31, 2010 of \$177,700 (August 31, 2009 - \$261,780) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

7. BANK INDEBTEDNESS

There was no bank indebtedness under the Company's line of credit as of May 31, 2010 or August 31, 2009.

Bank indebtedness, when it exists, is secured by an assignment of accounts receivable and inventory. Prior to January 31, 2008 interest was calculated at either prime or the one month LIBOR rate plus 190 basis points. However, starting on January 31, 2008 the borrowing mechanism was simplified, and the interest rate is calculated solely on the one month LIBOR rate plus 190 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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars)

May 31, 2010

(Unaudited)

9. 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 quarter ended May 31, 2010 and the year ended August 31, 2009.

10. 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 grants to participants in the plan certain ownership rights in, but not possession of, or voting control of, the common stock of the Company held by the Trustee of the Plan. Shares of common stock are allocated annually to participants in the ESOP pursuant to a prescribed formula. The Company accounts for its ESOP in accordance with Statement of Position 93-6 "*Employers' Accounting for Employee Stock Ownership Plans*" as codified by ASC 718. The Company records compensation expense based on the market price of the Company shares when they are allocated. Any dividends on allocated ESOP shares are recorded as a reduction of retained earnings. ESOP compensation expense was \$164,118 and \$158,700 for the fiscal years ended August 31, 2009 and 2008, respectively, and is included in wages and employee benefits. The ESOP shares are as follows:

	May 31, 2010	August 31, 2009
	(Unaudited)	(Audited)
Shares owned by ESOP	351,709	414,598

JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

May 31, 2010

(Unaudited)

11. CONTINGENT LIABILITIES AND COMMITMENTS

- 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. Management is of the opinion that the counterclaim is of no merit and believes that the Company will be successful in its claim. However, in the event that resolution of the dispute results in a change to the promissory notes, any gain or loss will be recognized in the period that the final determination of the amount is made. Any potential charge is not determinable at this time.

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 has accrued reserves to cover the money judgment related to this dispute.

Both parties have filed appeals for review of the court's opinion.

- b) Greenwood formerly leased office premises pursuant to operating leases. One of these leases expired on January 31, 2008, and the Company moved to a new location. The new lease was scheduled to expire on July 31, 2009, but was extended to September 30, 2009, at which point it was terminated and Greenwood co-located its operations in the building utilized by JCLC and MSI. For the nine months ended May 31, 2010 and 2009 rental expense was \$8,082 and \$67,500, respectively.

JCLC formerly leased office premises pursuant to an operating lease which expired on January 4, 2010. At that time, JCLC purchased the building it has formerly been leasing. For the nine months ended May 31, 2010 and 2009 rental expense was \$4,275 and \$6,563 respectively.

- c) At May 31, 2010 and August 31, 2009, the Company had an un-utilized line-of-credit of \$5,000,000 and \$5,000,000, respectively (note 7). The line-of-credit has certain financial covenants. The Company is in compliance with these covenants.

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.

JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

May 31, 2010

(Unaudited)

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

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

	2010	2009
Sales to unaffiliated customers:		
Industrial wood products	\$ 6,455,924	\$ 8,834,109
Lawn, garden, pet and other	16,036,387	18,570,621
Seed processing and sales	3,601,377	3,153,539
Industrial tools and clamps	1,444,106	998,087
	<u>\$ 27,537,794</u>	<u>\$ 31,556,356</u>
Income (loss) before income taxes:		
Industrial wood products	\$ (304,376)	\$ (368,749)
Lawn, garden, pet and other	2,444,299	2,216,707
Seed processing and sales	(281,401)	51,831
Industrial tools and clamps	28,649	(8,202)
Unallocated overhead	(75,102)	(97,422)
	<u>\$ 1,812,069</u>	<u>\$ 1,794,165</u>
Identifiable assets:		
Industrial wood products	\$ 2,223,604	\$ 3,094,938
Lawn, garden, pet and other	18,054,979	13,743,226
Seed processing and sales	560,522	1,251,131
Industrial tools and clamps	724,279	821,563
Unallocated overhead	61,842	101,441
	<u>\$ 21,625,226</u>	<u>\$ 19,012,299</u>
Depreciation and amortization:		
Industrial wood products	\$ 2,311	\$ 3,248
Lawn, garden, pet and other	186,618	221,394
Seed processing and sales	10,478	9,499
Industrial tools and clamps	3,677	4,980
	<u>\$ 203,084</u>	<u>\$ 239,121</u>
Capital expenditures:		
Industrial wood products	\$ -	\$ 1,500
Lawn, garden, pet and other	205,232	246,646
Seed processing and sales	6,415	1,019
Industrial tools and clamps	2,013	-
	<u>\$ 213,660</u>	<u>\$ 249,165</u>
Interest expense:		
Lawn, garden, pet and other	\$ -	\$ 57,533

JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

May 31, 2010

(Unaudited)

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

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

	Nine Months Ended May 31, 2010	Nine Months Ended May 31, 2009
Sales	\$ 7,939,884	\$ 13,571,607

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:

	Nine Months Ended May 31, 2010	Nine Months Ended May 31, 2009
United States	\$ 23,642,531	\$ 28,331,453
Canada	2,480,752	2,478,761
Mexico	645,496	162,918
Europe	366,915	346,173
Asia/Pacific	402,101	217,820
Africa	-	19,231

All of the Company's significant identifiable assets were located in the United States as of May 31, 2010 and May 31, 2009.

13. CONCENTRATIONS*Credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with a high quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated geographically in the United States amongst a small number of customers. At May 31, 2010 one customer accounted for accounts receivable greater than 10% of total accounts receivable at 26%. At May 31, 2009, two customers accounted for over 10% of total accounts receivable at a combined total of 56%. 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, 2010 there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$7,019,636. For the nine months ended May 31, 2009 there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$8,293,014.

JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
May 31, 2010
(Unaudited)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Certain cash payments for the nine months ended May 31, 2010 and May 31, 2009 are summarized as follows:

	Three Month Periods Ended May 31		Nine Month Periods Ended May 31	
	2010	2009	2010	2009
Cash paid during the periods for:				
Interest	\$ -	\$ -	\$ -	\$ 57,533
Income taxes	\$ 279,000	\$ 396,750	\$ 767,119	\$ 761,022

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

15. SUBSEQUENT EVENTS

On May 25, 2010, the Company announced that the Board of Directors authorized the implementation of a share repurchase plan to purchase for cancellation up to 425,000 common shares through facilities of the NASDAQ Stock Market ("NASDAQ") and/or privately negotiated transactions. If all of the authorized 425,000 shares are repurchased, it would represent 17.8% of the total shares outstanding. The price paid for any shares under the share repurchase plan will be the prevailing market price at the time of the purchase up to a maximum of US\$7.00 per share. This share repurchase plan commenced on June 1, 2010 and will remain in place until August 17, 2010 but may be limited or terminated at any time without prior notice. As of July 6, 2010, the Company has repurchased 79,040 shares under this plan.

Except for the event discussed above, we have evaluated all events subsequent to the end of the Company's fiscal quarter and determined there are no additional subsequent events that require disclosure under ASC 855 "Subsequent Events".

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, 2010 and August 31, 2009 and its results of operations and cash flows for the nine month periods ended May 31, 2010 and May 31, 2009 in accordance with U.S. GAAP. Operating results for the three and nine month periods ended May 31, 2010 are not necessarily indicative of the results that may be experienced for the full fiscal year ending August 31, 2010.

The Company's operations are classified into four reportable segments, which were determined based on the nature of the products offered along with the markets being served. The segments are as follows:

- Industrial wood products
- Lawn, garden, pet and other
- Seed processing and sales
- Industrial tools

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

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

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

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

RESULTS OF OPERATIONS

Three Months Ended May 31, 2010 and May 31, 2009

For the three months ended May 31, 2010, sales increased \$1,068,084 to \$12,487,415 from \$11,419,331 for the three months ended May 31, 2009. The increase is due to higher sales for JCLC and Jewett Cameron Seed divisions.

Sales at Greenwood were \$1,890,565 for the three months ended May 31, 2010 compared to sales of \$2,696,711 for the three months ended May 31, 2009, which was a decrease of \$806,146 or 30%. Continued weakness in the boat manufacturing industry has resulted in lower demand for Greenwood's industrial wood products, although the Company is developing new industry relationships in other industries. Operating income at Greenwood was (\$209,178) for the three months ended May 31, 2010, which was a decline of (\$105,767) from the loss of (\$103,411) recorded in the same period a year ago. This primarily reflects the effect of fixed costs at the relatively low level of sales during the period.

Sales at JCLC were \$8,622,982 for the three months ended May 31, 2010, compared to sales of \$7,783,371 for the three months ended May 31, 2009, which was an increase of \$839,611, or 11%. Operating income was \$1,373,206, which was an increase of \$298,058 compared to income of \$1,075,148 in the year-ago quarter. Overall the operating results of JCLC are seasonal with the first two quarters of the fiscal year being much slower than the final two quarters of the fiscal year. During the three months ended May 31, 2010, JCLC was able to grow market share of existing products with existing suppliers.

Sales at JCSC were \$1,381,110 for the three months ended May 31, 2010 compared to sales of \$439,097 for the three months ended May 31, 2009, which was an increase of \$942,013, or 214%. The higher sales were largely attributed to strong partner relationships and the execution of consistent business practices. Operating income for the current quarter was \$145,284 compared to an operating loss of (\$56,971), an increase of \$202,255.

Sales at MSI were \$592,758 for the three months ended May 31, 2010, an increase of \$92,605, or 18%, over the sales of \$500,153 for the three months ended May 31, 2009. Operating income was \$35,993 for the current quarter compared to an operating loss of (\$18,247) for the comparative quarter in the prior fiscal year.

Gross margin for the three month period ended May 31, 2010 was 23.0% compared with 21.2% for the three months ended May 31, 2009. This improvement primarily reflects the increased sales mix of products sold by JCLC, which have a higher margin than the Company's other products.

Operating expenses decreased by \$10,362 to \$1,554,601 in the three month period ended May 31, 2010 from \$1,564,963 for the three month period ended May 31, 2009. Selling, General and Administrative Expenses increased by \$19,217 from \$535,418 to \$554,635, while Wages and Employee Benefits declined by a similar amount of \$18,311 to \$930,501 from \$948,812. Depreciation and Amortization declined by \$11,268, from \$80,733 to \$69,465.

Income tax expense for the three month period ended May 31, 2010 was \$528,000 compared to \$379,000 for the three month period ended May 31, 2009. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect.

Net income for the three month period ended May 31, 2010 was \$796,967 or \$0.33 per share compared to net income of \$483,553 or \$.20 per share for the three month period ended May 31, 2009.

Nine Months Ended May 31, 2010 and May 31, 2009

For the nine months ended May 31, 2010, sales decreased \$4,018,562, or 12.7%, to \$27,537,794 from \$31,556,356 for the nine months ended May 31, 2009. The decline primarily reflects decreased sales at Greenwood and Jewett Cameron Lumber, which were only partially offset by slightly higher sales at Jewett Cameron Seed and MSI.

Sales at Greenwood were \$6,455,924 for the nine months ended May 31, 2010, which was a decrease of \$2,378,185, or 26.9% from the sales of \$8,834,109 for the nine months ended May 31, 2009. Sales to boat manufacturers represented approximately 24% of Greenwood's total sales for the year ended August 31, 2009, and demand from these kinds of customers continues to be severely affected by the overall weak economic conditions. Boat manufacturers continue to work down excess inventory accumulated over the past two 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. For the nine months ended May 31, 2010, Greenwood reported an operating loss of (\$303,692) compared to an operating loss of (\$368,749) for the nine months ended May 31, 2009. Going forward, the current depressed economic conditions, particularly in the boating industry, will likely continue to be a challenge for Greenwood.

Sales at JCLC were \$16,036,388 for the nine months ended May 31, 2010, which was a decrease of \$2,534,233, or 13.6% compared to sales of \$18,570,621 for the nine months ended May 31, 2009. The decrease primarily reflects lower sales of lumber products which were only partially offset by higher sales of specialty metal products. Operating income increased to \$2,385,457 from \$2,216,707. The Company has expanded its efforts to sell its higher margin metal products into new markets, including internationally, which contributed to the higher net income. Overall the operating results of JCLC are seasonal with the first two quarters of the fiscal year being much slower than the final two quarters of the fiscal year.

Sales at JCSC were \$3,601,377 for the nine months ended May 31, 2010 compared to sales of \$3,153,539 for the nine months ended May 31, 2009, which was an increase of \$447,838, or 14.2%. The increase is due to successful sales efforts of existing products to new customers. Operating income for the current nine month period was (\$249,115), a decrease of (\$300,946) from the operating income \$51,831 recorded in the prior year's nine month period. The current period's results were negatively affected by a one-time \$463,498 inventory write-down due to the significant decrease in market value which was recorded in November 2009.

Sales at MSI were \$1,444,106 for the nine months ended May 31, 2010 compared to sales of \$998,087 for the nine months ended May 31, 2009, which was a increase of \$446,019, or 44.7%. Operating income for the current nine month period was \$48,832 compared to an operating loss of (\$8,202) in the prior year's nine month period.

Gross margin for the nine month period ended May 31, 2010 was 22.7% compared to 21.2% for the nine months ended May 31, 2009. This improvement primarily reflects the increased sales mix of products sold by JCLC, which have a higher margin than the Company's other products.

Operating expenses decreased by \$413,891, or 8.5%, to \$4,445,809 for the nine month period ended May 31, 2010 from \$4,859,700 for the nine month period ended May 31, 2009. The decrease was largely due to a decline of \$393,516 in Wages and Employee Benefits, which fell to \$2,628,063 from \$3,021,579. Depreciation and Amortization fell to \$203,084 from \$239,121, and Selling, General and Administrative expenses rose slightly to \$1,614,662 from the \$1,599,000 recorded in the nine month period ended May 31, 2009.

Income tax expense for the nine month period ended May 31, 2010 was \$738,000 compared to \$761,022 for the nine month period ended May 31, 2009. The Company estimates income tax expense for the quarter based on combined federal and state rates that are currently in effect.

Net income for the nine month period ended May 31, 2010 was \$1,074,069, or \$0.45 per basic and diluted share compared to \$1,033,143, or \$0.43 per basic and diluted share for the nine month period ended May 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2010 the Company had working capital of \$16,967,955, which represented an increase of \$1,151,065 compared to working capital of \$15,816,890 as of August 31, 2009. The largest differences regarding this change in working capital were a \$1,593,782 increase in cash and cash equivalents, a \$633,479 increase in accounts receivable, and a \$1,067,948 decrease in inventory. Other changes include a \$11,841 decrease in prepaid expenses, a \$101,640 increase in prepaid income taxes, a \$242,401 decrease in accounts payable, and a \$364,130 increase in accrued liabilities.

As of May 31, 2010, accounts receivable and inventory represented 53.5% of current assets and 46.8% of total assets. For the three months ended May 31, 2010, the accounts receivable collection period or DSO was 31 compared with 35 for the three months ended May 31, 2009. For the nine months ended May 31, 2010, the DSO was 42 compared with 37 for the nine months ended May 31, 2009. Inventory turnover for the three months ended May 31, 2010 was 54 days compared with 77 days for the three months ended May 31, 2009. For the nine month period ended May 31, 2010, inventory turnover was 82 days compared with 81 days for the nine month period ended May 31, 2009.

External sources of liquidity include a line of credit from the United States National Bank of Oregon of \$5,000,000. At May 31, 2010, none of the line was outstanding and the entire amount of \$5,000,000 was available. Borrowing under the line of credit is secured by an assignment of accounts receivable and inventory. Prior to January 31, 2008 interest was calculated at either prime or the one month LIBOR rate plus 190 basis points. However, starting on January 31, 2008 the borrowing mechanism was simplified, and the interest rate is calculated solely on the one month LIBOR rate plus 190 basis points.

On May 25, 2010, the Company announced that the Board of Directors authorized the implementation of a share repurchase plan. The share repurchase program was approved by the Company's Board of Directors as part of its ongoing consideration of alternative ways to leverage the Company's strong cash position. The Board of Directors believes that a share repurchase program at this time is in the best interests of the Company and its shareholders, and will not impact the Company's ability to execute its growth plans.

Under the Plan, the Company may purchase for cancellation up to 425,000 common shares through facilities of the NASDAQ Stock Market ("NASDAQ") and/or privately negotiated transactions. If all of the authorized 425,000 shares are repurchased, it would represent 17.8% of the total shares outstanding. The price paid for any shares under the share repurchase plan will be the prevailing market price at the time of the purchase up to a maximum of US\$7.00 per share. Other than transactions that may involve the Jewett-Cameron Trading Company Ltd. Employee Stock Ownership Plan, no shares will be knowingly purchased from Jewett-Cameron insiders or their affiliates. This share repurchase plan commenced on June 1, 2010 and will remain in place until August 17, 2010 but may be limited or terminated at any time without prior notice. As of July 6, 2010, the Company has repurchased 79,040 shares under this plan.

Business Risks

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

Risks Related to Our Common Stock

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

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

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

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

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

The Company's common shares currently trade within the NASDAQ Capital Market in the United States and on the Toronto Stock Exchange in Canada. On NASDAQ the average daily trading volume for the nine month period ended May 31, 2010 was approximately 951 shares. Trading volume on the Toronto Stock Exchange was significantly less than on NASDAQ. With this limited trading volume, investors could find it difficult to purchase or sell the Company's common stock.

Risks Related to Our Business

We could experience a decrease in the demand for our products resulting in lower sales volumes, which would give us less capital with which to operate.

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

If our top customers were lost and could not be replaced.

For the nine months ended May 31, 2010, our top ten customers represented 51% of our total sales. We would experience a significant decrease in sales and profitability and would have to cut back our operations, if these customers were lost and could not be replaced. Our top ten customers are in the U.S. and are primarily in the home improvement, marine, and agricultural industries.

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

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

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

We have a line of credit with U.S. Bank in the amount of \$5 million of which the entire amount 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. 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.

Furthermore, for the year ending August 31, 2010 our external auditors need to attest to the state of our Section 404 compliance. If our independent registered public accounting firm cannot timely attest to our evaluation, we could be subject to regulatory scrutiny and a loss of public confidence in our internal controls. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

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, 2010. However, the Company is exposed to interest rate risk.

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

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

Foreign Currency Risk

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

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. They are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. For the quarter ended May 31, 2010 the CEO and CFO have concluded that our disclosure controls and procedures were effective. For the quarter ended May 31, 2010 the CEO and CFO have also concluded that the disclosure controls and procedures were effective for the purpose of ensuring that material information required to be in this report is made known to management and others, as appropriate, to allow timely decisions regarding required disclosures.

CEO and CFO CERTIFICATIONS

Appearing immediately following the Signatures section of this Quarterly Report there are two separate forms of "Certifications" of the CEO and CFO. The second form of Certification is required in accord with Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certification). This section of the Quarterly Report, which you are currently reading is the information concerning the Controls Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS.

Disclosure Controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (Exchange Act), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal Controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS.

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CONCLUSION

In accordance with SEC requirements, the CEO and CFO note that, as of the quarter ended May 31, 2010 covered by this report, there were no material weaknesses in our Internal Controls.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

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

During fiscal 2002 the Company entered into a purchase agreement to acquire inventory over a 15 month period with an initial estimated value of \$7,000,000 from Greenwood Forest Products, Inc. During the year ended August 31, 2003, the Company completed the final phase of the inventory acquisition. As partial consideration for the purchase of the inventory the Company issued two promissory notes, based on its understanding of the value of the inventory purchased. The Company believes it overpaid the obligation by approximately \$820,000. The holder counterclaimed for approximately \$2,400,000. Management is of the opinion that the counterclaim is of no merit and believes that the Company will be successful in its claim. However, in the event that resolution of the dispute results in a change to the promissory notes, any gain or loss will be recognized in the period that the final determination of the amount is made. Any potential charge is not determinable at this time.

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

Both parties have filed appeals for review of the court's opinion.

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

Item 2. Changes in Securities and Use of Proceeds

---No Disclosure Required---

Item 3. Defaults Upon Senior Securities

---No Disclosure Required---

Item 4. Submission of Matters to a Vote of Securities Holders

---No Disclosure Required---

Item 5. Other Information

---No Disclosure Required---

Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Donald M. Boone
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act, Murray G. Smith.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act), Donald M. Boone
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C., 1350 (Section 906 of the Sarbanes-Oxley Act), Murray G. Smith

SIGNATURES

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

Jewett-Cameron Trading Company Ltd.
(Registrant)

July 12, 2010

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

July 12, 2010

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