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# U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 40-F

(Check One)

- Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934  
Or  
 Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2010

Commission File Number: 001-13425

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### Ritchie Bros. Auctioneers Incorporated

*(Exact Name of Registrant as Specified in Its Charter)*

<b>Not Applicable</b> <i>(Translation of Registrant's Name Into English (if Applicable))</i>	<b>Canada</b> <i>(Province or Other Jurisdiction of Incorporation or Organization)</i>	<b>Not Applicable</b> <i>(I.R.S. Employer Identification Number (if Applicable))</i>
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**7389**

*(Primary Standard Industrial Classification Code Number (if Applicable))*

**9500 Glenlyon Parkway, Burnaby, British Columbia, Canada V5J 0C6 (778) 331-5500**

*(Address and Telephone Number of Registrant's Principal Executive Offices)*

**Ritchie Bros. Auctioneers (America) Inc., 15500 Eastex Frwy, Humble, TX, 77396, (713) 455-5200**

*(Name, Address (Including Zip Code) and Telephone Number (Including Area Code) of Agent For Service in the United States)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

*Title of Each Class*

*Name of Each Exchange on Which Registered*

**Common Shares**

**New York Stock Exchange; Toronto Stock Exchange**

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Securities registered or to be registered pursuant to Section 12(g) of the Act:

**Not Applicable**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**Not Applicable**

For annual reports, indicate by check mark the information filed with this Form:

- Annual information form  Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**Common Shares: 105,648,035**

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. If "Yes" is marked, please indicate the filing number assigned to the Registrant in connection with such Rule.

Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes  No

The Annual Report on Form 40-F shall be incorporated by reference into or as an exhibit to, as applicable, each of the Registrant's Registration Statements under the Securities Act of 1933: Forms S-8 (File Nos. 333 - 65533 and 333 - 71577).

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## Forward-Looking Statements

This Annual Report on Form 40-F and documents incorporated by reference contain forward-looking statements (as such term is defined under the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. These statements are based on current expectations and estimates about the Company's business and include, among others, statements relating to:

- the Company's future performance;
- growth of the Company's operations;
- growth of the world market for used trucks and equipment;
- increases in the number of consignors and bidders participating in the Company's auctions;
- the impact of the current economic environment on the Company's operations and capital resources and customers, including the number of bidders and buyers attending the Company's auctions and consignment volumes at those auctions; the demand for the Company's services during challenging economic times; the Company's bidders' ability to access credit to fund their purchases; the impact of the economic environment on equipment prices, supply of and demand for equipment at the Company's auctions, risk and the Company's business model;
- the Company's principal operating strengths, competitive advantages, and the appeal of the Company's auctions to buyers and sellers of industrial assets;
- the Company's ability to draw consistently significant numbers of local and international end-user bidders to its auctions;
- the Company's ability to grow the core auction business, including the ability to increase market share and make the auctions easier, and do more business with new customer groups in new markets, the acquisition and development of auction facilities and the related impact on capital expenditures, and response by customers to the new initiatives being launched in 2011;
- the Company's ability to add new business and information solutions, including utilizing technology to enhance auction services and support additional value added services, maximizing the use of business intelligence to enhance understanding of the equipment market and management's ability to make [www.rbauction.com](http://www.rbauction.com) the preferred equipment website;
- the Company's ability to perform by building a customer focused Company, including an inspired high-performance team, ability to improve sales force productivity, employee engagement and management bench strength;
- the relative percentage of the Company's gross auction proceeds represented by straight commission, guarantee and inventory contracts;
- the Company's auction revenue rates, the sustainability of those rates, as well as the seasonality of gross auction proceeds and auction revenues;
- the Company's direct expense and income tax rates, depreciation expenses and general and administrative expenses;
- the Company's future capital expenditures;
- the Company's internet initiatives and the level of participation in its auctions by internet bidders;
- the proportion of the Company's revenues and operating costs denominated in currencies other than the U.S. dollar or the effect of any currency exchange and interest rate fluctuations on its results of operations; and
- financing available to the Company and the sufficiency of its working capital to meet its financial needs.

Forward-looking statements are typically identified by such words as “anticipate,” “believe,” “could,” “feel,” “continue,” “estimate,” “expect,” “intend,” “may,” “ongoing,” “plan,” “potential,” “predict,” “will,” “should,” “would,” “could,” “likely,” “generally,” “future,” “period to period,” “long term”, or the negative of these terms, and similar expressions intended to identify forward-looking statements. The Company’s forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While the Company has not described all potential risks related to its business and owning its common shares, the important factors listed under “Risk Factors” in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” attached in Exhibit 3 to this Report on Form 40-F are among those that may affect the Company’s performance significantly or could cause actual financial and operational results to differ significantly from the Company’s predictions. Except as required by applicable securities law and regulations of relevant securities exchanges, the Company does not intend to update publicly any forward-looking statements, even if its predictions have been affected by new information, future events or other developments.

## **Disclosure Controls and Procedures**

The Company performed an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the effectiveness of Ritchie Bros.’ disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2010. Based on this evaluation, the Company’s principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to its management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

Management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company as defined in Rule 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed under the supervision of the Company’s CEO and CFO, overseen by the Company’s Board of Directors and implemented by the Company’s management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian generally accepted accounting principles and the requirements of the United States Securities and Exchange Commission (the “SEC”).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate.

Management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria described in “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on its assessment under the framework in “Internal Control – Integrated Framework”, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2010.

## Attestation Report of the Registered Public Accounting Firm

The Company's independent registered public accounting firm, KPMG LLP, has audited the Company's internal control over financial reporting, as stated in their report attached hereto as part of Exhibit 2.

## Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the year ended December 31, 2010 that has materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

## Audit Committee Financial Expert

The Company's Board of Directors has determined that it has at least one audit committee financial expert serving on its Audit Committee. Ms. Beverley Briscoe has been determined to be such audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange's ("NYSE") corporate governance listing standards applicable to the Company for Audit Committee membership. The SEC has indicated that the designation of Ms. Briscoe as an audit committee financial expert: (1) does not make Ms. Briscoe an "expert" for any purpose; (2) impose any duties, obligations or liability on Ms. Briscoe that are greater than those imposed on members of the Audit Committee and Board of Directors who do not carry this designation, or (3) affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

## Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code of Conduct") that applies to all employees, officers and directors. The Code of Conduct includes, among other things, written standards for the Company's principal executive officer, principal financial officer and principal accounting officer that are required by the SEC for a code of ethics applicable to such officers. The Code of Conduct is available at the Company's internet website, [www.rbaction.com](http://www.rbaction.com) or by telephoning the Company's Corporate Secretary at 778-331-5500. The Company intends to disclose on its website within five days following the date of any such amendment or waiver, any amendment or waiver of the code of ethics portion of its Code of Conduct applicable to these officers that is required by SEC rules or regulations to be disclosed publicly, and to keep such disclosure available on the website for at least a 12-month period.

## Principal Accountant Fees And Services

KPMG LLP and its predecessor firms have served as Ritchie Bros.' auditing firm since 1974. The aggregate fees billed by KPMG LLP and its affiliates during fiscal 2010 and 2009 are detailed below.

	<b><u>Fiscal 2010</u></b>	<b><u>Fiscal 2009</u></b>
Audit Fees.....	\$ 1,233,100	\$ 1,254,600
Audit-Related Fees .....	153,800	37,300
Tax Fees.....	504,400	494,200
All Other Fees.....	—	—
Total Fees .....	<u>\$ 1,891,300</u>	<u>\$ 1,786,100</u>

The nature of each category of fees is as follows:

*Audit Fees:*

Audit fees were paid for professional services rendered by the auditors for the audit and interim reviews of the Company's consolidated financial statements or services provided in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees:*

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the Audit Fees item above.

*Tax Fees:*

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance, including the review of original and amended tax returns; assistance with questions regarding tax audits; assistance in completing routine tax schedules and calculations; and tax planning and advisory services relating to common forms of domestic and international taxation (i.e., income tax, capital tax, Goods and Services Tax and Value Added Tax).

*Pre-Approval Policies and Procedures:*

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee of all audit and non-audit services provided by the external auditor, other than any *de minimus* non-audit services allowed by applicable law or regulation. The policy outlines the procedures and the conditions pursuant to which permissible services proposed to be performed by KPMG LLP are pre-approved, provides a general pre-approval for certain permissible services and for subsequent reporting to the Audit Committee, and outlines a list of prohibited services. For 2010, less than 5% of the fees for the services described above were approved by the Audit Committee pursuant to the *de minimus* exemption.

All requests for KPMG LLP to provide services that do not require specific approval by the Audit Committee are reported to and documented by the Company's Chief Financial Officer. If the proposed services are not covered by a pre-approval and the estimated fees for the proposed engagement are more than CA\$5,000, the engagement of KPMG LLP to provide such services requires specific approval by the Audit Committee. Any proposed engagement to provide services that requires specific approval by the Audit Committee pursuant to the terms of the policy is submitted to the Chief Financial Officer for presentation to the Audit Committee for its consideration. Less than 5% of KPMG's fees, excluding audit and review fees, were subject to a waiver of the pre-approval requirement in 2010.

## **Additional Corporate Governance Information**

Additional information regarding the Company's corporate governance practices is included in its Information Circular for the 2011 Annual and Special Meeting of Shareholders and is available on the Company's internet website at [www.rbauktion.com](http://www.rbauktion.com). Any foreign private issuer listed on the NYSE is required to report any significant ways in which its corporate governance practices differ from those required for United States companies under NYSE listing standards. The Company is in conformance with the NYSE corporate governance requirements applicable to United States companies.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## Contractual Obligations

The following table provides information about the Company's aggregate known contractual obligations as of December 31, 2010 (in thousands of U.S. dollars):

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations .....	\$ 136,218	\$ 30,000	\$ 15,000	\$ 31,074	\$ 60,144
Interest on long-term debt obligations .....	24,379	5,369	9,957	7,730	1,323
Operating leases obligations .....	173,083	10,653	18,299	16,879	127,252
Other long-term obligations .....	1,332	321	656	355	—
Total contractual obligations .....	\$335,012	\$ 46,343	\$ 43,912	\$ 56,038	\$ 188,719

The Company's long-term debt in the table above is comprised mainly of term loans put in place in 2005 with original terms to maturity of five years, a revolving loan drawn under a credit facility that is available until January 2014, as well as a term loan put in place in 2009 with a term to maturity of seven years. The Company's operating leases relate primarily to land on which it operates regional auction units and administrative offices. These properties are located in Canada, the United States, Spain, Germany, the Netherlands, and the United Arab Emirates.

## Audit Committee

The Company's Board of Directors has a separately-designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934 for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the Company's annual financial statements. As of the date of this Report, the members of the Audit Committee include Eric Patel, Beverley A. Briscoe and James M. Micali. Ms. Briscoe serves as Chair of the Committee.

## Undertaking

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

## **Signatures**

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

### **RITCHIE BROS. AUCTIONEERS INCORPORATED**

By: /s/ JEREMY BLACK

Name: Jeremy Black

Title: Corporate Secretary

Date: February 24, 2011

## **EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
1.	Annual Information Form of the Registrant dated February 22, 2011.
2.	The following audited consolidated financial statements of the Registrant, together with the independent auditors' reports dated February 22, 2011 of KPMG LLP, Chartered Accountants: <ol style="list-style-type: none"><li>a. Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008;</li><li>b. Consolidated Balance Sheets as of December 31, 2010 and 2009;</li><li>c. Consolidated Statements of Shareholders' Equity for the years ended December 31, 2010, 2009 and 2008;</li><li>d. Consolidated Statements of Comprehensive Income for the years ended December 31, 2010, 2009 and 2008;</li><li>e. Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008; and</li><li>f. Notes to Consolidated Financial Statements (which include reconciliation with United States generally accepted accounting principles).</li></ol>
3.	Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2010.
4.	Consent dated February 22, 2011 of KPMG LLP, Chartered Accountants.
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**EXHIBIT NO. 1**

**ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2010**

February 22, 2011

Ritchie Bros. Auctioneers Incorporated  
9500 Glenlyon Parkway  
Burnaby, British Columbia  
Canada V5J 0C6  
(778) 331-5500

[www.rbauction.com](http://www.rbauction.com)

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Unless the context otherwise requires, “Ritchie Bros.,” the “Company”, “we”, or “us” each refer to Ritchie Bros. Auctioneers Incorporated and its predecessor entities, either alone or together with its subsidiaries. Unless otherwise specified, references to years are references to calendar years and references to quarters are references to calendar quarters. All dollar amounts are denominated in United States Dollars.

Certain names in this document are our trademarks.

## FORWARD LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements that involve risks and uncertainties. These statements are based on our current expectations and estimates about our business, and include, among others, statements relating to:

- our future performance;
- growth of our operations;
- growth of the world market for used trucks and equipment;
- increases in the number of consignors and bidders participating in our auctions;
- the impact of the current economic environment on our operations and capital resources, and our customers, including the number of bidders and buyers attending our auctions and consignment volumes at those auctions; the demand for our services during challenging economic times; our bidders' ability to access credit to fund their purchases; the impact of the economic environment on equipment prices, supply of and demand for equipment at our auctions, risk and our business model;
- our principal operating strengths, our competitive advantages, and the appeal of our auctions to buyers and sellers of industrial assets;
- our ability to draw consistently significant numbers of local and international end-user bidders to our auctions;
- our ability to grow our core auction business, including our ability to increase our market share and make our auctions easier, and do more business with new customer groups in new markets, the acquisition and development of auction facilities and the related impact on our capital expenditures, and response by our customers to the new initiatives being launched in 2011;
- our ability to add new business and information solutions, including utilizing technology to enhance our auction services and support additional value added services, maximizing the use of business intelligence to enhance our understanding of the equipment market and ability to make [www.rbauction.com](http://www.rbauction.com) the preferred equipment website;
- our ability to perform by building an inspired high-performance customer focused team, and to improve sales force productivity, employee engagement and management bench strength;
- the relative percentage of gross auction proceeds represented by straight commission, guarantee and inventory contracts;
- our auction revenue rates, the sustainability of those rates, and the impact of the changes to our administrative fee to be executed in 2011, as well as the seasonality of gross auction proceeds and auction revenues;
- our direct expense and income tax rates, depreciation expenses and general and administrative expenses;
- our future capital expenditures;
- our internet initiatives and the level of participation in our auctions by internet bidders;
- the proportion of our revenues and operating costs denominated in currencies other than the U.S. dollar or the effect of any currency exchange and interest rate fluctuations on our results of operations; and
- financing available to us and the sufficiency of our working capital to meet our financial needs.

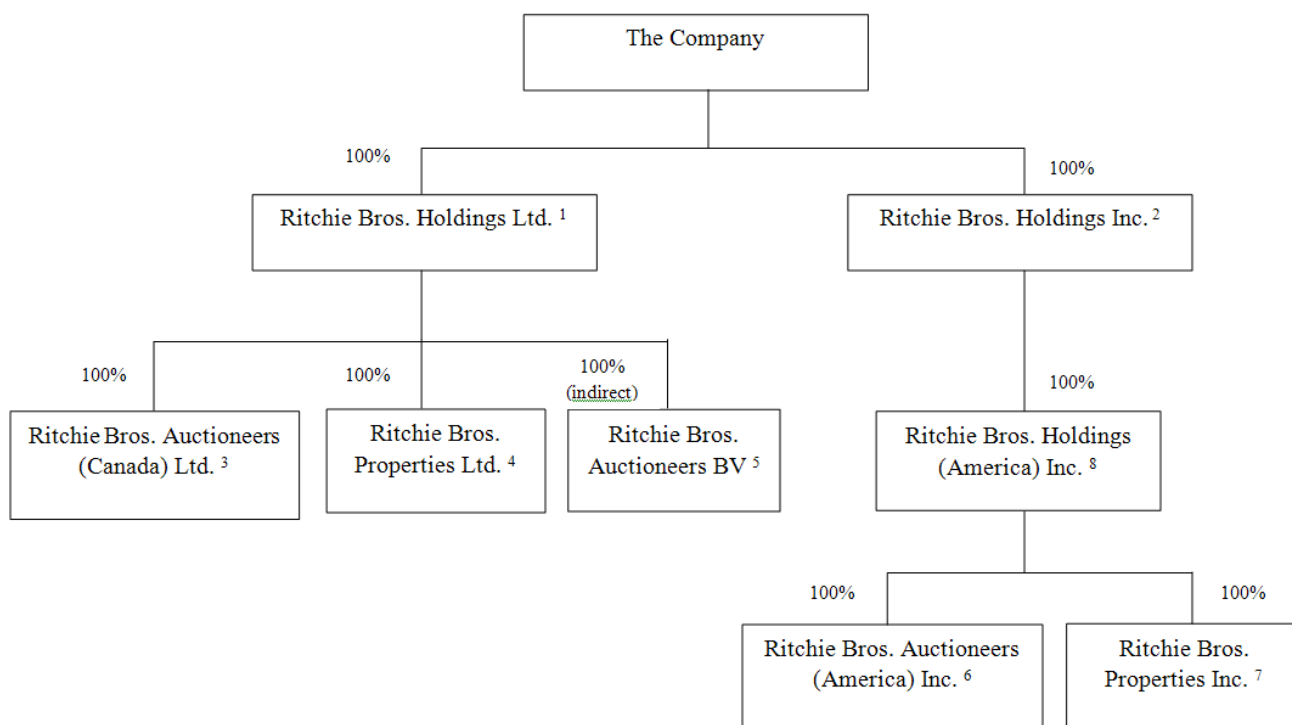
In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “would,” “feel,” “continue,” “estimate,” “expect,” “intend,” “may,” “ongoing,” “plan,” “potential,” “predict,” “will,” “should,” “likely,” “generally,” “future,” “period to period,” “long term,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While we have not described all potential risks related to our business and owning our common shares, the important factors listed under “Risk Factors” in our Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2010, which is incorporated by reference in this document, are among those we consider that may affect our performance significantly or could cause our actual financial and operational results to differ significantly from our predictions. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly

any forward-looking statements, even if our predictions have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of these and other relevant factors.

## THE COMPANY

Ritchie Bros. Auctioneers Incorporated was amalgamated on December 12, 1997 under, and is governed by, the *Canada Business Corporation Act*. Our registered office is located at 1300 — 777 Dunsmuir Street, Vancouver, British Columbia, Canada V7Y 1K2. Our executive office is located at 9500 Glenlyon Parkway, Burnaby, British Columbia, Canada V5J 0C6 and our telephone number is (778) 331-5500. We maintain a website at [www.rbauction.com](http://www.rbauction.com). None of the information on our website is incorporated into this Annual Information Form by this or any other reference.

The following diagram illustrates the primary intercorporate relationships of our company and our principal operating subsidiaries:



Notes:

1. Ritchie Bros. Holdings Ltd. is a corporation continued under the laws of Canada.
2. Ritchie Bros. Holdings Inc. is a corporation incorporated under the laws of the State of Washington, U.S.A.
3. Ritchie Bros. Auctioneers (Canada) Ltd. is a corporation incorporated under the laws of Canada.
4. Ritchie Bros. Properties Ltd. is a corporation incorporated under the laws of Canada.
5. Ritchie Bros. Auctioneers B.V. is a corporation incorporated under the laws of The Netherlands.
6. Ritchie Bros. Auctioneers (America) Inc. is a corporation incorporated under the laws of the State of Washington, U.S.A.
7. Ritchie Bros. Properties Inc. is a corporation incorporated under the laws of the State of Washington, U.S.A.
8. Ritchie Bros. Holdings (America) Inc. is a corporation incorporated under the laws of the State of Washington, U.S.A.

## OVERVIEW

We are the world's largest industrial auctioneer, selling more equipment to on-site and online bidders than any other company in the world. At December 31, 2010, we operated from over 110 locations in more than 25 countries, including 43 auction sites worldwide. Our purpose is to create compelling business solutions that enable the world's builders to easily and confidently exchange equipment. We sell, through unreserved public auctions, a broad range of used and unused industrial assets, including equipment, trucks and other assets utilized in the construction, transportation, agricultural, material handling, mining, forestry, petroleum and marine industries.

Gross auction proceeds represent the total proceeds from all items sold at our auctions. Our gross auction proceeds were \$3.3 billion for the year ended December 31, 2010, which was 6% lower than in 2009. Gross auction proceeds decreased in the United States, Canada and Europe. We believe that we sell more used equipment than any other company in the world and that our annual gross auction proceeds are far greater than any of our auction competitors. Consignment volumes at our auctions are affected by a number of factors, including regular fleet upgrades and reconfigurations, financial pressure, retirements, and inventory reductions, as well as by the timing of the completion of major construction and other projects.

Strict adherence to the unreserved auction process is one of our founding principles and, we believe, one of our significant competitive advantages. Unreserved means that there are no minimum or reserve prices on anything sold at a Ritchie Bros. auction – each item sells to the highest bidder on sale day, regardless of the price. In addition, consignors (or their agents) are not allowed to bid on or buy back or in any way influence the selling price of their own equipment. We maintain this commitment to the unreserved auction process because we believe that an unreserved auction is a fair auction.

Our customers are both buyers and sellers of equipment, trucks and other industrial assets. The majority of our buyers are end users of equipment (retail buyers), such as contractors, with the remainder being primarily truck and equipment dealers, rental companies and brokers (wholesale buyers). Consignors to our auctions represent a broad mix of equipment owners, the majority being end users of equipment, with the balance being finance companies, truck and equipment dealers and equipment rental companies, among others.

We attract a broad base of bidders from around the world to our auctions. Our worldwide marketing efforts help to attract bidders, and we believe they are willing to travel long distances or participate online in part because of our reputation for conducting fair auctions. These diverse multinational bidding audiences provide a global marketplace that allows our auctions to transcend local market conditions, which we believe is a significant competitive advantage. Evidence of this is the fact that in recent periods an average of approximately 60% of the value of equipment sold at our auctions has left the region of the sale.

We believe that our ability to consistently draw significant numbers of local and international bidders from many different end markets to our auctions, most of whom are end users rather than resellers, is appealing to sellers of used trucks and equipment and helps us to attract consignments to our auctions. Higher consignment volumes attract more bidders, which in turn attract more consignments, and so on in a self-reinforcing process that we believe creates momentum in our business.

## HISTORY AND DEVELOPMENT OF OUR BUSINESS

Our company was founded in 1958 in the small town of Kelowna, British Columbia, Canada. We held our first major industrial auction in 1963, selling over \$600,000 worth of construction equipment in Radium, British Columbia. While our early auction sales were held primarily in Western Canada, Ritchie Bros. expanded eastward in Canada through the 1960s.

By 1970, we had established operations in the United States and held our first U.S. sale in Beaverton, Oregon. Throughout the 1970s and 1980s, we held auctions in additional locations across Canada and an increasing number of American states. In 1987, we held our first European auctions in Liverpool, U.K. and Rotterdam, The Netherlands. Our first Australian auction was held in 1990, and this was followed by expansion into Asia, with subsequent sales in Japan, the Philippines, Hong Kong, Thailand and Singapore. We held our first Mexican auction in 1995, our first Middle Eastern auction in Dubai, U.A.E. in 1997, our first African auction in Durban, in the Republic of South Africa, in 2003, our first auction in Eastern Europe in Poland in 2008, and our first auctions in India and Turkey in 2009. Although we expect that most of our growth in the near future will come from expanding our business and increasing our penetration in regions where we already have a

presence, such as the United States and Western Europe, we anticipate that emerging markets in developing countries will be important in the longer term.

In 1994, we introduced our prototype auction facility, opening new permanent auction sites in Fort Worth, Texas and Olympia, Washington that represented significant improvements over the facilities being used at the time by other industrial equipment auctioneers. We have since constructed similar facilities in various locations in Canada, the United States, Mexico, Europe, Australia, Asia and the Middle East. We had 43 auction sites at the date of this discussion, of which eight were built or put into service during 2010.

In March 1998, we completed an initial public offering of our common shares. Our common shares trade on the New York Stock Exchange and the Toronto Stock Exchange, under the ticker symbol “RBA”.

## INDUSTRY

We operate mainly in the auction segment of the global industrial equipment marketplace. Our primary target markets within that marketplace are the used equipment and truck sectors, which are large and fragmented. The supply of used trucks and equipment continues to grow, primarily as a result of the cumulative supply of used trucks and equipment, which is driven by the ongoing production of new trucks and equipment. Industry analysts estimate that the world-wide value of used equipment transactions, of the type of equipment we sell at our auctions, is in excess of \$100 billion per year. Of this total, only a fraction is currently traded through auctions, with the majority being sold directly by the owner or through truck and equipment dealers and brokers. Although we sell more used equipment than any other company in the world, our share of this fragmented market is only in the low to mid single digit range.

As we grow our business we intend to capitalize on a number of key characteristics of the global industrial equipment market:

*Growth of the Auction Segment of the Industrial Equipment Market.* We believe that auctions represent an increasingly popular distribution channel for industrial equipment for the following reasons:

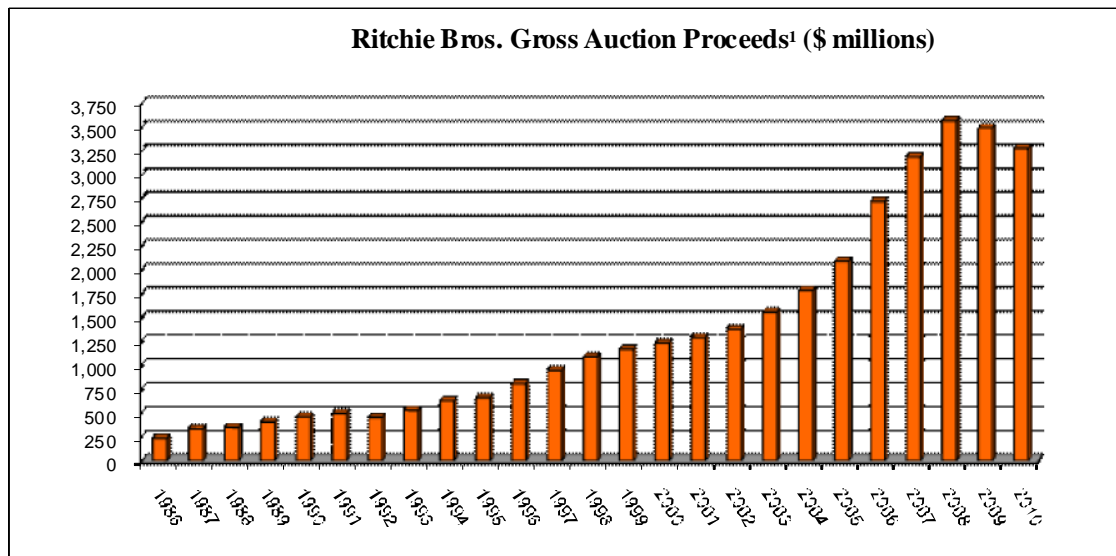
- The ability of auctioneers to sell a wide range of equipment and related assets and therefore, offer a comprehensive and convenient service to buyers and sellers;
- The increasing transparency of the international used equipment market due in large part to the depth of information now available on the internet;
- The increasing preference of sellers to access the auction marketplace to achieve a sale quickly and efficiently; and
- The ability of auctioneers to deliver high net proceeds on the sale of equipment.

*Attractiveness of the Industrial Equipment Auction Market.* In addition to the growth potential of the auction segment of the industrial equipment market, we believe that the following are attractive characteristics of the industrial equipment auction business:

- Many of the factors that prompt owners to sell equipment also create an environment in which equipment buyers opt for high quality used equipment rather than typically more expensive new equipment. In addition, much of the equipment that we sell can be used in multiple industries and in diverse geographic locations;
- Industrial equipment auctioneers are not restricted to selling lines of equipment provided by a particular manufacturer or manufactured for a particular industry, or to conducting sales in a particular geographic region;
- Auction companies do not typically bear the risks associated with holding inventory over extended periods;
- The industrial equipment auction industry is highly fragmented (and we are the largest participant in that industry); and
- Used industrial equipment is well-suited to the auction method of buying and selling because items of used equipment cannot be valued on a commodity basis – their value is dependent mainly on their condition. The transparency of the unreserved auction method gives buyers and sellers confidence that the equipment has traded at a fair market price.

## COMPETITIVE ADVANTAGES

Our key strengths provide distinct competitive advantages and have enabled us to attract an increasing number of consignors and bidders to our auctions, allowing us to achieve significant and profitable growth over the long term. Our gross auction proceeds have grown at a compound annual growth rate of 11.8% over the last 25 years, as illustrated below.



- (1) Gross auction proceeds represent the total proceeds from all items sold at our auctions. Our definition of gross auction proceeds may differ from those used by other participants in our industry. Gross auction proceeds is an important measure we use in comparing and assessing our operating performance. It is not a measure of our financial performance, liquidity or revenue and is not presented in our consolidated financial statements. We believe that auction revenues, which is the most directly comparable measure in our Statement of Operations, and certain other line items, are best understood by considering their relationship to gross auction proceeds.

*Reputation for Conducting Only Unreserved Auctions.* We believe that our highly publicized commitment to fair dealing and the unreserved auction process is a key contributor to our growth and success. All of our auctions are unreserved, meaning that there are no minimum or reserve prices; each and every item is sold to the highest bidder on the day of the auction regardless of the price. Consignors are prohibited by contract from bidding on their own consigned items at the auction or in any way artificially affecting the auction results. Bidders at our auctions have confidence that if they are the high bidder on an item, then they are the buyer of that item, regardless of price. We believe that Ritchie Bros.' reputation for conducting only unreserved auctions is a major reason why bidders are willing to commit the necessary time and effort to participate in our auctions, and we believe that the size and breadth of the resulting bidding audiences enable us generally to achieve higher prices than our competitors.

*Ability to Transcend Local Market Conditions.* We market each auction to a global customer base of potential bidders, through the use of print media and the internet. Because bidders are willing to travel between regions and countries to attend our auctions, and are able to participate over the internet if they are unable or choose not to attend in person, consignors have confidence that they will receive the world market price for their equipment. In recent periods, an average of approximately 60% of the value of equipment sold at any particular auction has left the region of the sale.

*International Scope.* We have substantial expertise in marketing, assembling and conducting auctions in international markets. We have conducted auctions in more than 20 countries and we regularly hold auctions in North America, Central America, Europe, Australia, Asia and the Middle East.

*Extensive Network of Auction Sites.* Our international network of auction sites is attractive to consignors of trucks and equipment with widely dispersed fleets and also to manufacturers wanting to access multiple regional markets. We believe that our network of auction sites has allowed us to achieve economies of scale by holding more frequent and larger auctions at our existing facilities, thereby taking advantage of our considerable operating capacity without incurring significant incremental costs. In addition, many of our auction sites are equipped with state of the art painting and refurbishing facilities which, together with purpose-built auction theatres and equipment display yards, allow us to deliver a uniquely high level of service to our customers. Our secure yards enable our bidders to inspect, test and compare assets available for sale at our auctions, while our consignors take comfort knowing their assets are under our care, custody and control, and that we are looking after all details in connection with the auction.

*Proprietary Databases.* We maintain sophisticated databases containing information on several million pieces of equipment sold at auctions around the world, detailed information regarding new equipment prices and listings of stolen equipment. Together with our unique and comprehensive information about the flow of equipment coming to market, these databases help us to identify market trends and estimate equipment values.

We also maintain a proprietary customer information database containing detailed information on more than 530,000 unique customers from over 190 countries, including each customer's auction attendance, trade association memberships, buying habits and other information. This database enables us to identify customers who might be interested in the equipment being sold at any particular auction.

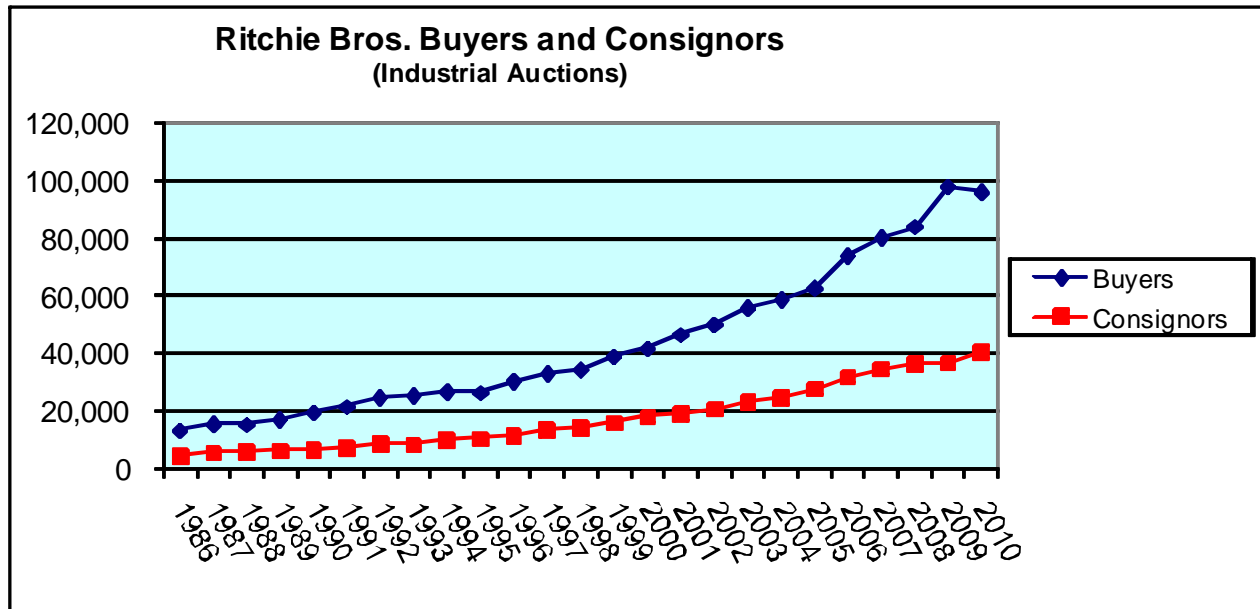
*Internet Services.* We believe that our extensive internet presence and the tools available on our website are valuable to buyers and sellers of equipment and represent a distinct competitive advantage for Ritchie Bros. Our online bidding service has enhanced our ability to transcend local market conditions and offer international scope to equipment buyers and sellers. It has also increased the number of bidders participating in our auctions, which we believe has led to higher selling prices. We launched our online service in 2002 and in 2010 we sold over \$872 million of equipment to users of this service. In 2010, customers bidding in our live industrial auctions over the internet accounted for over 42% of total industrial auction registrations. Our internet bidding service gives our customers access to the best of both worlds – live and online auction participation. The average number of registered bidders, both online and on-site, participating in our industrial auctions has increased 37% to 1,475 registered bidders from 1,080 bidders in 2001, prior to the implementation our online service.

In 2010 we also launched our new 21-language website, with enhanced features such as high quality zoomable photos, watch lists and other valuable features. The website ([www.rbauktion.com](http://www.rbauktion.com)) now enables customers to interact with us more easily, as well as search for and purchase the equipment they need, and we believe it is a powerful tool for attracting new non-English speaking customers. We saw an 11% increase in site visits from non-English speakers from the date of its implementation in April 2010 until December 31, 2010, compared to the equivalent period in 2009. In total we had nearly 3.2 million unique visitors to our website in 2010, an 18% increase compared to the previous year, and those users conducted almost 35 million equipment inventory searches—16% more than 2009.

*Size and Financial Resources.* In addition to being the world's largest auctioneer of industrial equipment, we believe that we sell more used trucks and equipment than any other company, including non-auction companies such as manufacturers, dealers and brokers, making us the largest participant in this highly fragmented market. In addition to our strong market position, we have the financial resources to offer our consignors flexible contract options such as guarantee and outright purchase contracts, to invest in new technologies and to expand into new markets.

*Dedicated and Experienced Workforce.* Our sales and support team is a key part of our customer service effort. We had 1,162 full-time employees at December 31, 2010, including 314 sales representatives and 13 trainee territory managers. Our senior management team has extensive industry experience – the nine members of our senior management team who are senior vice presidents and above (including our CEO, COO and President) have over 170 years of combined experience in the auction industry.

These competitive advantages have enabled us to hold successful auctions that are appealing to both buyers and consignors, as evidenced by the growth in the number of buyers and consignors participating in our auctions, set out in the graph below, and the resulting growth in our gross auction proceeds.



We believe that our auctions generally draw a larger number of bidders than most other industrial equipment auctions. Also, the majority of the bidders at our auctions are end-users of equipment (typically retail buyers) rather than brokers or dealers (typically wholesale buyers). In recent periods, approximately 70% to 80% of our gross auction proceeds went to end-users of equipment, such as contractors. Large end-user bidder audiences, including international bidders and internet bidders, enable us to deliver world market prices and transcend local market conditions. The ability to deliver high prices on the sale of trucks and equipment is a core part of our value proposition and helps to attract consignments, which attract larger bidder audiences in a self-reinforcing process that we believe has been working in our favor for over 50 years. We believe that this momentum, together with our reputation, size and financial resources, gives our customers confidence in our auction services, which contributes to our growth over the long term.

### GROWTH STRATEGIES

In the fourth quarter of 2010 we completed a thorough update of our strategic plan, identifying strategic initiatives to be undertaken over the next five years. We continue to focus on our core unreserved auction model with a view to adding solutions and streamlining processes to enhance the value we provide to our existing customers, as well as make our auctions more appealing to new customers. In addition, we want to extend our services where we can leverage our competitive advantages. Our people, places and process framework has evolved and matured into three strategic pillars that incorporate many of the same concepts: grow, add, perform.

In 2010, we updated our core values and refined our mission statement to better align with our updated strategy and guide our behaviour in the years ahead. Our mission is to provide compelling business solutions that enable the world's builders to easily and confidently exchange equipment. Our customers are the people who buy and sell equipment and trucks, including the people who build our homes and offices, schools and community centers, bridges and roads, as well as the people who grow our food and those who support all of these activities, such as finance companies, rental companies, transportation companies and equipment dealers, among others.

Our core values support three strategic pillars, which are designed to help us achieve our mission. An overview of our strategic pillars follows:

#### *GROW our core auction business*

We believe unreserved public auctions offer significant benefits over other sales channels, including certainty, fairness and transparency. We intend to focus on increasing our market share with our traditional customer groups, while simultaneously doing more business with new customer groups and in new markets. We plan to undertake deeper market research to

understand more clearly why equipment owners do and do not use our services, and to help us meet the needs of the large number of equipment owners who do not even know about Ritchie Bros.

We believe that most of our near-term growth will come from our established regions, primarily the United States and Western Europe, and that emerging markets such as China, Brazil and other developing countries offer significant potential for growth in the long-term.

In addition, we intend to add at least one new auction site to our network each year, as well as replace a number of existing auction sites as necessary to provide capacity for increased consignment volumes. Our auction site network supports our long-term growth and is a critical strategic advantage, which helps us to sustain efficient and scalable growth. We also intend to continue to hold offsite auctions in new regions to expand the scope of our operations.

Another key focus of this pillar is to streamline and simplify our auctions, to make them easy for our customers. Many of our new customers have little or no experience buying or selling at unreserved auctions; we want to make the process as easy and hassle-free as possible, so they feel confident on auction day and throughout the whole process.

Beginning July 1, 2011 we plan to introduce our enhanced equipment information program. We will be offering enhanced information about the equipment to be sold in our auctions to all customers free of charge. We expect that this information will help our customers feel more confident and should make our auctions more appealing to a broader range of equipment owners.

To address the cost of our new initiatives, as well as the costs of other buyer-focused initiatives launched in recent years, we plan to simplify and expand our fee structure effective July 1, 2011. We will eliminate certain fees, including our internet purchase fee, and expand the scope of our administrative fee that we charge to buyers. The current 10% administrative fee will continue to be charged on all lots that sell for \$2,500 or less, and we intend to introduce a 2.5% administrative fee to be charged on all lots that sell for more than \$2,500, with a maximum fee of \$950 per lot (or the near equivalent amount in the currency of the auction). We anticipate an increase in both revenues and expenses in 2011 and future years as a result of the buyer-focused initiatives, with an expected positive net benefit to earnings.

#### *ADD new business and information solutions*

Technology and innovation have played key roles in our business in the past, allowing us to enhance our auctions and broaden their appeal to more equipment owners. We will continue to harness the latest technology to supplement and enhance our auction services, and investigate new services to meet the needs of equipment owners that are not being met by our unreserved auctions.

We intend to introduce a range of additional value-added services in 2011, including a customer finance program, enhanced shipping services, a customer insurance program and other ancillary services.

We intend to invest in enhanced business intelligence and data analysis tools to improve our understanding of the equipment market, and position Ritchie Bros. as a knowledge and information authority. We also intend to continue to enhance [rbauction.com](http://rbauction.com) by making it easier to use, more powerful and more valuable to equipment owners, with the goal of becoming the preferred global equipment website.

#### *PERFORM by building an inspired high-performance, customer-focused Ritchie Bros. team*

To maintain our high standards of customer service, we employ people who we believe embody our core values, especially the value of putting our customers first.

Our primary focus areas in the coming years will be improving our sales force productivity, employee engagement and management bench strength. We intend to be even more effective in developing future managers and we intend to take steps to improve our ability to attract, develop and retain key players. We also plan to take steps to refine sales and operational management roles to better equip our sales force for success. We are maintaining our long-term target of increasing our sales force by an average of 5% to 10% per year.

## OPERATIONS

During 2010 we conducted 230 unreserved industrial auctions at locations in North and Central America, Europe, the Middle East, Japan, Australia and India. We also held 106 unreserved agricultural auctions in Canada. Although our auctions varied in size, the average Ritchie Bros. industrial auction in 2010 had the following characteristics:

Gross auction proceeds	\$13.4 million
Bidder registrations	1,475
Lots offered for sale	1,205
Consignors	175

Approximately 52% of our auction revenue was earned from operations in the United States (2009 – 54%), 23% was earned in Canada (2009 – 24%) and 14% was earned in Europe (2009 – 15%). The remaining 11% was earned from operations primarily in Australia, the Middle East and Mexico (2009 – 7%).

In 2010, approximately 92% of our gross auction proceeds were attributable to auctions held at our permanent auction sites and regional auction units (2009 – 90%). Permanent auction sites are located on land that we own. Our permanent auction sites average approximately 63 acres in size and typically include an equipment display yard, an auction theatre, administrative offices, customer parking, and a state of the art refurbishing facility. Regional auction units are auction sites typically located on leased land with generally more modest facilities than a permanent auction site.

The remaining 8% of our gross auction proceeds in 2010 came from “off-site” auctions (2009 – 10%), typically held on rented or consignor-owned land. The decision as to whether to hold a particular auction at one of our sites instead of at an off-site location is influenced by the nature, amount and location of the equipment to be sold. The majority of our agricultural auctions are held at off-site locations, usually on the consignor’s farm.

Our gross auction proceeds and auction revenues are affected by the seasonal nature of the auction business. Our gross auction proceeds and auction revenues tend to increase during the second and fourth calendar quarters, during which time we generally conduct more business than in the first and third calendar quarters.

Some of the key elements of our auction process include:

*Attracting Bidders.* We believe our proprietary customer database, which contains over 530,000 customer names from approximately 190 countries, significantly enhances our ability to market our auctions effectively. We typically send tens of thousands of print and digital direct marketing materials to strategically selected customers from our database as part of our comprehensive auction marketing service. We also conduct targeted regional and industry-specific advertising and marketing campaigns and use social media to generate awareness. In addition, we present information about the majority of the consigned equipment at upcoming auctions on our website so that potential bidders can review equipment descriptions and view photographs of many of the items to be sold. We had over 340,000 bidder registrations at our industrial auctions in 2010 compared to approximately 335,000 in 2009.

*Attracting Equipment.* We solicit equipment consignments ranging from single pieces of equipment consigned by local owner-operators to large equipment fleets offered by multi-national consortiums upon the completion of major construction projects. For larger consignments, our service typically begins with an equipment appraisal that gives the prospective consignor a credible estimate of the value of the appraised equipment. We believe that our consignors choose to sell their equipment at our auctions, rather than through other channels or other auctioneers, because they believe that selling at a Ritchie Bros. auction is the best way to maximize the net proceeds on the sale of their assets. During 2010, we generated 40,894 industrial auction consignments, typically comprised of multiple lots, compared to 37,041 consignments in 2009.

Our willingness to take consignment of a customer’s full equipment fleet, including ancillary assets such as inventories, parts, tools, attachments and construction materials, rather than only accepting selected items, is another valuable service that we offer to consignors that sets us apart from most of our competitors.

*Attractive Contract Options.* We offer consignors several contract options to meet their individual needs and sale objectives. These can include a straight commission contract, where the consignor receives the gross proceeds from the sale less a pre-negotiated commission rate, as well as alternate arrangements including guarantee contracts (where the consignor receives a guaranteed minimum amount plus an additional amount if proceeds exceed a specified level) or an outright purchase of the equipment by us for resale. We refer to guarantee and outright purchase contracts as our underwritten or at-risk business. At risk contracts have generally represented about 25% of our gross auction proceeds on an annual basis in recent periods.

Our commission structure reflects the degree of risk we assume in connection with the equipment being sold. In general, on similar packages of equipment, we factor in a lower commission rate for straight commission sales than for guarantee contracts. In the case of outright purchases, pricing takes into account the risks we assume and our expected margin. We manage the risk associated with our underwritten business by performing detailed appraisals of the equipment and involving valuation specialists and senior levels of management in the decision making process. In addition, equipment prices tend not to fluctuate significantly during the short time prior to the auction that we are exposed on these types of arrangements.

*Value-Added Services.* We provide a wide array of services to make the auction process convenient for buyers and sellers of equipment. Examples of these services include:

- conducting title searches on consigned equipment, where registries are commercially available, to ensure the equipment is sold free and clear of all liens and encumbrances (if we are not able to deliver clear title, we provide a full refund up to the purchase price to the buyer);
- making consigned equipment available for inspection, testing and comparison by prospective buyers;
- displaying high quality zoomable photographs of consigned equipment on our website;
- providing access at our auctions to representatives of finance companies, transportation companies, customs brokerages and other service providers;
- providing facilities for on-site cleaning, painting and refurbishment of equipment; and
- handling all pre-auction marketing, as well as collection and disbursement of proceeds.

## **MARKETING AND SALES**

At December 31, 2010, we employed 314 sales representatives and 13 trainee territory managers (2009 – 302 and 19, respectively). These representatives are deployed by geographic region around the world. Each sales representative is primarily responsible for the development of customer relationships and sourcing consignments in the representative's territory. Sales representatives are also involved in the appraisal and proposal presentation process. To encourage global teamwork and superior customer service, none of our employees is paid on a commission basis. All members of our sales force are compensated primarily by a combination of base salary and incentive bonus.

To support our sales representatives, we follow a dual marketing strategy, promoting Ritchie Bros. and the unreserved auction process in general, as well as marketing specific auctions. This dual strategy is designed to attract both consignors and bidders to our auctions. Our advertising and promotional efforts include the use of trade journals and magazines and attendance at numerous trade shows held around the world. We also participate in international, national and local trade associations. Digital marketing, social media and our [rbauction.com](http://rbauction.com) website are other important components of our marketing effort. In 2010, we had nearly 3.2 million unique visitors to our website and they conducted 34.7 million online equipment searches.

In addition to regional marketing through our sales representatives, we market through our national accounts team to large multi-national customers, including rental companies, manufacturers and finance companies, who have equipment disposition requirements in various regions and countries and can therefore benefit from our international network of auction sites.

## **INTERNATIONAL NETWORK OF AUCTION SITES**

We generally attempt to establish our auction sites in industrial areas close to major cities. Although we lease some auction sites, we prefer to purchase land and construct purpose-built facilities once we have determined that a region can generate sufficient financial returns to justify the investment. We generally do not construct a permanent auction site in a particular region until we have conducted a number of offsite sales in the area, and often we will operate from a regional auction unit for several years before considering a more permanent investment. This process allows us to evaluate the market potential before we make a significant investment. We will not invest in a permanent auction site unless we believe there is an opportunity for significant, profitable growth in a particular region. Our average expenditure on a permanent auction site has been in the range of \$20 million in recent years, including land, improvements and buildings.

We operated from the following auction sites at February 22, 2011:

**Permanent Auction Sites:**

<u>Canada</u>	<u>Size (Acres)</u>	<u>Year Placed in Service</u>
Vancouver, British Columbia	24	2010
Prince George, British Columbia	60	2003
Grande Prairie, Alberta	60	2009
Edmonton, Alberta	125	2002
Saskatoon, Saskatchewan	62	2006
Regina, Saskatchewan	22	2007
Toronto, Ontario	63	1998
London, Ontario	37	2009
Montreal, Quebec	60	2000
Halifax, Nova Scotia	28	1997
 <u>United States</u>		
Olympia, Washington	79	1994
Los Angeles, California	59	2000
Sacramento, California	90	2005
Phoenix, Arizona	48	2002
Albuquerque, New Mexico	11	1999
Denver, Colorado	70	2007
Fort Worth, Texas	113	1994
Houston, Texas	90	2009
Kansas City, Missouri	40	2007
Minneapolis, Minnesota	70	2009
Chicago, Illinois	51	2000
Columbus, Ohio	95	2007
Nashville, Tennessee	76	2006
Atlanta, Georgia	64	1996
Statesville, North Carolina	40	1999
Orlando, Florida	182	2002
North East, Maryland	85	2001
St Louis, Missouri	63	2010
 <u>Other Countries</u>		
Mexico City, Mexico	60	2009
Tokyo (Narita), Japan	17	2010
Paris (St. Aubin sur Gaillon), France	50	2008
Moerdijk, The Netherlands	62	1999
Brisbane, Australia	42	1999
Milan (Caorso), Italy	50	2010
Madrid (Ocaña), Spain	60	2010

**Regional Auction Units:**

Moncofa, Spain	Dubai, United Arab Emirates
Las Vegas, Nevada	Geelong, Australia
Meppen, Germany	Hartford, Connecticut
Tipton, California	Salt Lake City, Utah

In early 2011, we completed the purchase of approximately 125 acres of land in Phoenix, Arizona, on which we intend to build a new permanent auction site to replace our existing permanent auction site in that region.

We disposed of the land and buildings at our former Buxton, North Dakota; Houston, Texas; and Lincoln, Nebraska auction and administrative locations in 2010.

At certain of our auction sites we own additional property that may be available for future expansion or sale. We also own land in other areas not listed or described above that may be available for future expansion or sale.

## **COMPETITION**

Both the global used industrial equipment market and the auction segment of that market are highly fragmented. We compete for potential purchasers and sellers of industrial equipment with other auction companies and with non-auction competitors such as equipment manufacturers, distributors and dealers, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies, other third party methods, and equipment owners who have traditionally disposed of equipment through private sales.

## **GOVERNMENTAL AND ENVIRONMENTAL REGULATIONS**

Our operations are subject to a variety of federal, provincial, state and local laws, rules and regulations throughout the world relating to, among other things, the auction business, imports and exports of equipment, worker health and safety, privacy of customer information and the use, storage, discharge and disposal of environmentally sensitive materials. In addition, our development or expansion of auction sites depends upon the receipt of required licenses, permits and other governmental authorizations, and we are subject to various local zoning requirements with regard to the location of our auction sites, which vary among jurisdictions.

Under some of the laws regulating the use, storage, discharge and disposal of environmentally sensitive materials, an owner or lessee of, or other person involved in, real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, such property, as well as related costs of investigation and property damage. These laws often impose liability without regard to whether the owner or lessee or other person knew of, or was responsible for, the presence of such hazardous or toxic substances.

We typically obtain Phase I environmental assessment reports prepared by independent environmental consultants in connection with our site acquisitions and leases. A Phase I assessment consists of a site visit, historical record review, interviews and reports, with the purpose of identifying potential environmental conditions associated with the subject property. There can be no assurance, however, that acquired or leased sites have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of environmental liability upon us or expose us to third-party actions such as tort suits. Although we have insurance to protect us from such liability, there can also be no assurance that it will cover any or all potential losses.

There are restrictions in the United States and Europe that may affect the ability of equipment owners to transport certain equipment between specified jurisdictions. One example of these restrictions is environmental certification requirements in the United States, which prevent non-certified equipment from being entered into commerce in the U.S. In addition, engine emission standards in some jurisdictions limit the operation of certain trucks and equipment in those markets. We expect these emission standards to be implemented in additional jurisdictions or to be strengthened in existing jurisdictions in the future.

We are committed to contributing to the protection of the natural environment by preventing and reducing adverse impacts of our operations. As part of our commitment, we aim to:

- empower our employees to identify and address environmental issues;
- consider environmental impacts as part of all business decisions;
- conduct business in compliance with applicable regulations and legislation, and where appropriate, adopt the most stringent standards as our global benchmark;
- use resources wisely and efficiently to minimize our environmental impact;
- communicate transparently with our stakeholders about environmental matters;

- conduct ongoing assessments to ensure compliance and good stewardship; and
- hold management accountable for providing leadership on environmental matters, achieving targets and providing education to employees.

We believe that by following these principles, we will be able to achieve our objective to be in compliance with applicable environmental laws and make a positive contribution to the protection of the natural environment.

We believe that we are in compliance in all material respects with all laws, rules, regulations and requirements that affect our business, and that compliance with such laws, rules, regulations and requirements does not impose a material impediment on our ability to conduct our business.

## **RISK FACTORS**

Disclosure relating to risk factors concerning us and our business is included under “Risk Factors” in our Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2010, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com), and is incorporated in this document by reference.

## **DIVIDENDS**

We currently pay a regular quarterly cash dividend of \$0.105 per common share. We currently intend to continue to declare and pay a regular quarterly cash dividend on our common shares. However, any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors, after taking into account our operating results, financial condition, cash requirements, financing agreement restrictions and other factors our Board of Directors may deem relevant. In 2010, we paid total cash dividends of \$0.41 per common share, compared to \$0.38 per share in 2009 and \$0.34 per share in 2008. The dividend amounts reflect the impact of our three-for-one stock split which took effect on April 24, 2008.

Because Ritchie Bros. Auctioneers Incorporated is a holding company with no material assets other than the shares of its subsidiaries, our ability to pay dividends on our common shares depends on the income and cash flow of our subsidiaries. No financing agreements to which our subsidiaries are party currently restrict those subsidiaries from paying dividends.

Pursuant to income tax legislation, Canadian resident individuals who receive “eligible dividends” in 2006 and subsequent years will be entitled to an enhanced gross-up and dividend tax credit on such dividends. All dividends that we pay are “eligible dividends” unless indicated otherwise.

## **CAPITAL STRUCTURE**

We have the following shares authorized for issuance and issued and outstanding as of February 22, 2011:

<u>Description</u>	<u>Number Authorized</u>	<u>Number Issued and Outstanding</u>
Common shares, without par value	Unlimited	105,797,120
Senior preferred shares, without par value, issuable in series	Unlimited	None
Junior preferred shares, without par value, issuable in series	Unlimited	None

Our Board of Directors is authorized to determine the designations, rights and restrictions to be attached to the Senior preferred shares and Junior preferred shares (together, the “preferred shares”) upon issuance. No preferred shares have been issued.

Holders of our common shares are entitled to one vote for each share held on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any preferred shares outstanding at the time, holders of common shares are

entitled to receive ratably any dividends as may be declared from time to time by our Board of Directors out of funds legally available for dividends. Please read the “Dividends” section above. In the event of a liquidation, dissolution or winding up, holders of common shares are entitled to share ratably in all assets of the Company remaining after payment of liabilities and any liquidation preferences of any outstanding preferred shares.

We have adopted a Shareholder Rights Plan, the purpose of which is to discourage discriminatory or unfair take-over offers for our company and to provide our Board of Directors with time, if appropriate, to pursue alternatives to maximize shareholder value in the event of an unsolicited takeover bid for our company.

## **MARKET FOR SECURITIES**

Our common shares are listed for trading on the New York Stock Exchange, or the NYSE, and on the Toronto Stock Exchange, or the TSX, in each case under the ticker symbol “RBA”. The closing price of our common shares on February 22, 2011 on the NYSE was \$26.44 and on the TSX was CA\$26.17.

Our trading volumes and price ranges on the NYSE and the TSX for the year ended December 31, 2010 were as follows:

<u>Date</u>	<u>NYSE (US\$)</u>				<u>TSX (CA\$)</u>			
	<u>High Price</u>	<u>Low Price</u>	<u>Closing Price</u>	<u>Total Volume</u>	<u>High Price</u>	<u>Low Price</u>	<u>Closing Price</u>	<u>Total Volume</u>
December 2010	\$ 20.36	\$ 19.87	\$ 20.26	8,066,800	\$ 20.64	\$ 20.27	\$ 20.54	2,199,600
November 2010	21.41	19.55	20.02	8,638,000	21.74	19.79	20.45	1,107,600
October 2010	21.48	20.33	21.18	4,644,300	21.91	20.58	21.67	931,300
September 2010	21.17	18.22	20.77	5,212,600	21.70	19.14	21.28	1,587,200
August 2010	18.89	17.32	18.23	7,557,700	19.57	18.14	19.57	980,800
July 2010	20.67	17.17	18.61	18,871,500	21.35	18.10	19.15	1,959,300
June 2010	21.30	17.96	18.22	8,569,300	21.93	19.07	19.38	1,170,700
May 2010	23.86	19.68	20.38	10,959,200	24.15	21.05	21.29	2,036,000
April 2010	23.94	21.32	23.40	5,797,900	24.20	21.50	23.91	1,589,300
March 2010	22.47	20.40	21.53	10,651,200	23.00	21.09	21.91	2,913,800
February 2010	21.23	19.22	20.97	11,281,700	22.58	20.18	22.07	2,378,700
January 2010	23.09	20.80	21.02	7,978,800	23.78	22.18	22.48	2,444,500

## **DIRECTORS AND EXECUTIVE OFFICERS**

Under our Articles of Amalgamation, our number of directors is set at a minimum of three and a maximum of ten and the directors are authorized to determine the actual number of directors to be elected from time to time. We currently have seven directors. Each of our directors is elected annually and holds office until our next annual meeting of shareholders unless he or she ceases to hold office before that date. Information concerning our directors is as follows:

## Directors

Name and Municipality of Residence	Position with the Company	Principal Occupation or Employment <sup>(1)</sup>	Previous Service as a Director
Robert W. Murdoch <sup>(2)</sup> ..... Salt Spring Island, B.C., Canada	Chairman of the Board and a Director	Businessman	Director since February 20, 2006
Peter J. Blake ..... Vancouver, B.C., Canada	Chief Executive Officer and a Director	Chief Executive Officer of the Company	Director since December 12, 1997
Eric Patel <sup>(2)(3)</sup> ..... Vancouver, B.C., Canada	Director	Businessman	Director since April 16, 2004
Beverley A. Briscoe <sup>(2)(3)</sup> ..... Vancouver, B.C., Canada	Director	Owner and President of Briscoe Management Ltd.	Director since October 29, 2004
Edward B. Pitoniak <sup>(4)</sup> ..... West Vancouver, B.C., Canada	Director	Businessman	Director since July 28, 2006
Christopher Zimmerman <sup>(4)</sup> ..... Manhattan Beach, CA, USA,	Director	President, Easton Sports, Inc.	Director since April 11, 2008
James M. Micali <sup>(3)(4)</sup> ..... Boston, MA, USA	Director	Senior Advisor of Azalea Capital	Director since April 25, 2008

(1) This information has been provided by the respective director as of February 11, 2011.

(2) Our Board of Directors has a nominating and corporate governance committee comprised of Messrs. Patel (Chair), Murdoch and Ms. Briscoe.

(3) Our Board of Directors has an audit committee comprised of Ms. Briscoe (Chair) and Messrs. Patel and Micali.

(4) Our Board of Directors has a compensation committee comprised of Messrs. Pitoniak (Chair), Zimmerman and Micali.

We do not have a Lead Director because our Chairman, Robert W. Murdoch, is an independent director and fulfills this role. Mr. Murdoch can be reached at (778) 331-5300 or by email at [rmurdoch@rbauction.com](mailto:rmurdoch@rbauction.com).

## Executive Officers

As of February 22, 2011, the following Executive Officers have been appointed by our Board of Directors:

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>
Peter J. Blake ..... Vancouver, B.C., Canada	Chief Executive Officer
Robert K. Mackay..... Delta, B.C., Canada	President
Robert S. Armstrong..... New Westminster, B.C., Canada	Chief Operating Officer
Robert A. McLeod..... Vancouver, B.C., Canada	Chief Financial Officer
David D. Nicholson..... Humble, Texas, U.S.A.	Senior Vice-President – Central United States
Guylain Turgeon..... Kapellen, Belgium	Senior Vice-President – Managing Director Europe and Middle East
Steven C. Simpson..... Scottsdale, Arizona, U.S.A.	Senior Vice-President – Western United States
Curtis C. Hinkelman..... Peachtree City, Georgia, U.S.A.	Senior Vice-President – Eastern United States
Kevin R. Tink..... Grande Prairie, AB, Canada	Senior Vice-President – Canada and Agriculture
Victor E. Pospiech..... North Vancouver, B.C., Canada	Senior Vice-President – Administration and Human Resources
Jeremy M. T. Black..... Vancouver, B.C., Canada	Corporate Secretary and Vice-President, Business Development

As of February 22, 2011, our directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over, approximately 1% of our issued and outstanding common shares.

## AUDIT COMMITTEE INFORMATION

Our Audit Committee primarily assists our Board of Directors in overseeing:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the independent auditor’s qualifications and independence; and
- the performance of our internal audit function and independent auditor.

In particular, our Audit Committee's role includes, among other things, ensuring that management properly develops and adheres to a sound system of disclosure controls and procedures and internal controls. The full text of our Audit Committee

charter, which complies with NYSE and TSX rules and applicable securities laws, is available on our website, [www.rbauction.com](http://www.rbauction.com).

As of February 22, 2011, the Audit Committee of our Board of Directors was composed of the following members:

<u>Member</u>	<u>Independent</u>	<u>Financially Literate</u>	<u>Relevant Education and Experience</u>
Beverley A. Briscoe (Chair)	Yes	Yes	<p><b>Current employment:</b></p> <ul style="list-style-type: none"> <li>• Owner and president - Briscoe Management Ltd.</li> </ul> <p><b>Past employment:</b></p> <ul style="list-style-type: none"> <li>• President and owner – Hiway Refrigeration Limited – 1997 to 2004</li> <li>• Vice President and General Manager – Wajax Industries Limited.</li> <li>• Chief Financial Officer – Rivtow Group of Companies</li> <li>• Various executive positions – several operating divisions of The Jim Pattison Group</li> <li>• Audit Manager – Coopers &amp; Lybrand</li> </ul> <p><b>Other board membership:</b></p> <ul style="list-style-type: none"> <li>• Director, Chair of the Audit Committee and member of the Governance and Nominating Committee and the Environmental Health and Safety Committee, Goldcorp Inc. (TSX: G), and director of several non-public companies</li> </ul> <p><b>Education:</b></p> <ul style="list-style-type: none"> <li>• Fellow of the Institute of Chartered Accountants</li> <li>• Bachelor of Commerce degree from the University of British Columbia</li> </ul>
Eric Patel	Yes	Yes	<p><b>Current employment:</b></p> <ul style="list-style-type: none"> <li>• Business consultant and corporate director</li> </ul> <p><b>Past employment:</b></p> <ul style="list-style-type: none"> <li>• Chief Financial Officer - Pembroke Mining Corp., a private mining company</li> <li>• Chief Financial Officer – Crystal Decisions, Inc., a privately held software company – 1999 to 2004</li> <li>• Executive positions, including CFO – University Games, Inc., a privately held manufacturer of educational toys and games – 1997 to 1999</li> <li>• Director of Strategy – Dreyer’s Grand Ice Cream</li> <li>• Strategy consultant – Marakon Associates</li> </ul> <p><b>Education:</b></p> <ul style="list-style-type: none"> <li>• MBA degree from Stanford University</li> </ul>

<u>Member</u>	<u>Independent</u>	<u>Financially Literate</u>	<u>Relevant Education and Experience</u>
James M. Micali	Yes	Yes	<p><b>Current employment:</b></p> <ul style="list-style-type: none"> <li>• Senior advisor and limited partner – Azalea Capital (a private equity fund)</li> <li>• Counsel – Ogletree Deakins, a labour and employment law firm</li> </ul> <p><b>Past employment:</b></p> <ul style="list-style-type: none"> <li>• Various positions, including Chairman and President, with Michelin North America – 1977 – 2008</li> </ul> <p><b>Other board membership:</b></p> <ul style="list-style-type: none"> <li>• Director, member of Compensation, Audit and Governance, and Executive Committees, Sonoco Products Company (NYSE: “SON”)</li> <li>• Director, member of Nuclear Oversight and Personnel Committees, SCANA Corporation (NYSE: “SCG”)</li> </ul> <p><b>Education:</b></p> <ul style="list-style-type: none"> <li>• J.D. from Boston College Law School</li> </ul>

In fulfilling its responsibilities, our Audit Committee held regular meetings in 2010 with our external auditors and with our management. In these meetings, the Audit Committee discussed with management and the external auditors, among other things, the quality and acceptability of accounting principles and significant transactions or issues encountered during the period. In addition, our Audit Committee met with our external auditors independent of our management to provide for independent and confidential assessment of our management and our internal controls as they relate to the quality and reliability of our financial statements.

In addition to retaining KPMG LLP to audit our consolidated financial statements for the year ended December 31, 2010, we retained KPMG LLP to provide various non-audit services in 2010. The aggregate fees billed for professional services by KPMG LLP and its affiliates during 2010 and 2009 were as follows:

	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>
Audit Fees .....	\$ 1,233,100	\$ 1,254,600
Audit-Related Fees .....	153,800	37,300
Tax Fees .....	504,400	494,200
All Other Fees .....	—	—
Total Fees.....	<u>\$ 1,891,300</u>	<u>\$ 1,786,100</u>

The nature of each category of fees is as follows:

*Audit Fees:*

Audit fees were paid for professional services rendered by the auditors for the audit and interim reviews of our consolidated financial statements or services provided in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees:*

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the Audit Fees item above.

*Tax Fees:*

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance, including the review of original and amended tax returns; assistance with questions regarding tax audits; assistance in completing routine tax schedules and calculations; and tax planning and advisory services relating to common forms of domestic and international taxation (i.e., income tax, capital tax, Goods and Services Tax and Value Added Tax).

*Pre-Approval Policies and Procedures:*

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee of all audit and non-audit services provided by the external auditor, other than any *de minimus* non-audit services allowed by applicable law or regulation. The policy outlines the procedures and the conditions pursuant to which permissible services proposed to be performed by KPMG LLP are pre-approved, provides a general pre-approval for certain permissible services and for subsequent reporting to the Audit Committee, and outlines a list of prohibited services. For fiscal 2010, less than 5% of the fees for the services described above were approved by the Audit Committee pursuant to the *de minimus* exemption.

All requests for KPMG LLP to provide services that do not require specific approval by the Audit Committee are reported to and documented by our Corporate Secretary. If the proposed services are not covered by a pre-approval and the estimated fees for the proposed engagement are more than CA\$5,000, the engagement of KPMG LLP to provide such services requires specific approval by the Audit Committee. Any proposed engagement to provide services that requires specific approval by the Audit Committee pursuant to the terms of the policy is submitted to the Corporate Secretary for presentation to the Audit Committee for its consideration.

Additional information regarding our corporate governance practices is included in our Information Circular for our 2011 Annual Meeting of Shareholders and on our website.

## **LEGAL AND REGULATORY ACTIONS**

From time to time we have been, and expect to continue to be, subject to legal proceedings and claims in the ordinary course of our business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on us or on our financial condition or results of operation or that involve a claim for damages, excluding interest and costs, in excess of 10% of our current assets.

## **CODE OF ETHICS**

We have adopted a Code of Business Conduct and Ethics (the Code of Conduct) that applies to all of our employees, officers and directors. Our Code of Conduct includes, among other things, written standards for our principal executive officer, principal financial officer and principal accounting officer that are required by the U.S. Securities and Exchange Commission (or SEC) for a code of ethics applicable to such officers. Our Code of Conduct is available on our internet website, [www.rbaction.com](http://www.rbaction.com). We intend to disclose on our website within five days thereof, any amendment or waiver of the code of ethics portion of our Code of Conduct applicable to these officers that is required by SEC rules or regulations to be disclosed publicly, and to keep such disclosure available on our website for at least a 12-month period.

## **TRANSFER AGENT**

Our transfer agent for our common shares in Canada is Computershare Trust Company of Canada. The register of transfers of our common shares maintained by Computershare is located at their offices in Vancouver, British Columbia, Canada and Toronto, Ontario, Canada.

## **INTERESTS OF EXPERTS**

Our consolidated financial statements for the years ended December 31, 2010 and 2009 have been audited by KPMG LLP, Chartered Accountants, our external auditors.

## **ADDITIONAL INFORMATION**

Additional information, including our directors' and officers' remuneration and indebtedness to us, principal holders of our securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in our Information Circular for our most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in our consolidated financial statements and our management's discussion and analysis of financial condition and results of operations for our most recently completed financial year. This and other information about our company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). None of the information on the SEDAR website is incorporated by reference into this document by this or any other reference, unless otherwise specified.

Copies of these documents may be obtained upon request from our Corporate Secretary, 9500 Glenlyon Parkway, British Columbia, V5J 0C6 (telephone number: (778) 331-5500).

**EXHIBIT NO. 2**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008**

# **INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of Ritchie Bros. Auctioneers Incorporated

We have audited the accompanying consolidated financial statements of Ritchie Bros. Auctioneers Incorporated and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of operations, shareholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ritchie Bros. Auctioneers Incorporated and its subsidiaries as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

*Other Matter*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2011 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ **KPMG LLP**

Chartered Accountants

Vancouver, Canada

February 22, 2011

# **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of Ritchie Bros. Auctioneers Incorporated

We have audited Ritchie Bros. Auctioneers Incorporated ("the Company")'s internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the section entitled Internal Control over Financial Reporting included in Management's Discussion and Analysis. Our responsibility is to express an opinion the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Our report dated February 22, 2011 expressed an unqualified opinion on those consolidated financial statements.

**/s/ KPMG LLP**

Chartered Accountants

Vancouver, Canada

February 22, 2011

# RITCHIE BROS. AUCTIONEERS INCORPORATED

## Consolidated Statements of Operations

(Expressed in thousands of United States dollars, except share and per share amounts)

Years ended December 31,	2010	2009	2008
Auction revenues	\$ 357,369	\$ 377,211	\$ 354,818
Direct expenses	47,021	49,890	49,750
	310,348	327,321	305,068
Expenses:			
Depreciation and amortization	37,813	31,761	24,764
General and administrative	180,532	168,312	164,556
	218,345	200,073	189,320
Earnings from operations	92,003	127,248	115,748
Other income (expense):			
Interest expense	(5,216)	(544)	(859)
Interest income	2,035	2,400	4,994
Foreign exchange gain (loss)	(49)	(1,085)	11,656
Gain on disposition of capital assets	250	647	6,370
Other	1,823	2,857	1,375
	(1,157)	4,275	23,536
Earnings before income taxes	90,846	131,523	139,284
Income tax expense (recovery) (note 9):			
Current	21,992	35,230	39,101
Future	2,941	2,841	(1,217)
	24,933	38,071	37,884
Net earnings	\$ 65,913	\$ 93,452	\$ 101,400
Net earnings per share (note 7(e)):			
Basic	\$ 0.62	\$ 0.89	\$ 0.97
Diluted	0.62	0.88	0.96
Weighted average number of shares outstanding	105,609,042	105,141,368	104,713,375

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

/s/ Beverley A. Briscoe

Beverley A. Briscoe  
Director

/s/ Peter J. Blake

Peter J. Blake  
Director and Chief Executive Officer

# RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Balance Sheets  
(Expressed in thousands of United States dollars)

December 31,	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 68,185	\$ 122,596
Accounts receivable	59,818	51,963
Inventory	26,533	6,640
Advances against auction contracts	2,379	4,574
Prepaid expenses and deposits	10,565	8,131
Other assets	142	265
Income taxes receivable	14,635	3,824
Future income tax asset (note 9)	211	714
	182,468	198,707
Capital assets (note 3)	627,230	597,945
Other assets (note 4)	11,674	14,472
Goodwill	46,254	45,593
Future income tax asset (note 9)	3,192	1,104
	\$ 870,818	\$ 857,821
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Auction proceeds payable	\$ 46,463	\$ 74,726
Accounts payable and accrued liabilities	87,685	88,402
Income taxes payable	1,900	-
Short-term debt (note 5)	1,087	5,069
	137,135	168,197
Long-term debt (note 6)	135,886	130,394
Other liabilities	1,659	1,254
Future income tax liability (note 9)	18,011	13,565
	292,691	313,410
Shareholders' equity:		
Share capital (note 7)	103,978	99,980
Additional paid-in capital	18,697	16,146
Retained earnings	433,973	411,326
Accumulated other comprehensive income	21,479	16,959
	578,127	544,411
	\$ 870,818	\$ 857,821

Commitments and contingencies (note 10)

See accompanying notes to consolidated financial statements.

# RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Statements of Shareholders' Equity  
(Expressed in thousands of United States dollars)

	Share Capital	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2007	\$ 90,223	\$ 12,471	\$ 292,046	\$ 40,376	\$ 435,116
Exercise of stock options	4,143	(625)	-	-	3,518
Stock compensation tax adjustment	-	198	-	-	198
Stock compensation expense	-	2,311	-	-	2,311
Net earnings	-	-	101,400	-	101,400
Cash dividends paid	-	-	(35,601)	-	(35,601)
Foreign currency translation adjustment	-	-	-	(26,896)	(26,896)
Reclassification to net earnings of foreign currency translation gains	-	-	-	(14,884)	(14,884)
Balance, December 31, 2008	94,366	14,355	357,845	(1,404)	465,162
Exercise of stock options	5,614	(917)	-	-	4,697
Stock compensation tax adjustment	-	600	-	-	600
Stock compensation expense	-	2,108	-	-	2,108
Net earnings	-	-	93,452	-	93,452
Cash dividends paid	-	-	(39,971)	-	(39,971)
Foreign currency translation adjustment	-	-	-	18,363	18,363
Balance, December 31, 2009	99,980	16,146	411,326	16,959	544,411
Exercise of stock options	3,998	(719)	-	-	3,279
Stock compensation tax adjustment	-	366	-	-	366
Stock compensation expense	-	2,904	-	-	2,904
Net earnings	-	-	65,913	-	65,913
Cash dividends paid	-	-	(43,266)	-	(43,266)
Foreign currency translation adjustment	-	-	-	4,520	4,520
Balance, December 31, 2010	\$ 103,978	\$ 18,697	\$ 433,973	\$ 21,479	\$ 578,127

Consolidated Statements of Comprehensive Income  
(Expressed in thousands of United States dollars)

Years ended December 31,	2010	2009	2008
Net earnings	\$ 65,913	\$ 93,452	\$ 101,400
Other comprehensive income (loss):			
Foreign currency translation adjustment	4,520	18,363	(26,896)
Reclassification to net earnings of foreign currency translation gains	-	-	(14,884)
Comprehensive income	\$ 70,433	\$ 111,815	\$ 59,620

See accompanying notes to consolidated financial statements.

# RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

Years ended December 31,	2010	2009	2008
Cash provided by (used in):			
Operating activities:			
Net earnings	\$ 65,913	\$ 93,452	\$ 101,400
Items not involving cash:			
Depreciation and amortization	37,813	31,761	24,764
Stock compensation expense	2,904	2,108	2,311
Future income taxes (recoveries)	2,941	2,841	(1,217)
Foreign exchange loss (gain)	49	1,085	(11,656)
Net gain on disposition of capital assets	(250)	(647)	(6,370)
Changes in non-cash working capital:			
Accounts receivable	(7,818)	15,646	(6,770)
Inventory	(19,509)	3,856	(4,758)
Advances against auction contracts	2,273	(3,688)	100
Prepaid expenses and deposits	(2,213)	1,026	(6,987)
Income taxes receivable	(10,744)	(810)	3,420
Income taxes payable	2,154	-	-
Auction proceeds payable	(32,625)	(7,966)	8,355
Accounts payable and accrued liabilities	(982)	(112)	(9,704)
Other	259	(97)	(2,200)
	40,165	138,455	90,688
Investing activities:			
Acquisition of business	-	(3,803)	-
Capital asset additions	(62,284)	(157,416)	(145,024)
Proceeds on disposition of capital assets	8,479	4,201	33,813
Decrease (increase) in other assets	(788)	(7,638)	1,000
	(54,593)	(164,656)	(110,211)
Financing activities:			
Issuance of share capital	3,279	4,697	3,518
Dividends on common shares	(43,266)	(39,971)	(35,601)
Issuance of short-term debt	31,636	6,241	37,077
Repayment of short-term debt	(35,915)	(1,058)	(36,459)
Issuance of long-term debt	15,000	66,408	25,566
Repayment of long-term debt	(14,436)	(14,999)	(238)
Other	360	1,596	(57)
	(43,342)	22,914	(6,194)
Effect of changes in foreign currency rates on cash and cash equivalents			
	3,359	18,608	(17,323)
Increase (decrease) in cash and cash equivalents	(54,411)	15,321	(43,040)
Cash and cash equivalents, beginning of year	122,596	107,275	150,315
Cash and cash equivalents, end of year	\$ 68,185	\$ 122,596	\$ 107,275
Supplemental information:			
Interest paid	\$ 5,506	\$ 5,593	\$ 3,476
Income taxes paid	26,898	35,569	34,629

See accompanying notes to consolidated financial statements.

# ITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements  
(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

Years ended December 31, 2010, 2009 and 2008

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## 1. Significant accounting policies:

### (a) Basis of presentation:

These consolidated financial statements present the financial position, results of operations, comprehensive income, changes in shareholders' equity and cash flows of Ritchie Bros. Auctioneers Incorporated (the "Company"), a company amalgamated in December 1997 under the Canada Business Corporations Act, and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). As disclosed in note 13, Canadian GAAP differs in certain material respects from accounting principles generally accepted in the United States.

### (b) Cash and cash equivalents:

Cash equivalents consist of highly liquid investments having an original term to maturity of three months or less when acquired.

### (c) Inventory:

Inventory is primarily represented by goods held for auction and has been valued at the lower of cost, determined by the specific identification method, and net realizable value.

### (d) Capital assets:

All capital assets are stated at cost and include capitalized interest on assets under development. Depreciation is provided to charge the cost of the assets to operations over their estimated useful lives based on their usage as follows:

Asset	Basis	Rate/term
Improvements	declining balance	10%
Buildings	straight-line	over the shorter of the estimated useful life or 30 years
Yard equipment	declining balance	20-30%
Computer software	straight-line	3 - 5 years
Automotive equipment	declining balance	30%
Office equipment	declining balance	20%
Computer equipment	straight-line	3 years
Leasehold improvements	straight-line	Terms of leases

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In such situations, long-lived assets are considered impaired when undiscounted estimated future cash flows resulting from the use of the asset and its eventual disposition are less than the asset's carrying amount.

Legal obligations to retire tangible long-lived assets and assets under operating leases are recorded at the fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made, with a corresponding increase in asset value. The liability is accreted to face value over the life of the asset. The Company does not have any significant asset retirement obligations.

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## 1. Significant accounting policies (continued):

### (e) Goodwill:

Goodwill represents non-identifiable intangible assets acquired on business combinations. Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the goodwill against its implied fair value. To the extent that the carrying amount of goodwill exceeds its fair value, an impairment loss is charged against earnings.

### (f) Revenue recognition:

Auction revenues are comprised mostly of auction commissions, which are earned by the Company acting as an agent for consignors of equipment and other assets, but also include net profits on the sale of inventory, internet and proxy purchase fees, administrative and documentation fees on the sale of certain lots, and auction advertising fees. All revenue is recognized when the auction sale is complete and the Company has determined that the auction proceeds are collectible.

Auction commissions represent the percentage earned by the Company on the gross proceeds from equipment and other assets sold at auction. The majority of auction commissions is earned as a pre-negotiated fixed rate of the gross selling price. Other commissions are earned when the Company guarantees a certain level of proceeds to a consignor. This type of commission typically includes a pre-negotiated percentage of the guaranteed gross proceeds plus a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, commission is reduced; if proceeds are sufficiently lower, the Company can incur a loss on the sale. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed. If a loss relating to a guarantee contract to be sold after a period end is known at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company's exposure from these guarantee contracts fluctuates over time (see note 10(b)).

Auction revenues also include net profit on the sale of inventory items. In some cases, incidental to its regular commission business, the Company temporarily acquires title to items for a short time prior to a particular auction sale. The auction revenue recorded is the net gain or loss on the sale of the items.

### (g) Income taxes:

Income taxes are accounted for using the asset and liability method, whereby future taxes are recognized for the tax consequences of temporary differences by applying substantively enacted or enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on future taxes of a change in tax rates is recognized in earnings in the period in which the new tax rate is substantively enacted. Future tax benefits, such as non-capital loss carry forwards, are recognized to the extent that realization of such benefits is considered more likely than not.

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## 1. Significant accounting policies (continued):

### (h) Foreign currency translation:

The Company's reporting currency is the United States dollar. The functional currency for each of the Company's operations is usually the currency of the country of residency; in some cases it is the United States dollar. Each of the Company's foreign operations is considered to be self-sustaining. Accordingly, the financial statements of the Company's operations that are not denominated in United States dollars have been translated into United States dollars using the exchange rate at the end of each reporting period for asset and liability amounts and the average exchange rate for each reporting period for amounts included in the determination of earnings. Any gains or losses from the translation of asset and liability amounts have been included in accumulated other comprehensive income, which is included as a separate component of shareholders' equity. Monetary assets and liabilities recorded in foreign currencies are translated into the appropriate functional currency at the rate of exchange in effect at the balance sheet date. Foreign currency denominated transactions are translated into the appropriate functional currency at the exchange rate in effect on the date of the transaction.

### (i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company 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 periods. Significant financial statement items requiring the use of estimates include the determination of useful lives for depreciation, the valuation of goodwill and capital assets, the valuation of consignors' equipment and other assets subject to guarantee contracts, and the estimation of the utilization of future income tax asset balances. Actual results could differ from such estimates and assumptions.

### (j) Financial instruments:

The Company classifies its cash and cash equivalents as held-for-trading, which is measured at fair value with changes in fair value being recognized in net earnings. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, auction proceeds payable, and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs are offset against the outstanding principal of the related debts and are amortized using the effective interest rate method.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in income unless cash flow hedge accounting is applied, in which case changes in fair value are recorded in other comprehensive income.

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## 1. Significant accounting policies (continued):

### (k) Net earnings per share:

Net earnings per share has been calculated based on the weighted average number of common shares outstanding. Diluted net earnings per share has been calculated after giving effect to outstanding dilutive options calculated by the treasury stock method (note 7(e)).

### (l) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 7(c) and (d). The Company uses the fair value based method to account for employee stock-based compensation. Under the fair value based method, compensation cost attributable to options granted to employees is measured at the fair value of the underlying option at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized on a straight-line basis over the vesting period of the underlying option. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

### (m) Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

## 2. Future changes in accounting policies:

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for all publicly accountable Canadian enterprises. The Company will report its financial results in accordance with IFRS effective January 1, 2011.

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### 3. Capital assets:

2010	Cost	Accumulated depreciation	Net book value
Land and improvements	\$ 346,516	\$ 24,592	\$ 321,924
Buildings	258,091	48,797	209,294
Land and buildings under development	14,347	-	14,347
Yard equipment	33,193	16,868	16,325
Computer software and equipment under development	1,813	-	1,813
Computer software	46,570	25,607	20,963
Automotive equipment	21,337	9,780	11,557
Office equipment	20,308	9,001	11,307
Computer equipment	20,914	11,714	9,200
Leasehold improvements under development	955	-	955
Leasehold improvements	12,934	3,389	9,545
	\$ 776,978	\$ 149,748	\$ 627,230

2009	Cost	Accumulated depreciation	Net book value
Land and improvements	\$ 294,134	\$ 19,684	\$ 274,450
Buildings	232,160	40,882	191,278
Land and buildings under development	57,367	-	57,367
Yard equipment	28,945	13,533	15,412
Computer software and equipment under development	14,084	-	14,084
Computer software	29,477	15,749	13,728
Automotive equipment	20,124	8,223	11,901
Office equipment	17,275	6,998	10,277
Computer equipment	14,707	7,104	7,603
Leasehold improvements	4,396	2,551	1,845
	\$ 712,669	\$ 114,724	\$ 597,945

During the year, interest of \$2,014,000 (2009 - \$5,092,000; 2008 - \$2,431,000;) was capitalized to the cost of assets under development.

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#### 4. Other non-current assets:

	December 31,		December 31,	
	2010		2009	
Note receivable	\$	5,027	\$	5,131
Assets held for sale		421		3,675
Long-term prepaids		5,095		2,946
Other receivables		1,131		2,720
	\$	11,674	\$	14,472

The note receivable is secured by a property the Company is leasing and a neighbouring property. The note is repayable in monthly installments of principal plus interest, with final payment due in 2014.

#### 5. Short-term debt:

Short-term debt at December 31, 2010 consisted of draws on the Company's revolving credit facilities with a weighted average interest rate of 2.58% per annum.

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## 6. Long-term debt:

	2010	2009
Term loan, denominated in Canadian dollars, unsecured, bearing interest at 6.385%, due in quarterly installments of interest only, with full amount of the principal due in 2016.	\$ 59,977	\$ 56,889
Term loan, unsecured, bearing interest at 5.610%, due in quarterly installments of interest only, with the full amount of the principal due in 2011, which the Company intends to refinance on a long-term basis by drawing on its available credit facilities.	29,998	29,966
Revolving loan, denominated in Canadian dollars, unsecured, bearing interest at Canadian bankers' acceptance rate plus a margin between 0.65% and 1.00%, due in monthly installments of interest only. The revolving credit facility is available until January 2014. As at December 31, 2010, the effective rate of interest on this loan, including the margin, was 2.071%.	30,911	29,282
Term loan, unsecured, bearing interest at 2.30%, due in quarterly installments of interest only, with the full amount of the principal due in 2013, drawn to refinance the Canadian dollar term loan that fell due in 2010.	15,000	-
Term loan, denominated in Canadian dollars, secured by a general security agreement, bearing interest at 4.429%, due in monthly installments of interest only, with the full amount of the principal due in 2010.	-	14,257
	\$ 135,886	\$ 130,394

As at December 31, 2010, principal repayments for the remaining period to the contractual maturity dates are as follows:

2011	\$ 30,000
2012	-
2013	15,000
2014	31,074
2015	-
2016	60,144
	\$ 136,218

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## 6. Long-term debt (continued):

The following credit facilities are available to the Company:

	December 31, 2010	December 31, 2009
Committed revolving credit facilities:		
Total unused	\$ 152,828	\$ 180,513
Expires January 2014	147,828	165,513
Uncommitted credit facilities:		
Total unused	\$ 283,696	\$ 280,426
Expires November 2011	189,856	192,928

Subsequent to December 31, 2010, the Company refinanced its \$30,000,000 unsecured term loan that fell due by borrowing \$30,000,000 of term debt under its committed, revolving credit facility. This 2-year term loan is denominated in United States dollars and bears a fixed interest rate of 1.81%.

## 7. Share capital:

### (a) Authorized:

Unlimited number of common shares, without par value.

Unlimited number of senior preferred shares, without par value, issuable in series.

Unlimited number of junior preferred shares, without par value, issuable in series.

### (b) Issued:

No preferred shares have been issued.

Common shares issued and outstanding are as follows:

Issued and outstanding, December 31, 2007	104,438,550
Issued for cash, pursuant to stock options exercised	449,170
Issued and outstanding, December 31, 2008	104,887,720
Issued for cash, pursuant to stock options exercised	490,900
Issued and outstanding, December 31, 2009	105,378,620
Issued for cash, pursuant to stock options exercised	269,415
Issued and outstanding, December 31, 2010	105,648,035

The Company's common shares were subdivided on a three-for-one basis effective April 24, 2008. Shareholders of record at the close of business on April 24, 2008 received two additional common shares for each common share held at that date. The stock split effectively tripled the number of common shares and stock options outstanding on that date. All share, stock option and per share information in these consolidated financial statements have been restated to reflect the stock split on a retroactive basis.

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## 7. Share capital (continued):

### (c) Stock option plan:

The Company has a stock option plan that provides for the award of stock options to selected employees, directors and officers of the Company and to other persons approved by the Board of Directors. Stock options are granted at the fair market value of the Company's common shares at the grant date, with various vesting periods and a term not exceeding 10 years. At December 31, 2010, there were 5,368,589 (2009 – 5,950,193; 2008 – 6,890,046) shares authorized and available for grants of options under the stock option plan.

Stock option activity for 2010, 2009 and 2008 is presented below:

Outstanding, December 31, 2007	2,474,394	\$	11.24
Granted	460,710		24.35
Exercised	(449,170)		7.83
Cancelled	(12,300)		24.39
Outstanding, December 31, 2008	2,473,634		14.23
Granted	942,053		14.61
Exercised	(490,900)		9.57
Cancelled	(2,200)		24.39
Outstanding, December 31, 2009	2,922,587		15.13
Granted	591,704		21.79
Exercised	(269,415)		12.17
Cancelled	(10,100)		24.39
Outstanding, December 31, 2010	3,234,776	\$	16.57
Exercisable, December 31, 2010	2,256,031	\$	15.55

The options outstanding at December 31, 2010 expire on dates ranging to September 8, 2020.

The following is a summary of stock options outstanding and exercisable at December 31, 2010:

Range of Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 3.89 - \$ 4.35	51,500	1.1	\$ 4.34	51,500	\$ 4.34
\$ 5.18	167,124	2.1	5.18	167,124	5.18
\$ 8.82 - \$ 10.80	331,300	3.6	9.80	331,300	9.80
\$ 14.23 - \$ 14.70	1,274,285	7.2	14.55	887,944	14.57
\$ 18.67 - \$ 19.23	383,104	6.2	18.68	376,200	18.67
\$ 21.82	581,000	9.2	21.82	-	21.82
\$ 24.39 - \$ 25.76	446,463	7.2	24.41	441,963	24.41
	3,234,776			2,256,031	

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## 7. Share capital (continued):

### (d) Stock-based compensation:

The Company uses the fair value based method to account for employee stock-based compensation awards. During 2010, the Company recognized compensation cost of \$2,904,000 (2009 – \$2,108,000; 2008 – \$2,311,000) in respect of options granted under its stock option plan.

For the purposes described above, the fair value of the stock option grants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	2010	2009	2008
Risk free interest rate	2.7%	2.5%	2.7%
Dividend yield	1.84%	2.47%	1.31%
Expected lives of options	5 years	5 years	5 years
Volatility	34.4%	31.8%	23.0%

The weighted average grant date fair value of options granted during the year ended December 31, 2010 was \$6.40 per option (2009 – \$3.77; 2008 – \$5.29). The fair value method requires that this amount be amortized over the relevant vesting periods of the underlying options.

### (e) Net earnings per share:

Year ended December 31, 2010	Net earnings	Shares	Per share amount
Basic net earnings per share	\$ 65,913	105,521,960	\$ 0.62
Effect of dilutive securities:			
Stock options	-	647,239	(0.00)
Diluted net earnings per share	\$ 65,913	106,169,199	\$ 0.62
Year ended December 31, 2009	Net earnings	Shares	Per share amount
Basic net earnings per share	\$ 93,452	105,141,368	\$ 0.89
Effect of dilutive securities:			
Stock options	-	632,438	(0.01)
Diluted net earnings per share	\$ 93,452	105,773,806	\$ 0.88
Year ended December 31, 2008	Net earnings	Shares	Per share amount
Basic net earnings per share	\$ 101,400	104,713,375	\$ 0.97
Effect of dilutive securities:			
Stock options	-	1,060,569	(0.01)
Diluted net earnings per share	\$ 101,400	105,773,944	\$ 0.96

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## 7. Share capital (continued):

(e) Net earnings per share (continued):

For the year ended December 31, 2010, stock options to purchase 1,027,463 common shares (2009 – 452,763; 2008 – 443,310) were outstanding but were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

## 8. Segmented information:

The Company's principal business activity is the sale of consignment and self-owned equipment and other assets at auctions. This business represents a single reportable segment.

The Company determines its activities by geographic segment based on the location of its auctions. Summarized information by geographic segment is as follows:

	United States	Canada	Europe	Other	Combined
Year ended December 31, 2010:					
Auction revenues	\$ 185,486	\$ 82,894	\$ 51,428	\$ 37,561	\$ 357,369
Capital assets and goodwill	317,809	175,928	109,875	69,872	673,484
Year ended December 31, 2009:					
Auction revenues	\$ 202,415	\$ 90,148	\$ 57,714	\$ 26,934	\$ 377,211
Capital assets and goodwill	298,625	176,906	105,360	62,647	643,538
Year ended December 31, 2008:					
Auction revenues	\$ 191,459	\$ 75,683	\$ 54,635	\$ 33,041	\$ 354,818
Capital assets and goodwill	280,417	112,799	58,167	42,492	493,875

## 9. Income taxes:

Income tax expense differs from that determined by applying the United States statutory tax rates to the Company's results of operations as follows:

	2010	2009	2008
Statutory federal and state tax rate in the United States	38.5%	38.5%	38.5%
Expected income tax expense	\$ 34,976	\$ 50,636	\$ 53,624
Differences:			
Earnings taxed in foreign jurisdictions	(14,518)	(12,958)	(12,846)
Settlement of intercompany loan	-	-	(3,612)
Non-deductible expenses	2,306	1,976	1,793
Change in valuation allowance	1,797	901	756
Other	372	(2,484)	(1,831)
Actual income tax expense	\$ 24,933	\$ 38,071	\$ 37,884

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## 9. Income taxes (continued):

Temporary differences that give rise to future income taxes are as follows:

Future income tax asset:		
Working capital	\$ 210	\$ 1,227
Capital assets	27	-
Stock-based compensation	1,578	1,336
Unused tax losses	9,424	5,946
Other	1,368	942
	<u>12,607</u>	<u>9,451</u>
Valuation allowance	(4,773)	(2,921)
Total future income tax asset	<u>7,834</u>	<u>6,530</u>
Current future income tax asset	210	1,227
Non-current future income tax asset	<u>7,624</u>	<u>5,303</u>
Future income tax liability:		
Capital assets	(11,057)	(6,684)
Goodwill	(9,044)	(8,224)
Other	(2,341)	(3,369)
Total future income tax liability	<u>(22,442)</u>	<u>(18,277)</u>
Current future income tax liability	-	-
Non-current future income tax liability	<u>(22,442)</u>	<u>(18,277)</u>
Net future income taxes	<u>\$ (14,608)</u>	<u>\$ (11,747)</u>
Presented on balance sheet as:		
Future income tax asset - current	\$ 211	\$ 714
Future income tax asset - non-current	3,192	1,104
Future income tax liability - non-current	(18,011)	(13,565)
	<u>\$ (14,608)</u>	<u>\$ (11,747)</u>

As at December 31, 2010, the Company has net operating and capital loss carryforwards of approximately \$38,750,000 available to reduce future taxable income, of which \$13,122,000 expire through 2030, and \$25,628,000 remain indefinitely. The Company has recorded a valuation allowance against \$19,155,000 of these losses.

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## 10. Commitments and contingencies:

### (a) Operating leases:

The Company is party to certain operating leases relating to auction sites and offices located in Canada, the United States, the Netherlands, Spain, Germany and the United Arab Emirates.

The future minimum lease payments as at December 31, 2010 are approximately as follows:

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2011	\$	10,653
2012		9,634
2013		8,665
2014		8,393
2015		8,486
Thereafter		127,252

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Total rent expense in respect of these leases for the year ended December 31, 2010 was \$11,112,000 (2009 – \$6,211,000; 2008– \$3,449,000).

### (b) Contingencies:

The Company is subject to legal and other claims that arise in the ordinary course of its business. The Company does not believe that the results of these claims will have a material effect on the Company's financial position or results of operations.

In the normal course of its business, the Company will in certain situations guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment. At December 31, 2010, outstanding guarantees under contract for industrial equipment to be sold prior to the end of the second quarter of 2011 totaled \$7,860,000 (2009 – \$13,553,000 sold prior to the end of the second quarter of 2010). The Company also had guarantees under contract totaling \$21,008,000 relating to agricultural auctions to be held prior to the end of the second quarter of 2011 (2009 – \$8,070,000 to be sold prior to the end of the third quarter of 2010). All amounts are undiscounted and do not reflect estimated proceeds from sale at auction. No liability has been recorded with respect to these guarantee contracts.

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## 11. Capital risk management:

The Company's objectives when managing its capital are to maintain a financial position suitable for providing financial capacity and flexibility to meet its growth strategies, to provide an adequate return to shareholders, and to return excess cash through the payment of dividends. The Company's invested capital is defined as the sum of shareholders' equity and long-term debt.

The Company executes a planning and budgeting process to determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient credit facilities to meet its current and future business requirements, taking into account its anticipated cash flows from operations and its holding of cash and cash equivalents.

The Company complies with covenant criteria established by its lenders. These include tangible net worth and leverage ratio measurements. As at December 31, 2010 and 2009, the Company is in compliance with these covenants.

The Company is not subject to any statutory capital requirements, and has not made any changes with respect to its overall capital management strategy during the year ended December 31, 2010.

## 12. Financial instruments:

### (a) Fair value:

Carrying amounts of certain of the Company's financial instruments, including accounts receivable, auction proceeds payable, accounts payable and accrued liabilities, and short-term debt approximate their fair values due to their short terms to maturity. Based on lending rates currently available to the issuer of the note receivable for notes with similar terms, the carrying amount of its note receivable approximates fair value as at December 31, 2010. The carrying amounts of the Company's other non-current receivables carrying values approximate their fair values. Based on borrowing rates currently available to the Company for loans with similar terms, the fair value of its long-term debt as at December 31, 2010 was approximately \$141,622,000 (2009 – \$138,429,000). The other non-current liability is a payable whose carrying value approximates fair value.

### (b) Financial risk management:

The Company is exposed to a variety of financial risks by virtue of its activities, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the oversight of the Company's risk management.

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## 12. Financial instruments (continued):

### (b) Financial risk management (continued):

#### *Foreign exchange risk*

The Company operates internationally and is exposed to currency risk, primarily relating to the Canadian and U.S. dollars, and the Euro, arising from sales, purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's international operations. The Company also has various investments in non-U.S. dollar self-sustaining operations. Upon translation of those operations' net assets into U.S. dollars, the Company is exposed to foreign exchange risk. The Company does not have a formal program to manage this exposure at this time. Refer to further discussion in the section entitled Quantitative and Qualitative Disclosure about Market Risk contained in the Company's Management Discussion and Analysis.

For the year ended December 31, 2010, the currently quantifiable effect, with other variables unchanged, of a 1% strengthening (weakening) of the U.S. dollar against the Canadian dollar and Euro on the Company's financial statements is as follows:

- decrease (increase) net earnings by approximately \$142,000 due to the translation of the foreign operations' statements of operations into the Company's reporting currency, the U.S. dollar;
- decrease (increase) net earnings by approximately \$101,000 due to the revaluation of significant foreign currency denominated monetary items; and
- decrease (increase) other comprehensive income by approximately \$3,097,000

#### *Interest rate risk*

The Company's interest rate risk mainly arises from the interest rate impact on the Company's cash and cash equivalents and floating rate debt. Cash and cash equivalents earn interest based on market interest rates. As at December 31, 2010, the Company is not exposed to significant interest rate risk on its cash and cash equivalents.

The Company's interest rate management policy is generally to borrow at fixed rates. However, floating rate funding has been used if the terms of borrowings are favorable. The Company will consider utilizing derivative instruments such as interest rate swaps to minimize its exposure to interest rate risk. As at December 31, 2010, approximately 23% (December 31, 2009 – 22%) of the Company's borrowings are at floating rates of interest.

The weighted average interest rate paid by the Company on its outstanding floating rate borrowings during the year was 1.44% (2009 – 2.12%). For the year ended December 31, 2010 and 2009, with other variables unchanged, a 100 basis points or 1% increase (decrease) in interest rates would decrease (increase) net earnings by approximately \$210,000 (2009 - \$176,000).

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## 12. Financial instruments (continued):

### (b) Financial risk management (continued):

#### *Credit risk*

Credit risk is the risk of financial loss to the Company arising from the non-performance by counterparties of contractual financial obligations. The Company is not exposed to significant credit risk on accounts receivable because it does not extend credit to buyers at its auctions, and it has a large diversified customer base. In addition, assets purchased at the Company's auctions are not normally released to the buyers until the Company receives payment in full. The Company's maximum exposure to credit risk on accounts receivable at the reporting date is the carrying value of its accounts receivable, less those receivables relating to assets that have not been released to the buyers.

The Company's credit risk exposure on liquid financial assets, being cash and cash equivalents, is limited since it maintains its cash and cash equivalents in a range of large financial institutions around the world.

The Company limited its credit risk on its note receivable by performing credit verification procedures prior to the issuance of the note receivable. In addition, the note receivable is secured by a property the Company is leasing and a neighbouring property, and is monitored on an ongoing basis. To date, the counterparty has not failed to meet its financial obligations to the Company.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by maintaining adequate cash and cash equivalent balances, generally by releasing payments to consignors only after receivables from buyers have been collected. The Company also utilizes its established lines of credit (notes 5 and 6) for short-term borrowings on an as-needed basis. The Company continuously monitors and reviews both actual and forecast cash flows to ensure there is sufficient working capital to satisfy its operating requirements.

# RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements  
 (Tabular dollar amounts expressed in thousands of United  
 States dollars, except share and per share amounts)

Years ended December 31, 2010, 2009 and 2008

## 13. United States generally accepted accounting principles:

The consolidated financial statements are prepared in accordance with Canadian GAAP, which differ, in certain respects, from accounting practices generally accepted in the United States ("US GAAP") and from requirements promulgated by the Securities and Exchange Commission.

The amounts in the consolidated statements of operations and comprehensive income that differ from those reported under Canadian GAAP are as follows:

	2010	2009	2008
Net earnings under Canadian GAAP	\$ 65,913	\$ 93,452	\$ 101,400
Cumulative translation adjustment on settlement of intercompany loans	-	-	(14,884)
Net earnings under US GAAP	\$ 65,913	\$ 93,452	\$ 86,516
Other comprehensive income (loss) under Canadian GAAP	4,520	18,363	(41,780)
Cumulative translation adjustment	-	-	14,884
Other comprehensive income (loss) under US GAAP	\$ 4,520	\$ 18,363	\$ (26,896)
Comprehensive income under US GAAP	\$ 70,433	\$ 111,815	\$ 59,620
Earnings per share in accordance with US GAAP:			
Basic	\$ 0.62	\$ 0.89	\$ 0.83
Diluted	\$ 0.62	\$ 0.88	\$ 0.82

The amounts in the consolidated balance sheets that differ from those reported under Canadian GAAP are as follows:

	2010		2009	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
Retained earnings	\$ 433,973	\$ 419,089	\$ 411,326	\$ 396,442
Accumulated other comprehensive income	21,479	36,363	16,959	31,843

# RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements  
(Tabular dollar amounts expressed in thousands of United  
States dollars, except share and per share amounts)

Years ended December 31, 2010, 2009 and 2008

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## **13. United States generally accepted accounting principles (continued):**

The Company had a number of outstanding intercompany loan balances where settlement was not planned or anticipated in the foreseeable future, which were considered part of net investments in foreign operations. As such, foreign exchange gains or losses arising from these intercompany loans were reported in the cumulative translation adjustment account. In 2008, a number of the intercompany loans were settled or planned to be settled, which resulted in the reclassification to net earnings of foreign currency translation gains of \$14,884,000, net of tax of \$139,000. Under US GAAP, the reclassification of the pro rata portion of foreign exchange gains or losses in accumulated other comprehensive income to net earnings only occurs when the reduction in the net investment is the result of a complete sale, or complete or substantially complete liquidation, which has not occurred in this case.

**EXHIBIT NO. 3**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

## **Overview**

*The following discussion summarizes significant factors affecting the consolidated operating results and financial condition of Ritchie Bros. Auctioneers Incorporated (“Ritchie Bros.,” the “Company,” “we” or “us”) for the year ended December 31, 2010 compared to the year ended December 31, 2009. This discussion should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2010, and with the disclosures below regarding forward-looking statements and risk factors. The date of this discussion is as of February 22, 2011. Additional information relating to our Company, including our Annual Information Form, is available by accessing the SEDAR website at [www.sedar.com](http://www.sedar.com). None of the information on the SEDAR website is incorporated by reference into this document by this or any other reference.*

*We prepare our consolidated financial statements in accordance with generally accepted accounting principles in Canada, or Canadian GAAP. There are no material measurement differences between those financial statements and the financial position and results of operations reflected on those financial statements and the financial position and results of operations that would be reported under generally accepted accounting principles in the United States, or U.S. GAAP, except as described in note 13 to our audited consolidated financial statements. Amounts discussed below are based on our audited consolidated financial statements prepared in accordance with Canadian GAAP and are presented in U.S. dollars. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars, except per share amounts.*

Ritchie Bros. is the world’s largest auctioneer of industrial equipment, selling more equipment to on-site and online bidders than any other company in the world. Our world headquarters are located in Vancouver, British Columbia, Canada, and as of the date of this discussion, we operated from over 110 locations in more than 25 countries, including 43 auction sites worldwide. Our purpose is to create compelling business solutions that enable the world’s builders to easily and confidently exchange equipment. We sell, through unreserved public auctions, a broad range of used and unused industrial assets, including equipment, trucks and other assets used in the construction, transportation, agricultural, material handling, mining, forestry, petroleum and marine industries.

We operate mainly in the auction segment of the global industrial equipment marketplace. Our primary target markets within that marketplace are the used equipment and truck sectors, which are large and fragmented. The world market for used equipment and trucks is driven by the cumulative supply of used equipment and trucks, which is affected by the ongoing production of new equipment and trucks and the motivation of equipment owners to realign and replace their fleets. Industry analysts estimate that the world-wide value of used equipment and truck transactions, of the type of equipment we sell at our auctions, is greater than \$100 billion per year on average. Although we sell more used equipment than any other company in the world, we estimate that our share of this fragmented market is in the low to mid single digit range.

In recent periods, between 70 and 80% of the value of the items sold at our auctions was purchased by end users of equipment and trucks (retail buyers), such as contractors, with the remainder being purchased primarily by equipment and truck dealers, rental companies and brokers (wholesale buyers). Consignors to our auctions represent a broad mix of equipment owners, the majority being end users of equipment, with the balance being finance companies, truck and equipment dealers and equipment rental companies, among others. Consignment volumes at our auctions are affected by a number of factors, including regular fleet upgrades and reconfigurations, financial pressure, retirements, and inventory reductions, as well as by the timing of the completion of major construction and other projects.

We compete directly for potential purchasers of industrial assets with other auction companies. Our indirect competitors include truck and equipment manufacturers, other third party methods, and equipment rental companies that offer an alternative to purchasing. When sourcing equipment to sell at our auctions, we compete with other auction companies, other third party methods, and equipment owners that have traditionally disposed of equipment through private sales. Private sales between equipment owners are the dominant form of transaction in the used truck and equipment sectors.

We have several key strengths that we believe provide distinct competitive advantages and will enable us to grow and make our auctions more appealing to both buyers and sellers of industrial assets. Some of our principal strengths include:

- The power of our brand, which is supported by our reputation for conducting only unreserved auctions and our widely recognized commitment to honesty, integrity and fair dealing.
- Our ability to transcend local market conditions and create a global marketplace for industrial assets by attracting diverse audiences of mainly end-user bidders from around the world to our auctions.
- Our size, our financial strength and access to capital, the international scope of our operations, our extensive network of auction sites, and our marketing skills.
- Our ability to respond to market changes with innovative solutions to enhance our live auctions with technology such as our online bidding service, our proprietary Virtual Ramp, our Timed Auction system, as well as our 21 language website, to provide stakeholders in the equipment world with a compelling value proposition to meet their needs.
- Our in-depth experience in the marketplace, including our ability to gather and leverage equipment valuation expertise and proprietary customer and equipment databases.
- Our dedicated and experienced workforce, which allows us to, among other things, enter new geographic markets, structure deals to meet our customers' needs, provide high quality and consistent service to consignors and bidders and operate an international network of auction sites that creates value for our customers.

Strict adherence to the unreserved auction process is one of our founding principles and, we believe, one of our most significant competitive advantages. When we say “unreserved” we mean that there are no minimum bids or reserve prices on anything sold at a Ritchie Bros. auction – each item sells to the highest bidder on sale day, regardless of the price. In addition, consignors (or their agents) are not allowed to bid on or buy back or in any way influence the selling price of their own equipment. We maintain this commitment to the unreserved auction process because we believe that an unreserved auction is an efficient, effective and fair way to exchange equipment.

We attract a broad base of bidders from around the world to our auctions. Our worldwide marketing efforts help to attract bidders, and they are willing to travel long distances or participate online in part because of our reputation for conducting fair auctions. These diverse multinational, mainly end user bidding audiences provide a global marketplace that allows our auctions to transcend local market conditions, which we believe is a significant competitive advantage. Evidence of this is the fact that in recent periods an average of approximately 60% of the value of equipment sold at our auctions left the region of the sale (which we define as the state or province of sale for North American and Australian auctions, or the country for sales occurring in other geographies).

We believe that our ability to consistently draw significant numbers of local and international bidders from many different end markets to our auctions, most of whom are end users rather than resellers, is appealing to sellers of used equipment and trucks and helps us to attract consignments to our auctions. Higher consignment volumes attract more bidders, which in turn attract more consignments, and so on in a self-reinforcing process that has helped us to achieve a history of significant growth and momentum in our business.

Our performance in 2010 reflected the challenging environment in which we operated, like many companies in our industry, and the difficulties we faced securing equipment consignments to sell at our auctions. The widely hoped-for recovery in the used equipment market did not materialize. The challenging environment was particularly acute in the U.S., where equipment owners chose not to sell idle equipment, either because the values of used equipment were too low or there was no catalyst to force them to sell. In the face of considerable uncertainty in the market, mainly around market values and construction spending, many owners held on to under-utilized assets. In addition, they did not deploy additional capital in upgrading or replacing their fleets, which would have stimulated the sale of used equipment.

We believe the used equipment market has contracted considerably over the last three years, mainly as a result of the reduction in the number of used equipment transactions, the drop in market values for used equipment and the diminished production of new equipment. We also believe that the biggest contributor to our reduced gross auction proceeds performance in 2010 was the mix of equipment available for sale, which tended to be older and lower value equipment than we would normally expect.

We believe that the fundamentals in our market are improving, as demonstrated by a renewed sense of optimism among equipment owners. New equipment production is increasing in the face of strong demand and many participants in the industry are starting to return to what most would consider more normal equipment buying and selling behaviour. We believe our operating decisions over the last few years leave us well positioned to capitalize on strengthening in the used equipment market in the coming years and to meet the needs of our customers.

Despite the challenges we faced in 2010, our business model is generally well suited for all economic conditions. We also believe that, over the long term, designing and executing an appropriate growth strategy will continue to be a significant determinant of our ability to grow our earnings, in part because our share of the world market for used equipment and trucks is so small. We are focused on growing our market share by ensuring that our auctions offer compelling value to meet the needs of current and potential customers to make the process of buying and selling equipment easy and confidence inspiring.

### ***Growth Strategies***

For the last several years we pursued a strategic framework that focused simultaneously on three core areas: our people, including our sales and support teams; our places, including our auction site network and geographical expansion; and our processes, including IT and non-IT initiatives. Highlights of our execution in this regard for the year ended December 31, 2010 included:

#### People

In 2010 we grew our sales team to 314 people, a 4% increase compared to the end of 2009. Because our business depends on trusting relationships with our customers to generate consignments to our auctions, it can often take two to three years for a sales person to achieve a suitable level of productivity. However, we expect that investing in our sales force and giving them the tools and training to be more productive will help us to achieve our longer-term growth objectives.

#### Places

During 2010 we added five auction sites to our network and replaced two regional auction units and one permanent site with new permanent auction sites. During the fourth quarter we decided to discontinue having auctions in India for the time being, although we will continue to have personnel and maintain a sales office in the country building relationships with equipment owners.

#### Processes

We introduced our new Timed Auction system to 23 of our sites during 2010. This new technology is used to sell smaller items, such as consumer goods and equipment attachments, in an online Timed Auction, without an auctioneer and therefore with more flexibility and convenience for our bidders. In addition to offering a higher level of service for our customers, this system enables us to sell lower-value lots more efficiently and at lower cost. We also launched our new 21 language website, [www.rbaction.com](http://www.rbaction.com), and experienced a 14% increase in unique visitors to our website in 2010 compared to 2009.

## Strategy update

In the fourth quarter of 2010 we completed a thorough update of our strategic plan, identifying strategic initiatives to be undertaken over the next five years. We continue to focus on our core unreserved auction model with a view to adding solutions and streamlining processes to enhance the value we provide to our existing customers, as well as make our auctions more appealing to new customers. In addition, we want to extend our services where we can leverage our competitive advantages. Our people, places and process framework has evolved and matured into three strategic pillars that incorporate many of the same concepts: grow, add, perform.

In 2010, we updated our core values and refined our mission statement to better align with our updated strategy and guide our behaviour in the years ahead. Our mission is to provide compelling business solutions that enable the world's builders to easily and confidently exchange equipment. Our customers are the people who buy and sell equipment and trucks, including the people who build our homes and offices, schools and community centers, bridges and roads, as well as the people who grow our food and those who support all of these activities, such as finance companies, rental companies, transportation companies and equipment dealers, among others.

Our core values support three strategic pillars, which are designed to help us achieve our mission. An overview of our strategic pillars follows:

### *GROW our core auction business*

We believe unreserved public auctions offer significant benefits over other sales channels, including certainty, fairness and transparency. We intend to focus on increasing our market share with our traditional customer groups, while simultaneously doing more business with new customer groups and in new markets. We plan to undertake deeper market research to understand more clearly why equipment owners do and do not use our services, and to help us meet the needs of the large number of equipment owners who do not even know about Ritchie Bros.

We believe that most of our near-term growth will come from our established regions, primarily the United States and Western Europe, and that emerging markets such as China, Brazil and other developing countries offer significant potential for growth in the long-term.

In addition, we intend to add at least one new auction site to our network each year, as well as replace a number of existing auction sites as necessary to provide capacity for increased consignment volumes. Our auction site network supports our long-term growth and is a critical strategic advantage, which helps us to sustain efficient and scalable growth. We also intend to continue to hold offsite auctions in new regions to expand the scope of our operations.

Another key focus of this pillar is to streamline and simplify our auctions, to make them easy for our customers. Many of our new customers have little or no experience buying or selling at unreserved auctions; we want to make the process as easy and hassle-free as possible, so they feel confident on auction day and throughout the whole process.

Beginning July 1, 2011 we plan to introduce our enhanced equipment information program. We will be offering enhanced information about the equipment to be sold in our auctions to all customers free of charge. We expect that this information will help our customers feel more confident and should make our auctions more appealing to a broader range of equipment owners.

To address the cost of our new initiatives, as well as the costs of other buyer-focused initiatives launched in recent years, we plan to simplify and expand our fee structure effective July 1, 2011. We will eliminate certain fees, including our internet purchase fee, and expand the scope of our administrative fee that we charge to buyers. The current 10% administrative fee will continue to be charged on all lots that sell for \$2,500 or less, and we intend to introduce a 2.5% administrative fee to be charged on all lots that sell for more than \$2,500, with a maximum fee of \$950 per lot (or the near equivalent amount in the currency of

the auction). We anticipate an increase in both revenues and expenses in 2011 and future years as a result of the buyer-focused initiatives, with an expected positive net benefit to earnings.

#### *ADD new business and information solutions*

Technology and innovation have played key roles in our business in the past, allowing us to enhance our auctions and broaden their appeal to more equipment owners. We will continue to harness the latest technology to supplement and enhance our auction services, and investigate new services to meet the needs of equipment owners that are not being met by our unreserved auctions.

We intend to introduce a range of additional value-added services in 2011, including a customer finance program, enhanced shipping services, a customer insurance program and other ancillary services.

We intend to invest in enhanced business intelligence and data analysis tools to improve our understanding of the equipment market, and position Ritchie Bros. as a knowledge and information authority. We also intend to continue to enhance rbauction.com by making it easier to use, more powerful and more valuable to equipment owners, with the goal of becoming the preferred global equipment website.

#### *PERFORM by building an inspired high-performance, customer-focused Ritchie Bros. team*

To maintain our high standards of customer service, we employ people who we believe embody our core values, especially the value of putting our customers first.

Our primary focus areas in the coming years will be improving our sales force productivity, employee engagement and management bench strength. We intend to be even more effective in developing future managers and we intend to take steps to improve our ability to attract, develop and retain key players. We also plan to take steps to refine sales and operational management roles to better equip our sales force for success. We are maintaining our long-term target of increasing our sales force by an average of 5% to 10% per year.

#### ***Operations***

The majority of our industrial auctions are held at our permanent auction sites, where we own the land and facilities, or at regional auction units, where we usually lease the land and typically have more modest facilities. We also hold off-site auctions at temporary locations, often on land owned by one of the main consignors to the particular auction. Most of our agricultural auctions are off-site auctions that take place on the consignor's farm. During 2010, 92% of our gross auction proceeds was attributable to auctions held at our permanent auction sites and regional auction units (2009 – 90%). Gross auction proceeds represent the total proceeds from all items sold at our auctions (please see “Sources of Revenue and Revenue Recognition” below).

During 2010, we had approximately 340,000 bidder registrations at our industrial auctions, compared to approximately 336,000 in 2009. In 2010 we generated over 40,000 industrial asset consignments, which was 8% greater than the 37,000 generated in 2009. We handled approximately 277,000 industrial lots in 2010 compared to 283,000 lots in 2009.

During 2010, we conducted 230 unreserved industrial auctions at locations in North and Central America, Europe, the Middle East, Australia and India (2009 – 195 auctions). We also held 106 unreserved agricultural auctions during the year in Canada (2009 – 132). Although our auctions varied in size, our average industrial auction in 2010 attracted over 1,400 bidder registrations (2009 – over 1,700) and featured over 1,200 lots (2009 – over 1,400) consigned by 175 consignors (2009 – 190), generating average gross auction proceeds of approximately \$13.4 million per auction, compared to approximately \$17.3 million in 2009. Our agricultural auctions in 2010 averaged gross auction proceeds of approximately \$1.8 million compared to \$0.9 million in 2009.

We sold over \$872 million of equipment, trucks and other assets to online bidders during 2010, representing a 5% increase compared to 2009 (2009 – approximately \$830 million). Our online sales growth in 2010 cemented our position as the world’s largest seller of industrial equipment to online buyers.

We launched our new website in April, 2010 to enable us to interact more effectively with customers in the online environment. We experienced an increase of 14% in the total number of unique visitors to the site during the year compared to 2009. We had roughly 3.2 million unique visitors during 2010 and they performed nearly 35 million equipment searches, plus an additional 3 million auction results searches. With its additional language capabilities, we believe our new website has opened up our auctions to previously untapped market of non-English speaking equipment buyers and sellers. We have seen an increase in site visits of over 11% from non-English speakers compared to 2009, who accounted for over 18% of traffic on the website.

In 2010, approximately 52% of our auction revenues were earned from operations in the United States (2009 – 54%), 23% were generated from auctions in Canada (2009 – 24%) and the remaining 25% were earned from operations in countries other than the United States and Canada, primarily in Europe, the Middle East, Australia, and Mexico (2009 – 22%). We had 1,162 full-time employees at December 31, 2010, including 314 sales representatives and 13 trainee territory managers, compared to 1,148 full-time employees, 302 sales representatives and 19 trainee territory managers at the end of 2009.

We are a public company and our common shares are listed under the symbol “RBA” on the New York and Toronto Stock Exchanges. On February 22, 2011 we had 105,797,120 common shares issued and outstanding and stock options outstanding to purchase a total of 3,085,697 common shares.

#### ***Sources of Revenue and Revenue Recognition***

Gross auction proceeds represent the total proceeds from all items sold at our auctions. Our definition of gross auction proceeds may differ from those used by other participants in our industry. Gross auction proceeds is an important measure we use in comparing and assessing our operating performance. It is not a measure of our financial performance, liquidity or revenue and is not presented in our consolidated financial statements. We believe that auction revenues, which is the most directly comparable measure in our Statements of Operations, and certain other line items, are best understood by considering their relationship to gross auction proceeds. Auction revenues represent the revenues we earn in the course of conducting our auctions. The portion of gross auction proceeds that we do not retain is remitted to our customers who consign the items we sell at our auctions.

Auction revenues are comprised of auction commissions earned from consignors through straight commission and guarantee contracts, net profits or losses on the sale of inventory items, administrative and documentation fees on the sale of certain lots, auction advertising fees, and the fees applicable to purchases made through our internet and proxy bidding systems. All revenue is recognized when the auction sale is complete and we have determined that the auction proceeds are collectible.

Straight commissions are our most common type of auction revenues and are generated by us when we act as agent for consignors and earn a pre-negotiated, fixed commission rate on the gross sales price of the consigned equipment at auction. In recent periods, straight commission sales have represented approximately 75-80% of our gross auction proceeds volume on an annual basis.

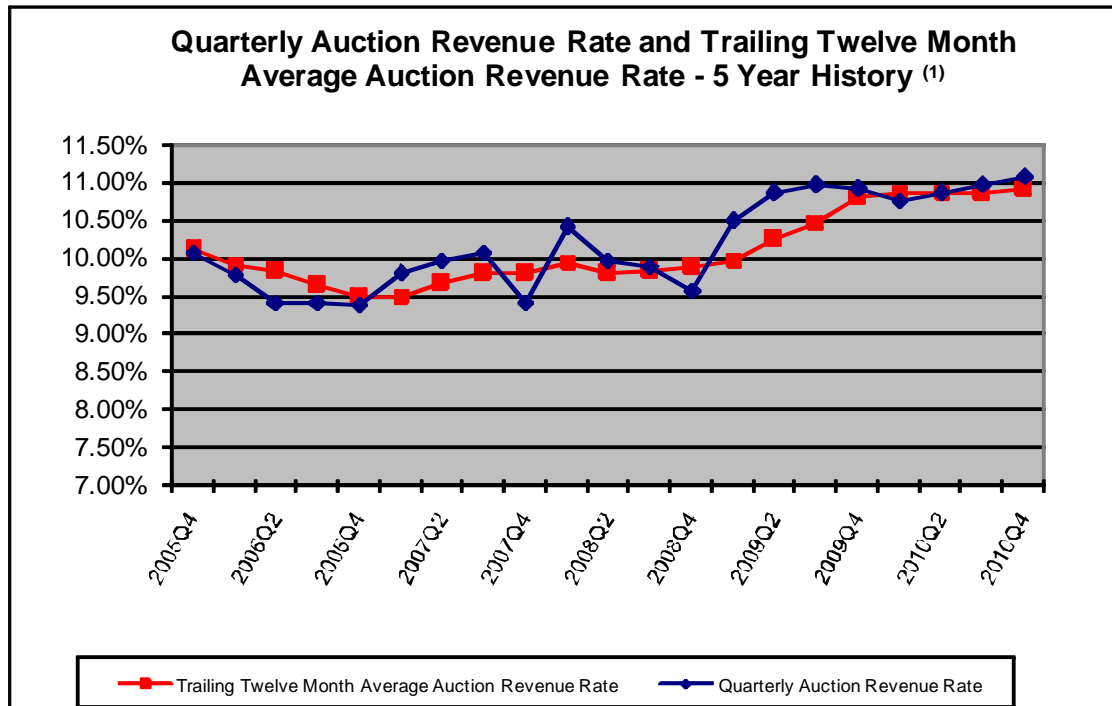
In the normal course of business, we sometimes guarantee minimum sales proceeds to the consignor and earn a commission based on the actual results of the auction, typically including a pre-negotiated percentage of any sales proceeds in excess of the guaranteed amount. The consigned equipment is sold on an unreserved basis in the same manner as other consignments. If the actual auction proceeds are less than the guaranteed amount, our commission is reduced, and if the proceeds are sufficiently less, we can incur a loss on the sale. We factor in a higher rate of commission on these sales to compensate for the increased risk we assume.

Our financial exposure from guarantee contracts fluctuates over time, but in recent periods industrial and agricultural auction guarantees have had an average period of exposure (days remaining until date of auction as at quarter-end) of approximately 30 days and 80 days, respectively. At December 31, 2010, our outstanding industrial and agricultural guarantees totalled approximately \$29 million, of which approximately \$1 million had already been sold at our auctions as of the date of this discussion. The combined financial exposure from guarantee contracts at any period end can fluctuate significantly depending on the timing of auctions; however the quarter-end balances averaged approximately \$44 million over the last 12 months. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed, unless the loss is incurred after the period end but before the financial reporting date, in which case the loss is accrued in the financial statements for the period end.

Auction revenues also include the net profit or loss on the sale of inventory in cases where we acquire ownership of equipment for a short time prior to an auction sale. We purchase equipment for specific auctions and sell it at those auctions in the same manner as consigned equipment. During the period that we retain ownership, the cost of the equipment is recorded as inventory on our balance sheet. The net gain or loss on the sale is recorded as auction revenues.

We generally refer to our guarantee and outright purchase business as our at risk, or underwritten, business. In recent periods, our at risk business represented approximately 20% to 25% of gross auction proceeds on an annual basis. Competition for equipment consignments has intensified in recent months, and this will likely result in an increase in the relative proportion of our at risk business in 2011.

The choice by consignors between straight commission, guarantee, or outright purchase arrangements depends on many factors, including the consignor's risk tolerance and sale objectives. In addition, we do not have a target for the relative mix of contracts. As a result, the mix of contracts in a particular quarter or year fluctuates and is not necessarily indicative of the mix in future periods. The composition of our auction revenues and our auction revenue rate (i.e. auction revenues as a percentage of gross auction proceeds) are affected by the mix and performance of contracts entered into with consignors in the particular period and fluctuates from period to period. Our auction revenue rate performance is presented in the table below. Our past experience has shown that our auction revenue rate is difficult to estimate precisely, and over the past two years our quarterly rate has ranged between 10.58% and 11.06%.



(1) The average auction revenue rate for the first quarter in 2010 includes the results of the auction of Apoise; had these been excluded the auction revenue rate would have been 11.33%.

In general, the largest contributor to the variability of our auction revenue rate is the performance, rather than the amount, of our at risk business. In a period when our at risk business performs better than average, our auction revenue rate typically exceeds the expected average rate. Conversely, if our at risk business performs below average, our auction revenue rate will typically be below the expected average rate. Our above trend auction revenue rate over the past two years has been due primarily to the strong performance of our at risk business. We believe this strong performance was related in part to the economic environment; as competition increase in the future, the performance of our at risk business may deteriorate, which will impact our auction revenue rate.

The planned changes to our fee structure that will take effect July 1, 2011, as discussed above, will have a positive impact on our auction revenues and therefore, our auction revenue rate. The expected impact in 2011 on our auction revenue rate will be an increase in the range of 0.7%. We expect this incremental revenue will more than offset the incremental costs of our strategic initiatives discussed previously.

Our gross auction proceeds and auction revenues are influenced by the seasonal nature of the auction business, which is determined mainly by the seasonal nature of the construction and natural resources industries. Gross auction proceeds and auction revenues tend to be higher during the second and fourth calendar quarters, during which time we generally conduct more business than in the first and third calendar quarters. This seasonality contributes to quarterly variability in our net earnings because a significant portion of our operating costs is relatively fixed.

Gross auction proceeds and auction revenues are also affected on a period-to-period basis by the timing of major auctions. In newer markets where we are developing operations, the number and size of auctions and, as a result, the level of gross auction proceeds and auction revenues, are likely to vary more dramatically from period to period than in our established markets where the number, size and frequency of our auctions are more consistent. In addition, economies of scale are achieved as our operations in a region evolve from conducting intermittent auctions, to establishing a regional auction unit, and ultimately to developing a permanent auction site. Economies of scale are also achieved when our auctions increase in size.

Because of these seasonal and period-to-period variations, we believe that our gross auction proceeds, auction revenues and net earnings are best compared on an annual basis, rather than on a quarterly basis.

### ***Overall Performance***

Our gross auction proceeds were \$3.28 billion for the year ended 2010, which is a decrease of 6% from 2009. The decrease is mainly attributable to the continuing trend from 2009 where equipment owners have continued to hold onto otherwise idle assets for various reasons, including low interest rates and uncertainty around equipment values, construction spending and other factors. We believe that the dramatic drop in the production and sale of new equipment over the last few years has also affected our ability to grow our gross auction proceeds.

Foreign exchange fluctuations had a modest impact on our 2010 gross auction proceeds. Applying the foreign exchange rates in effect in 2009 our reported gross auction proceeds in 2010 would have been approximately \$60 million lower.

For the year ended December 31 2010, we recorded auction revenues of \$357.4 million and net earnings of \$65.9 million, or \$0.62 per diluted common share. This performance compares to auction revenues of \$377.2 million and net earnings of \$93.5 million, or \$0.88 per diluted share, for the year ended December 31, 2009. We ended 2010 with working capital of \$45.3 million, compared to \$30.5 million at December 31, 2009. The increase in our working capital was a result of reduced capital expenditures and positive operating cash flow, offset by higher dividend payments during the year.

Adjusted net earnings for the year ended December 31, 2010 were \$65.2 million, or \$0.61 per diluted share, compared to adjusted net earnings of \$92.0 million, or \$0.87 per diluted share for the year ended December 31, 2009. We define adjusted net earnings as financial statement net earnings excluding the after-tax effects of sales of excess properties and significant foreign exchange gains or losses resulting from financing activities that we do not expect to recur in the future (please see our reconciliation below).

Adjusted net earnings is a non-GAAP measure that does not have a standardized meaning, and is therefore unlikely to be comparable to similar measures presented by other companies. We believe that comparing adjusted net earnings as defined above for different financial periods provides more useful information about the growth or decline of our net earnings for the relevant financial period, and identifies the impact of items which we do not consider to be part of our normal operating results.

Our adjusted net earnings in 2010 decreased by approximately 29% compared to 2009, primarily as a result of decreased auction revenues and increased general and administrative expenses and depreciation. Although our auction revenues decreased during 2010, other measures of our business volume were increasing or being maintained, including the number of consignments and the number of bidder registrations at our auctions. Also, recent additions to our auction site network, business systems, and sales team contributed to an increase in our overhead expenditures and depreciation expense in 2010. Our investments in people, IT infrastructure and our auction site network are long term in nature and we made a conscious decision to maintain our model in the face of recent gross auction proceeds growth challenges.

A reconciliation of our net earnings under Canadian GAAP to adjusted net earnings is as follows:

	<b>Year ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Net earnings under Canadian GAAP .....	\$ 65,913	\$ 93,452
Gain on sale of excess property <sup>(1)</sup> .....	(1,230)	(1,097)
Net foreign exchange impact on financing transactions <sup>(2)</sup> .....		(759)
Tax relating to reconciling items .....	474	446
Adjusted net earnings .....	<u>\$ 65,157</u>	<u>\$ 92,042</u>

(1) During the year ended December 31, 2010, we completed the sale of our former Houston, Texas, permanent auction site. In 2009, we sold our former Minneapolis, Minnesota, permanent auction site.

(2) During the year ended December 31, 2009, we recorded a foreign exchange gain of \$759 (\$664, or 0.01 per diluted share, after tax) on U.S. dollar denominated bank debt held by a subsidiary that has the Canadian dollar as its functional currency. We have highlighted this amount because in January 2009, the Canadian subsidiary assigned the bank debt to an affiliate whose functional currency is the U.S. dollar to eliminate the future impact of currency fluctuations. We did not settle any long-term intercompany loans during 2010 that resulted in a significant foreign exchange adjustment. We do not expect the foreign exchange gains or losses on these financing transactions to recur in future periods.

### ***Selected Annual Information***

The following selected consolidated financial information as at December 31, 2010, 2009 and 2008 and for each of the years in the three-year period ended December 31, 2010 has been derived from our audited consolidated financial statements. This data should be read together with those financial statements and the risk factors described below.

Our consolidated financial statements are prepared in U.S. dollars in accordance with Canadian GAAP. As disclosed in note 13, Canadian GAAP differs in certain respects from accounting principles generally accepted in the United States.

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Statement of Operations Data:</b>			
Auction revenues <sup>(1)</sup> .....	\$ 357,369	\$ 377,211	\$ 354,818
Direct expenses .....	(47,021)	(49,890)	(49,750)
	310,348	327,321	305,068
Operating expenses <sup>(2)</sup> .....	(218,345)	(200,073)	(189,320)
Other income (expense) <sup>(3)</sup> .....	(1,157)	4,275	23,536
Earnings before income taxes .....	90,846	131,523	139,284
Income taxes .....	24,933	38,071	37,884
Net earnings .....	\$ 65,913	\$ 93,452	\$ 101,400
Net earnings per share — basic .....	\$ 0.62	\$ 0.89	\$ 0.97
Net earnings per share — diluted .....	0.62	0.88	0.96
Cash dividends declared per share .....	\$ 0.41 <sup>(4)</sup>	\$ 0.38	\$ 0.34
<b>Balance Sheet Data (year end):</b>			
Working capital (including cash) .....	\$ 45,333	\$ 30,510	\$ 47,109
Capital assets .....	627,230	597,945	453,642
Total assets .....	870,818	857,821	689,488
Long-term liabilities .....	155,556	145,213	77,495
<b>Statement of Cash Flows Data:</b>			
Capital asset additions .....	\$ 62,284	\$ 157,416	\$ 145,024

- (1) Auction revenues are comprised of commissions earned from consignors through straight commission and guarantee contracts, the net profit or loss on the sale of inventory items, internet and proxy purchase fees, administrative and documentation fees on the sale of certain lots, and auction advertising fees.
- (2) Operating expenses include depreciation and amortization and general and administrative expenses.
- (3) Other income in 2009 included a \$759 foreign exchange gain (\$664, or \$0.01 per diluted share, after tax) on U.S. dollar denominated bank debt held by a subsidiary that has the Canadian dollar as its functional currency. The equivalent amount in 2008 was a foreign exchange loss of \$5,835 (\$4,989, or \$0.05 per diluted share, after tax). We have highlighted this amount because in January 2009, the Canadian subsidiary assigned the bank debt to an affiliate whose functional currency is the U.S. dollar to eliminate the future impact of these currency fluctuations. We did not settle any long-term intercompany loans in 2010 that resulted in a significant foreign exchange adjustment. In addition, other income in 2010 included gains of \$1,230 (\$756 or \$0.01 per diluted share after tax) on the sale of our former Houston, Texas permanent auction site; other income in 2009 included gains of \$1,097 (\$746, or \$0.01 per diluted share after tax for 2009) on the sale of our Minneapolis, Minnesota, permanent auction site; other income in 2008 included an \$8,304 (\$7,295, or \$0.07 per diluted share, after tax) gain recorded on the sale of our former headquarters property located in Richmond, British Columbia.
- (4) In addition to the cash dividends declared and paid in 2010, we declared a cash dividend of \$0.105 per common share on January 24, 2011 relating to the quarter ended December 31, 2010, which is not included in this amount.

## Results of Operations

### Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

We conduct operations around the world in a number of different currencies, but our reporting currency is the U.S. dollar. In 2010, approximately 40% of our revenues and approximately 60% of our operating costs were denominated in currencies other than the U.S. dollar.

The main currencies other than the U.S. dollar in which our revenues and operating costs are denominated are the Canadian dollar and the Euro. In recent periods there have been significant fluctuations in the value of the Canadian dollar and the Euro relative to the U.S. dollar. These fluctuations affect our reported auction revenues and operating expenses when non-U.S. dollar amounts are converted into U.S. dollars for financial statement reporting purposes. It is difficult, if not impossible, to quantify how foreign exchange rate movements affect such variables as the supply of and demand for the assets we sell. However, excluding these impacts, the effect of foreign exchange fluctuations on our translated auction revenues and operating expenses in our consolidated financial statements has been largely offset, making the impact of the currency fluctuation on our net earnings minimal.

### United States Dollar Exchange Rate Comparison

Years ended December 31,	2010	% Change in U.S.\$	2009	% Change in U.S.\$	2008
Value of one U.S. dollar:					
Year-end exchange rate:					
Canadian dollar .....	\$0.9976	-5.1%	\$1.0513	-13.6%	\$1.2168
Euro .....	€0.7479	7.1%	€0.6985	-2.4%	€0.7159
Average exchange rate:					
Canadian dollar .....	\$1.0301	-9.8%	\$1.1415	7.0%	\$1.0671
Euro .....	€0.7549	4.9%	€0.7197	5.2%	€0.6839

### Auction Revenues

Years ended December 31,	2010	2009	% Change
Auction revenues – United States <sup>(1)</sup> .....	\$ 185,486	\$ 202,415	-8%
Auction revenues – Canada <sup>(1)</sup> .....	82,894	90,148	-8%
Auction revenues – Europe <sup>(1)</sup> .....	51,428	57,714	-11%
Auction revenues – Other <sup>(1)</sup> .....	37,561	26,934	39%
Total auction revenues.....	\$ 357,369	\$ 377,211	-5%
Gross auction proceeds.....	\$3,277,771	\$3,492,021	-6%
Auction revenue rate .....	10.90%	10.80%	

(1) Information by geographic segment is based on auction location.

Our auction revenues decreased in 2010 compared to 2009 primarily as a result of lower gross auction proceeds, but was partially offset by a higher auction revenue rate. Our at risk business represented approximately 24% of total gross auction proceeds for the year (2009 – 21%). The mix of contracts in 2010 was roughly consistent with our experience in recent periods. Our gross auction proceeds in 2010 in local

currency, primarily being the U.S., Canadian and Australian dollar and the Euro, decreased by 9% compared to 2009.

Our auction revenue rate was 10.90% for 2010 (2009 – 10.80%). The increase was primarily attributable to the improved performance of our straight commission business and higher fee income in 2010.

Our auction revenues and our net earnings are influenced to a great extent by small changes in our auction revenue rate. For example, a 10 basis point (0.1%) increase or decrease in our auction revenue rate during 2010 would have decreased auction revenues by approximately \$3.3 million, of which approximately \$2.4 million, or \$0.02 per diluted share, would have flowed through to net earnings after tax in our Statement of Operations, assuming no other changes. This factor is important to consider when evaluating our current and past performance, as well as when assessing future prospects.

*Direct Expenses*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Direct expenses .....	\$ 47,021	\$ 49,890	-5.8%
Direct expenses as a percentage of gross auction proceeds.....	1.43%	1.43%	

Direct expenses are the costs we incur specifically to conduct an auction. Direct expenses include the costs of hiring temporary personnel to work at the auction, advertising costs directly related to the auction, travel costs for employees to attend and work at the auction, security personnel hired to safeguard equipment at the auction site and rental expenses for temporary auction sites, among other costs. At each quarter end, we estimate the direct expenses incurred with respect to auctions completed near the end of the period. In the subsequent quarter, these accruals are adjusted, to the extent necessary, to reflect actual costs incurred.

Our direct expense rate, which represents direct expenses as a percentage of gross auction proceeds, fluctuates from period to period based in part on the size and location of the auctions we hold during a particular period. The direct expense rate generally decreases as the average size of our auctions increases. In addition, we usually experience lower direct expense rates for auctions held at our permanent auction sites compared to auctions held at offsite locations, mainly as a result of the economies of scale and other efficiencies that we typically experience at permanent auction sites. Our direct expense rate for 2010 was consistent with the rate we experienced in 2009.

*Depreciation and Amortization Expense*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Depreciation and amortization expense....	\$ 37,813	\$ 31,761	19%

Depreciation is calculated on either a straight line or a declining balance basis on capital assets employed in our business, including buildings, computer hardware and software, automobiles and yard equipment.

During 2010 we determined that certain assets on which depreciation was charged had an indefinite life and therefore should not have been depreciated. The accumulated depreciation on these assets was \$2.7 million which was reversed in the first quarter of 2010 as an immaterial adjustment, decreasing depreciation expense for the year.

Offsetting this reduction in depreciation expense was an increase relating to new assets that we have put into service over the last two years, such as our 13 new and replacement auction sites and new computer hardware and software, including our new website and Timed Auction system. We expect our depreciation in future periods to increase in line with the type and magnitude of our on-going capital expenditures.

*General and Administrative Expenses*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
General and administrative expenses .....	\$ 180,532	\$ 168,312	7%
G&A as a percentage of gross auction proceeds .....	5.5%	4.8%	

General and administrative expenses, or G&A, include such expenditures as personnel (salaries, wages, bonuses and benefits), information technology, non-auction related travel, repairs and maintenance, leases and rentals and utilities, and the resulting effects of foreign currency fluctuations. Personnel costs represent approximately 60% of our G&A on an annual basis.

The increase in our G&A for 2010 compared to 2009, was primarily a result of foreign currency fluctuations as well as higher costs relating to our auction site network and IT infrastructure.

Foreign currency fluctuations resulted in an increase in our G&A of approximately \$6.5 million in 2010, compared to 2009, in connection with the translation into U.S. dollars for reporting purposes of our foreign operations' G&A expenses.

The remaining increase in G&A expenses primarily resulted from higher infrastructure costs related to our new and replacement auction sites and administrative facilities put into use over the past 24 months. These costs included rent, property tax and utilities, among others, and the increase in 2010 totalled \$4.8 million.

*Interest Expense*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Interest expense .....	\$ 5,216	\$ 544	859%

Interest expense is comprised mainly of interest paid on long-term debt and revolving credit facilities. Interest expense increased significantly in 2010 compared to 2009 primarily due to a lower amount of interest capitalized to projects under development in 2010, as well as full year of interest in connection with additional debt taken on in the second and third quarters of 2009.

Interest expense varies depending on the amount of interest capitalized to auction site development projects, which is driven by the number and size of projects that the Company has in progress during a given period.

*Interest Income*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Interest income .....	\$ 2,035	\$ 2,400	-15%

Interest income is earned on our excess cash and receivable balances. Our interest income fluctuates from period to period depending on the timing of the receipt of auction proceeds and may be affected by the timing, size, number and location of auctions held during the period.

*Foreign Exchange Gain (Loss)*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Foreign exchange gain (loss).....	\$ (49)	\$ (1,085)	95%

Foreign exchange gains or losses arise when foreign currency denominated monetary items are revalued to the exchange rates in effect at the end of the reporting period. Examples of these items include accounts receivable and accounts payable.

*Gain on Disposition of Capital Assets*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Gain on disposition of capital assets.....	\$ 250	\$ 647	-61%

The gain on disposition of capital assets in 2010 included a gain of \$1.2 million (\$0.7 million after tax) recorded on the sale of our former Houston, Texas, permanent auction site, offset by losses on the disposal of other assets. The gain on disposition of capital assets in 2009 included a \$1.1 million gain (\$0.7 million after tax) on the sale of our former Minneapolis, Minnesota permanent auction site, which was offset by losses on disposal of other assets.

*Income Taxes*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Income taxes.....	\$ 24,933	\$ 38,071	-35%
Effective income tax rate.....	27.4%	28.9%	

Income taxes have been calculated using the tax rates in effect in each of the tax jurisdictions in which we earn our income. The effective tax rate for the year ended December 31, 2010 was lower than the effective tax rate for the year ended December 31, 2009 primarily due to a higher proportion of income being taxed in jurisdictions with lower tax rates. Income taxes for the year ended December 31, 2009 included a favourable tax adjustment in the amount of \$1.9 million relating to uncertain tax positions. Income tax rates in future periods will fluctuate depending upon the impact of unusual items and the level of earnings in the different tax jurisdictions in which we earn our income.

*Net Earnings*

<b>Years ended December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Net earnings before income taxes.....	\$ 90,846	\$ 131,523	-30.9%
Net earnings.....	65,913	93,452	-29.5%
Net earnings per share – basic.....	0.62	0.89	-30.3%
Net earnings per share – diluted.....	0.62	0.88	-29.5%

Our net earnings decreased in 2010, compared to 2009 primarily as a result of lower gross auction proceeds, increased G&A expenses and depreciation, offset in part by a slightly increased auction revenue rate. Adjusted earnings for 2010 were \$65.2 million, or \$0.61 per diluted share, compared to adjusted net earnings of \$92.0 million, or \$0.87 per diluted share in 2009, representing a 29% decrease in 2010.

### Summary of Fourth Quarter Results

We earned auction revenues of \$88.3 million and net earnings of \$13.5 million, or \$0.13 per diluted share, during the fourth quarter of 2010. Adjusted net earnings for the fourth quarter of 2010 were \$13.5 million, or \$0.13 per diluted share. This compares to auction revenues of \$97.1 million and net earnings of \$21.8 million, or \$0.21 per diluted share, and adjusted net earnings \$21.1 million, or \$0.20 per diluted share, in the fourth quarter of 2009.

A reconciliation of our net earnings under Canadian GAAP to adjusted net earnings for each of the quarters ended December 31, 2010 and 2009 is as follows:

	Quarter ended December 31,	
	2010	2009
Net earnings under Canadian GAAP .....	\$ 13,517	\$ 21,834
Gain on sale of excess property <sup>(1)</sup> .....	–	(1,097)
Tax relating to reconciling items .....	–	351
Adjusted net earnings .....	\$ 13,517	\$ 21,088

(1) During the three months ended December 31, 2009, we recorded a gain of \$1,097 (\$746, or \$0.01 per diluted share, after tax) on the sale of our Minneapolis, Minnesota, permanent auction site.

Our gross auction proceeds were \$798.6 million for the quarter ended December 31, 2010, which is a decrease of 10% compared to the comparable period in 2009. We believe that this decrease in our gross auction proceeds was mainly attributable to the factors discussed above in Overall Performance. Had the foreign exchange rates in effect in the fourth quarter of 2009 been applied to the gross auction proceeds achieved in the fourth quarter of 2010, our reported gross auction proceeds would have been approximately \$2.1 million higher.

Our auction revenue rate increased to 11.06% in the fourth quarter of 2010, from 10.90% in the comparable period in 2009, mainly as a result of the stronger performance of our at risk business in the fourth quarter of 2010.

Our G&A expenses increased to \$46.3 million in the fourth quarter of 2010, compared to \$45.0 million in the comparable 2009 period. During the fourth quarter of 2010, the translation into U.S. dollars of our non-U.S. operations' G&A expenses resulted in an increase in consolidated G&A expenses of approximately \$0.4 million.

Adjusted net earnings in the fourth quarter of 2010 decreased by 36% compared to 2009, primarily due to lower auction revenues and higher operating expenses.

Capital asset additions were \$16.1 million for the fourth quarter of 2010, compared to \$40.1 million in the fourth quarter of 2009. Our capital expenditures in the fourth quarter of 2010 related primarily to acquisition of land in Phoenix, Arizona, as well as construction at our existing regional auction units in Las Vegas, Nevada; Dubai, United Arab Emirates; and our permanent auction site in Moerdijk, the Netherlands.

### Summary of Quarterly Results

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight fiscal quarters. This data has been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for the fair presentation of such information. These unaudited quarterly results should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2010 and 2009, and our discussion above about the seasonality of our business.

	Q4 2010	Q3 2010	Q2 2010	Q1 2010 <sup>(2)</sup>
Gross auction proceeds <sup>(4)</sup> .....	\$ 798,566	\$ 750,912	\$ 951,634	\$ 776,659
Auction revenues .....	\$ 88,296	\$ 82,229	\$ 103,300	\$ 83,544
Net earnings .....	13,517	13,478	26,118	12,800 <sup>(1)</sup>
Adjusted net earnings .....	13,517	13,478	25,362	12,800 <sup>(1)</sup>
Net earnings per share — basic .....	\$ 0.13	\$ 0.13	\$ 0.25	\$ 0.12
Net earnings per share — diluted .....	0.13	0.13	0.25	0.12
Adjusted net earnings per share — diluted .....	0.13	0.13	0.24	0.12

	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Gross auction proceeds <sup>(4)</sup> .....	\$ 891,111	\$ 693,288	\$1,109,331	\$ 798,291
Auction revenues .....	\$ 97,143	\$ 75,934	\$ 120,459	\$ 83,675
Net earnings .....	21,834	12,892	38,847	19,879 <sup>(3)</sup>
Adjusted net earnings .....	21,088	12,892	38,847	19,215
Net earnings per share — basic .....	\$ 0.21	\$ 0.12	\$ 0.37	\$ 0.19
Net earnings per share — diluted .....	0.21	0.12	0.37	0.19
Adjusted net earnings per share — diluted .....	0.20	0.12	0.37	0.18

- (1) In the first quarter of 2010, we determined that certain assets on which depreciation was charged had an indefinite life and therefore should not have been depreciated. The accumulated depreciation on these assets was \$2,668, which was reversed in the period as an immaterial adjustment, resulting in a \$2,668 decrease to depreciation expense.
- (2) Results for the first quarter of 2010 included \$46.8 million of gross auction proceeds, \$0.9 million of auction revenues and \$0.2 million of direct expenses generated from the auction of Apoise.
- (3) Net earnings included the impact of foreign exchange rates on U.S. dollar denominated bank debt held by a Canadian subsidiary, which was assigned in January 2009 to an affiliate whose functional currency is the U.S. dollar, to eliminate the impact of these currency fluctuations on this debt in future periods. Please see further discussion above under "Overall Performance". The foreign exchange impact of this bank debt in the first quarter of 2009 was a \$759 gain (\$664, or \$0.01 per diluted share, after tax).
- (4) Gross auction proceeds represents the total proceeds from all items sold at our auctions. Gross auction proceeds is not a measure of revenue and is not presented in our consolidated financial statements. Please see further discussion above under "Sources of Revenue and Revenue Recognition."

### *Liquidity and Capital Resources*

<b>December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Working capital .....	\$ 45,333	\$ 30,510	49%

Our cash position can fluctuate significantly from period to period, largely as a result of differences in the timing, size and number of auctions, the timing of the receipt of auction proceeds from buyers, and the timing of the payment of net amounts due to consignors. We generally collect auction proceeds from buyers within seven days of the auction and pay out auction proceeds to consignors approximately 21 days following an auction. If auctions are conducted near a period end, we may hold cash in respect of those auctions that will not be paid to consignors until after the period end. Accordingly, we believe that working capital, including cash, is a more meaningful measure of our liquidity than cash alone. For 2010, our working capital increased by \$14.8 million, primarily as a result of reduced capital expenditures and positive operating cashflows, offset by higher dividend payments during the year.

There are a number of factors that could potentially impact our working capital, such as the volume and profitability of our auctions and our capital expenditures. However, we have sufficient borrowing capacity in the event of any temporary working capital requirements.

As at December 31, 2010, we had \$1.1 million of short term debt, which consisted of draws on our revolving credit facilities with a weighted average interest rate of 2.58% per annum. This left \$436 million of unused credit facilities, including a \$148 million five-year committed credit facility expiring in January 2014, and a \$190 million three-year uncommitted non-revolving credit facility expiring in November 2011. We believe our existing working capital and credit facilities are sufficient to satisfy our present operating requirements, as well as to fund future growth initiatives, such as property acquisitions and development. We continue to have adequate access to capital resources; however, there can be no assurance that the cost or availability of future borrowings under our credit facilities will not be materially affected should there be another capital market disruption.

### *Contractual Obligations*

	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>In 2011</b>	<b>In 2012 and 2013</b>	<b>In 2014 and 2015</b>	<b>After 2015</b>
Long-term debt obligations .....	\$ 136,218	\$ 30,000	\$ 15,000	\$ 31,074	\$ 60,144
Interest on long-term debt obligations .....	24,379	5,369	9,957	7,730	1,323
Operating leases obligations.....	173,083	10,653	18,299	16,879	127,252
Other long term obligations.....	1,332	321	656	355	-
Total contractual obligations .....	\$335,012	\$ 46,343	\$ 43,912	\$ 56,038	\$188,719

Our long-term debt included in the table above is comprised mainly of term loans put in place in 2005 with original terms to maturity of five years, which were subsequently extended, a revolving loan drawn under a credit facility that is available until January 2014, as well as a term loan put in place in 2009 with a term to maturity of seven years. Our operating leases relate primarily to land on which we operate regional auction units and administrative offices. These properties are located in Canada, the United States, Spain, Germany, the Netherlands and the United Arab Emirates.

In the normal course of our business, we will sometimes guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment. Our total exposure at December 31, 2010 from these guarantee contracts was \$28.9 million (compared to \$21.6 million at December 31, 2009), which we anticipate will be partially offset by the proceeds that we will receive from

the sale at auction of the related equipment. We do not record any liability in our financial statements in respect of these guarantee contracts, and they are not reflected in the contractual obligations table above.

*Cash Flows*

<b>December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Cash provided by (used in):			
Operations .....	\$ 40,165	\$ 138,455	-71%
Investing .....	(54,593)	(164,656)	-67%
Financing .....	(43,342)	22,914	N/A

As discussed above regarding our cash position, our cash provided by operations can fluctuate significantly from period to period, due to factors such as differences in the timing, size and number of auctions during the period, the timing of the receipt of auction proceeds from buyers, and the timing of the payment of net amounts due to consignors. Therefore, we do not believe that the change in our cash position provided by operations during the year is indicative of a trend; it is primarily a result of the decrease in our earnings in 2010 as well as the timing of sales before year end and higher inventory purchases made in 2010 compared to 2009.

Capital asset additions were \$62.3 million for 2010 compared to \$157.4 million in 2009. Our capital expenditures in 2010 related primarily to the development of four new and replacement permanent auction sites and three new regional auction units, as well as preliminary costs related to the replacement of certain other permanent auction sites that will be developed in the future. Capital asset additions also included investments in computer software and hardware, including our new website.

Based on our most recent review of our auction site development plans and process improvement initiatives, we expect that our annual capital expenditures will be in the range of \$70 million per year for the next several years. We plan to add an average of one new permanent auction site or regional auction unit to our network per year, and to make improvements to and replace older existing sites. Actual expenditures will depend on the availability and cost of suitable expansion opportunities and prevailing business and economic conditions. We also expect to undertake system improvements, including expenditures on hardware, the development, purchase and implementation of software, and related systems, in connection with our strategic initiatives discussed above. We expect to fund future capital expenditures from operating cash flows and borrowings under credit facilities.

We declared and paid regular cash dividends of \$0.10 per share for each of the quarters ended December 31, 2009 and March 31, 2010, and declared and paid dividends of \$0.105 per share for each of the quarters ended June 30, 2010 and September 30, 2010. The payments of these dividends were made in 2010, and the total dividend payments for 2010 were \$43.3 million compared to \$40.0 million in 2009. All dividends we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

### *Long-term Debt and Credit Facilities*

Our long-term debt and available credit facilities at December 31, 2010 and December 31, 2009 were as follows:

		December 31, 2010	December 31, 2009	% Change
	Long-term debt.....	\$ 135,887	\$ 130,394	4%
Committed:	Revolving credit facilities – available:...	\$ 200,000	\$ 210,000	
	Revolving credit facilities – unused:.....	152,828	180,513	
Uncommitted:	Revolving credit facilities – available:...	106,268	108,423	
	Revolving credit facilities – unused:.....	93,840	87,498	
	Non-revolving credit facilities – available:.....	250,000	250,000	
	Non-revolving credit facilities – unused:.....	189,856	192,928	
	Total credit facilities – available:.....	\$ 556,268	\$ 568,423	
	Total credit facilities – unused:.....	436,524	460,939	

Our credit facilities are with financial institutions in the United States, Canada, the Netherlands and the United Kingdom. Certain of the facilities include commitment fees applicable to the unused credit amount. During 2010, we had fixed rate and floating rate long-term debt bearing interest rates ranging from 1.8% to 6.4%. We were in compliance with all financial covenants applicable to our debt at December 31, 2010.

#### ***Quantitative and Qualitative Disclosure about Market Risk***

We conduct operations in local currencies in countries around the world, but we use the U.S. dollar as our reporting currency. As a result we are exposed to currency fluctuations and exchange rate risk. We cannot accurately predict the future effects of foreign currency fluctuations on our financial condition or results of operations, or quantify their effects on the macroeconomic environment. For the year ended December 31, 2010, approximately 40% of our revenues were earned in currencies other than the U.S. dollar and approximately 60% of our operating costs were denominated in currencies other than the U.S. dollar. The proportion of revenues denominated in currencies other than the U.S. dollar in a given period will differ from the annual proportion depending on the size and location of auctions held during the period. However, on an annual basis, we expect these amounts to largely offset and generally act as a natural hedge against exposure to fluctuations in the value of the U.S. dollar. We have not adopted a long-term hedging strategy to protect against foreign currency fluctuations associated with our operations denominated in currencies other than the U.S. dollar, but we may consider hedging specific transactions if we deem it appropriate in the future.

During 2010, we recorded a net increase in our foreign currency translation adjustment balance of \$4.5 million, compared to an increase of \$18.4 million in 2009. Our foreign currency translation adjustment arises from the translation of our net assets denominated in currencies other than the U.S. dollar.

We have not experienced significant interest rate exposure historically, as our long-term debt generally bears fixed rates of interest. However, borrowings under our global revolving credit facility are available at both fixed and floating rates of interest. If we determine our exposure to short-term interest rates is too

high, we may consider fixing a larger portion of our portfolio. As at December 31, 2010 we had a total of \$31.0 million (December 31, 2009 - \$29.5 million) in revolving loans bearing floating rates of interest.

Although we cannot accurately anticipate the future effect of inflation on our financial condition or results of operations, inflation historically has not had a material impact on our operations.

### ***Off-Balance Sheet Arrangements***

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### ***Legal and Other Proceedings***

From time to time we have been, and expect to continue to be, subject to legal proceedings and claims in the ordinary course of our business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on us or on our financial condition or results of operations or that involve a claim for damages, excluding interest and costs, in excess of 10% of our current assets.

### ***Critical Accounting Policies and Estimates***

In preparing our consolidated financial statements in conformity with Canadian GAAP, we must make decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances and historical experience. On an ongoing basis, we evaluate these judgments and estimates, including consideration of uncertainties relating to revenue recognition criteria, valuation of consignors' equipment and other assets subject to guarantee contracts, recoverability of capital assets, goodwill and future income tax assets, and the assessment of possible contingent assets or liabilities that should be recognized or disclosed in our consolidated financial statements. Actual amounts could differ materially from those estimated by us at the time our consolidated financial statements are prepared.

The following discussion of critical accounting policies and estimates is intended to supplement the significant accounting policies presented as note 1 to our consolidated financial statements, which summarizes the accounting policies and methods used in the preparation of those consolidated financial statements. The policies and the estimates discussed below are included here because they require more significant judgments and estimates in the preparation and presentation of our consolidated financial statements than other policies and estimates.

### ***Accounting for Income Taxes***

We record income taxes relating to our business in each of the jurisdictions in which we operate. We estimate our actual current tax exposure and the temporary differences resulting from differing treatment of items for tax and book accounting purposes. These differences result in future income tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our future income tax assets will be recovered from future taxable income. If recovery of these future tax assets is considered unlikely, we must establish a valuation allowance. To the extent we either establish or increase a valuation allowance in a period, we must include an expense within the tax provision in the consolidated statement of operations. Significant management judgment is required in determining our provision for income taxes, our measurement of future tax assets and liabilities, and any valuation allowance recorded against our net future tax assets. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish a valuation allowance that could materially impact the presentation of our financial position and results of operations.

### *Valuation of Goodwill*

We assess the possible impairment of goodwill in accordance with standards issued by the Canadian Institute of Chartered Accountants in Canada (known as the CICA) and the Financial Accounting Standards Board in the United States. The standards stipulate that reporting entities test the carrying value of goodwill for impairment annually at the reporting unit level using a two-step impairment test; if events or changes in circumstances indicate that the asset might be impaired, the test is conducted more frequently.

In the first step of the impairment test, the net book value of each reporting unit is compared with its fair value. We operate as a single reporting unit, which is the consolidated public company. As a result, we are able to refer to the stock market for a third party indicator of our Company's fair value. As long as the fair value of the reporting unit exceeds its net book value, goodwill is considered not to be impaired and the subsequent step of the impairment test is unnecessary. Changes in the market value of our common shares may impact our assessment as to whether goodwill has been impaired. These changes may result from changes in our business plans or other factors, including those that are outside our control. We perform the goodwill test each year as at September 30 or more frequently if events or changes in circumstances indicate that goodwill might be impaired. We performed the test as at September 30, 2010 and determined that no impairment had occurred.

### *Changes in Accounting Policies*

There have been no changes to our accounting policies during 2010.

### *Recent Accounting Pronouncements*

There were no accounting pronouncements made during 2010 that impact our accounting policies or the presentation of our consolidated financial position or results of operations.

### *International Financial Reporting Standards*

In February 2008, the Canadian Accounting Standards Board confirmed its strategy of replacing Canadian GAAP with International Financial Reporting Standards (IFRS) for Canadian publicly accountable enterprises. IFRS is issued by the International Accounting Standards Board (IASB). IFRS became effective for our interim and annual financial statements for periods commencing January 1, 2011. The conversion to IFRS impacts our accounting policies, information technology and data systems, internal control over financial reporting, and financial statement presentation and disclosure. Our transition plans are on schedule, and comparative information for the 2011 financial reporting has been prepared.

A review of the different areas affected by the transition to IFRS is made below.

### *Accounting Policies*

We commenced our IFRS conversion project in 2007 and established a conversion plan and an IFRS project team. We have identified the standards that have an impact on our financial statements, business processes, key performance measures and information systems. We have presented and discussed the following major identified differences with the Audit Committee of our Board of Directors:

- *Property, Plant and Equipment (PP&E)*: We have chosen to use the cost method under IFRS and will review annually depreciation methods and useful lives. We have identified assets meeting the investment property criteria under IAS 40: *Investment Property*; these will be shown separately on the financial statements. We have also chosen to use the cost method of accounting for these assets. Our annual impairment testing methodology will change as we will be testing at the cash-generating unit level, rather than the reporting unit level. We have not identified any indications of expected impairment to either PP&E or goodwill on the date of transition to IFRS. We have also

tested goodwill for impairment under IFRS methodology at September 30, 2010, and found no impairment.

- *Business Combinations* that occurred prior to January 1, 2010 will remain unchanged, subject to the requirements of appendix C of IFRS 1 *First Time Adoption of International Financial Reporting Standards*. From January 1, 2010 onwards we intend to account for all business combinations in line with IFRS 3 *Business Combinations* for our IFRS financial reporting.
- *Leases* will be assessed for classification as operating or finance leases under IAS 17 *Leases*. Our preliminary assessment has not indicated any change to the classification of our leases currently recorded as operating leases and we do not have any finance leases.
- *Income Taxes*: Stock options issued which are tax deductible must be revalued at each reporting date under IFRS. The temporary differences created by this revaluation will be included in deferred tax. Furthermore, our future tax assets and liabilities recorded in our consolidated balance sheets will be reclassified to be entirely non-current and renamed “deferred tax assets and liabilities”.
- *Share Based Payment*: Each instalment (representing the different annual vesting periods of each grant of options) of share option awards will be treated as a separate option grant, and the fair value of each instalment will be amortized over each instalment’s vesting period.

The following IFRS 1 exemptions from retrospective application are available to us and may be used on transition to IFRS:

- *Business Combinations*: At the date of transition to IFRS on January 1, 2010, we will apply IFRS 3 prospectively and use the exemption in IFRS to treat prior business combinations in a manner consistent with Canadian GAAP.
- *Share Based Payments*: We have not elected to apply IFRS 2: *Share Based Payments* to options granted before November 7, 2002 and those options that were granted after November 7, 2002 which were vested at January 1, 2010.
- *Cumulative Translation Differences*: We will “reset” cumulative translation differences accumulated as at the date of transition to zero. The gain or loss on a subsequent disposal of any foreign operation will then exclude translation differences that arose before the date of transition, but include all later translation differences.

As the IASB will continue to issue new accounting standards during our conversion period, the final impact of IFRS on the presentation of our financial position and results of operations and our financial statement disclosure will only be measured once the IFRS applicable at our conversion date are known. In particular, we are closely monitoring the IASB’s projects on: leases; provisions; financial statement presentation – presentation of items of other comprehensive income; financial instruments – classification and measurement; revenue recognition; and the annual improvements process.

#### *Financial Statement Presentation & Disclosure*

We have completed the preparation of our opening balance sheet as at January 1, 2010 and year end 2010 balance sheet as at December 31, 2010 under IFRS. This information is required to be disclosed in the notes to the consolidated financial statements starting with the first quarter of 2011.

The impact on our 2010 net earnings on adopting IFRS is a reduction to our net earnings under Canadian GAAP for the year ended December 31, 2010 of approximately \$0.5 million, due to the adjustment to share based payment expense for treating each instalment as a separate option grant.

We have determined that the impact to our retained earnings balance is limited to the following areas:

- Share based payment revaluation of separate instalments; and
- Cumulative translation differences accumulated at the date of transition.

The estimated impact to retained earnings from pre-changeover Canadian GAAP to IFRS is approximately as follows:

	<b>As at January 1, 2010</b>	<b>As at December 31, 2010</b>
Retained earnings under Canadian GAAP .....	\$ 411,300	\$ 434,000
Share based payment revaluation of separate instalments <sup>(1)</sup> .....	(500)	(1,000)
Cumulative translation differences set to nil .....	17,000	17,000
Retained earnings under IFRS.....	<b>\$ 427,800</b>	<b>\$ 450,000</b>

(1) This adjustment arises solely on the 2009 and 2010 grants of options vesting over more than one year.

We have also determined that we will have changes to the 2010 opening balance sheet and year end balance sheet approximately as follows:

	<b>As at January 1, 2010</b>	<b>As at December 31, 2010</b>
Reclassifications		
Assets held for sale from non-current to current classification.....	\$ 3,700	\$ 400
Current portion of deferred tax from current to non-current classification .....	700	200
Financial assets from other assets to a new separate line items:		
Current.....	100	100
Non-current .....	5,100	5,000
Revaluation		
Revaluation of deferred tax on share based payments that are deductible for tax purposes increasing deferred tax asset and additional paid-in capital .....	\$ 1,700	\$ 1,500
New line item		
Investment properties from property, plant and equipment to a separate line item <sup>(1)</sup> .....	\$ 8,500	\$ 9,000

(1) Note that there was no change in the investment properties identified from our 2010 opening balance sheet to our closing balance sheet; the change in reconciling item relates solely to foreign exchange movement.

During 2010, we substantially completed the preparation of our interim reconciliations for the periods ending March 31, 2010, June 30, 2010 and September 30, 2010 under IFRS, as well as the annual reconciliation for the year ended December 31, 2010. We determined that there is no material impact on net earnings for those periods. We have also substantially completed our 2011 shell annual and interim consolidated financial statements including explanatory notes under IFRS.

### *Internal Control over Financial Reporting*

As the new accounting policies under IFRS are finalized, a review of the integrity of our internal control over financial reporting and disclosure controls and procedures has been completed. At this time, we believe that the current framework is sufficiently robust to incorporate the changes to the financial reporting processes.

We have conducted training sessions targeted to employees at various levels of our organization, including our Board of Directors. We also plan to continue to provide training to other key employees. During 2010 we rolled out a training course to our controllers in operations around the world.

### *Information Technology and Data Systems*

We have tested our information systems' integrity in a development environment to ascertain the response to the adjustments discussed above, as well as the additional account lines required in the consolidation, and no significant errors were found. We will continue to monitor the impact of the IFRS transition on our information systems as the transition is finalized.

### *Other Affected Areas*

We continue to consider the impact of conversion on our business processes and operations. Business processes and operations include contractual arrangements, debt covenants, and compensation arrangements. We anticipate minimal impact of the conversion project on our business processes and operations.

We have met our transition plans relating to IFRS for developing the opening balance sheet and comparative information for 2011 financial reporting. We will present our first interim consolidated financial statements in 2011 under IFRS.

### *Disclosure Controls and Procedures*

We have established and maintained disclosure controls and procedures in order to provide reasonable assurance that material information relating to our Company is made known to the appropriate level of management in a timely manner.

Based on current securities legislation in Canada and the United States, our Chief Executive Officer and Chief Financial Officer are required to certify that they have assessed the effectiveness of our disclosure controls and procedures as at December 31, 2010.

We performed an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as at December 31, 2010. Based on that evaluation, we concluded that our disclosure controls and procedures were effective as of that date to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Furthermore, we concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms.

### ***Internal Control over Financial Reporting***

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in “Internal Control – Integrated Framework”, management concluded that our internal control structure and procedures over financial reporting were effective as of December 31, 2010.

The effectiveness of our internal controls over financial reporting as of December 31, 2010 has been audited by KPMG LLP, the independent registered public accounting firm that audited our December 31, 2010 consolidated annual financial statements, as stated in their report, which is included in our consolidated financial statements.

### ***Changes in Internal Controls Over Financial Reporting***

There has been no change in our internal control over financial reporting during 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. These statements are based on current expectations and estimates about our business, and include, among others, statements relating to:

- our future performance;
- growth of our operations;
- growth of the world market for used equipment and trucks;
- increases in the number of consignors and bidders participating in our auctions;
- the impact of the economic environment on our operations and capital resources, and our customers, including the number of bidders and buyers attending our auctions and consignment volumes at those auctions; the demand for our services; our bidders’ ability to access credit to fund their purchases; the impact of the economic environment on equipment prices, supply and demand, risk and our business model;
- our principal operating strengths, our competitive advantages, and the appeal of our auctions to buyers and sellers of industrial assets;
- our ability to draw consistently significant numbers of local and international end-user bidders to our auctions;
- our ability to grow our core auction business, including our ability to increase our market share with traditional market share and make our auctions easier, and do more business with new customer groups in new markets, the acquisition and development of auction facilities and the related impact on our capital expenditures, and response by our customers to the new initiatives being launched in 2011;
- our ability to add new business and information solutions, including utilizing technology to enhance our auction services and support additional value added services, maximizing the use of business intelligence to enhance our understanding of the equipment market and ability to make [www.rbauction.com](http://www.rbauction.com) the preferred equipment website;
- our ability to perform by building an inspired high-performance customer focused team, and to improve sales force productivity, employee engagement and management bench strength;

- the relative percentage of gross auction proceeds represented by straight commission, guarantee and inventory contracts;
- our auction revenue rates, the sustainability of those rates, the impact of our commission rate and fee changes, and the seasonality of gross auction proceeds and auction revenues;
- our direct expense and income tax rates, depreciation expenses and general and administrative expenses;
- our future capital expenditures;
- our internet initiatives and the level of participation in our auctions by internet bidders;
- the proportion of our revenues and operating costs denominated in currencies other than the U.S. dollar or the effect of any currency exchange and interest rate fluctuations on our results of operations; and
- financing available to us and the sufficiency of our working capital to meet our financial needs.

Forward-looking statements are typically identified by such words as “anticipate”, “believe”, “could”, “feel”, “continue”, “estimate”, “expect”, “intend”, “may”, “ongoing”, “plan”, “potential”, “predict”, “will”, “should”, “would”, “could”, “likely”, “generally”, “future”, “period to period”, “long term”, or the negative of these terms, and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While we have not described all potential risks related to our business and owning our common shares, the important factors listed under “Risk Factors” below are those that we consider may affect our performance significantly or could cause our actual financial and operational results to differ significantly from our predictions. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our predictions have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of these and other relevant factors.

### ***Risk Factors***

Our business is subject to a number of risks and uncertainties, and our past performance is no guarantee of our performance in future periods. Some of the more important risks that we face are outlined below and holders of our common shares should consider these risks. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also adversely affect our financial condition or impair our business or results of operations. If any of the following risks actually occur, our business, results of operations and financial condition would suffer.

#### **Damage to our reputation for fairness, integrity and conducting only unreserved auctions could harm our business.**

Strict adherence to the unreserved auction process is one of our founding principles and, we believe, one of our most significant competitive advantages. Closely related to this is our reputation for fairness and honesty in our dealings with our customers. Our ability to attract new customers and continue to do business with existing customers could be harmed if our reputation for fairness, integrity and conducting only unreserved auctions was damaged. If we are unable to maintain our reputation and enforce our unreserved auction policy we could lose business and our results of operations would suffer.

**Decreases in the supply of, demand for, or market values of industrial assets, primarily used industrial equipment, could harm our business.**

Our auction revenues could decrease if there was significant erosion in the supply of, demand for, or market values of used industrial equipment, which could adversely affect our financial condition and results of operations. We have no control over any of the factors that affect the supply of, and demand for, used industrial equipment, and the circumstances that cause market values for industrial equipment to fluctuate – including, among other things, economic uncertainty, disruptions to credit and financial markets, lower commodity prices, and our customers’ restricted access to capital – are beyond our control. Recent economic conditions have caused fluctuations in the supply, mix and market values of used equipment available for sale, which has a direct impact on our auction revenues. In addition, price competition and the availability of industrial equipment directly affect the supply of, demand for, and market value of used industrial equipment. Climate change initiatives, including significant changes to engine emission standards applicable to industrial equipment, may also adversely affect the supply of, demand for or market values of industrial equipment.

**We may incur losses as a result of our guarantee and outright purchase contracts and advances to consignors.**

In recent periods, approximately 75% of our business has been conducted on a straight commission basis. In certain other situations we will either offer to:

- guarantee a minimum level of sale proceeds to the consignor, regardless of the ultimate selling price of the consignment at the auction; or
- purchase the equipment outright from the consignor for sale in a particular auction.

The level of guaranteed proceeds or inventory purchase price is based on appraisals performed on equipment by our internal personnel. Inaccurate appraisals could result in guarantees or inventory values that exceed the realizable auction proceeds. If auction proceeds are less than the guaranteed amount, our commission will be reduced and, in certain circumstances, we could incur a loss. If auction proceeds are less than the purchase price we paid for equipment that we take into inventory temporarily, we will incur a loss. Because all of our auctions are unreserved, there is no way for us to protect against these types of losses by bidding on or acquiring any of the items at the auction. We expect that competitive forces and supply imbalances will likely encourage us to increase our exposure to at risk contracts. If our exposure increases, this risk would be compounded.

Occasionally we advance to consignors a portion of the estimated auction proceeds prior to the auction. We generally make these advances only after taking possession of the assets to be auctioned and upon receipt of a security interest in the assets to secure the obligation. If we were unable to auction the assets or if auction proceeds were less than amounts advanced, we could incur a loss.

**We may have difficulties sustaining and managing our growth.**

One of the main elements of our strategy is to continue to grow our core auction business, primarily by increasing our presence in markets in which we already operate and by expanding into new geographic markets and market segments in which we have not had a significant presence in the past. As part of this strategy, we may from time to time acquire additional assets or businesses from third parties. We may not be successful in growing our business or in managing this growth. For us to grow our core auction business successfully, we need to accomplish a number of objectives, including:

- recruiting and retaining suitable sales and managerial personnel;
- developing and enhancing an appropriate sales strategy;
- identifying and developing new geographic markets and market sectors;

- expanding awareness of our brand, including value proposition and competitive advantages, in existing and new markets;
- successfully executing the introduction of new ancillary services and enhanced equipment information;
- successfully executing the introduction of our revised and expanded administrative fee;
- identifying and acquiring, on terms favourable to us, suitable land on which to build new auction facilities and, potentially, businesses that might be appropriate acquisition targets;
- obtaining necessary financing on terms favourable to us, and securing the availability of our credit facilities to fund our growth initiatives;
- receiving necessary authorizations and approvals from governments for proposed development or expansion;
- integrating successfully new facilities and any acquired businesses into our existing operations;
- achieving acceptance of the auction process in general by potential consignors, bidders and buyers;
- establishing and maintaining favourable relationships with and meeting the needs of consignors, bidders and buyers in new markets and market sectors, and maintaining these relationships in our existing markets;
- capturing all relevant market data and utilizing it to generate insight and understanding of key company and industry drivers and market trends;
- developing appropriate responses based on data collected to meet the needs of existing and potential customers to achieve customer retention targets;
- succeeding against local and regional competitors in existing and new geographic markets;
- capitalizing on changes in the supply of and demand for industrial assets, and understanding and responding to changing market dynamics, in our existing and new markets; and
- designing and implementing business processes and operating systems that are able to support profitable growth.

We will likely need to hire additional employees to manage our growth. In addition, growth may increase the geographic scope of our operations and increase demands on both our operating and financial systems. These factors will increase our operating complexity and the level of responsibility of existing and new management personnel. It may be difficult for us to attract and retain qualified sales personnel, managers and employees, and our existing operating and financial systems and controls may not be adequate to support our growth. We may not be able to improve our systems and controls as a result of increased costs, technological challenges, or lack of qualified employees. Our past results and growth may not be indicative of our future prospects or our ability to expand into new markets, many of which may have different competitive conditions and demographic characteristics than our existing markets.

**We are pursuing a long-term growth strategy that requires upfront investment**

We continue to pursue a long-term growth strategy that contemplates investments in growing our core business, including investments in frontier markets that may not generate profitable growth in the near term, adding new business and information solutions, and developing our people. Planning for future growth requires investments to be made now in anticipation of growth that may not materialize, and if our strategies do not successfully address the needs of current and potential customers we may not be successful growing our gross auction proceeds and our earnings may be adversely impacted. A large component of our G&A expenses is considered fixed costs that we will incur regardless of gross auction proceeds growth. There can be no assurances that our gross auction proceeds and auction revenues will

grow at a more rapid rate than our fixed costs, especially in the event of a deep and prolonged recession, which would have a negative impact on our margins and earnings per share.

**Our future expenses may increase significantly or our operations, and ability to expand may be limited as a result of environmental and other regulations.**

A variety of federal, provincial, state and local laws, rules and regulations throughout the world, including local tax and accounting rules, apply to our business. These relate to, among other things, the auction business, imports and exports of equipment, worker safety, privacy of customer information, and the use, storage, discharge and disposal of environmentally sensitive materials. Complying with revisions to laws, rules and regulations could result in an increase in expenses and a deterioration of our financial performance. Failure to comply with applicable laws, rules and regulations could result in substantial liability to us, suspension or cessation of some or all of our operations, restrictions on our ability to expand at present locations or into new locations, requirements for the acquisition of additional equipment or other significant expenses or restrictions.

The development or expansion of auction sites depends upon receipt of required licenses, permits and other governmental authorizations. Our inability to obtain these required items could harm our business. Additionally, changes or concessions required by regulatory authorities could result in significant delays in, or prevent completion of, such development or expansion.

Under some environmental laws, an owner or lessee of, or other person involved in, real estate may be liable for the costs of removal or remediation of hazardous or toxic substances located on or in, or emanating from, the real estate, and related costs of investigation and property damage. These laws often impose liability without regard to whether the owner, lessee or other person knew of, or was responsible for, the presence of the hazardous or toxic substances. Environmental contamination may exist at our owned or leased auction sites, or at other sites on which we may conduct auctions, or properties that we may be selling by auction, from prior activities at these locations or from neighbouring properties. In addition, auction sites that we acquire or lease in the future may be contaminated, and future use of or conditions on any of our properties or sites could result in contamination. The costs related to claims arising from environmental contamination of any of these properties could harm our financial condition and results of operations.

Climate change may not affect us directly, but government regulation in response to this area of global concern may affect the ability of equipment owners to transport certain equipment between specified jurisdictions or the saleability of older equipment. One example of these restrictions is environmental certification requirements in the United States, which prevent non-certified equipment from entering into commerce in the United States. These restrictions, or changes to environmental laws, could inhibit materially the ability of customers to ship equipment to or from our auction sites, reducing our gross auction proceeds and harming our business.

International bidders and consignors could be deterred from participating in our auctions if governmental bodies impose additional export or import regulations or additional duties, taxes or other charges on exports or imports. Reduced participation by international bidders and consignors could reduce gross auction proceeds and harm our business, financial condition and results of operations.

**Disruptions to credit and financial markets and economic uncertainty could harm our operations.**

Recent global economic and financial market events caused, among other things, a general tightening in credit markets, lower levels of liquidity, increases in default rates, and a level of uncertainty in the used equipment marketplace, all of which may have a continuing negative impact on our operations, financial condition and liquidity and ability to grow our business. Our operations and access to our cash balances in the future are dependent upon the economic viability of our key suppliers and the various financial institutions we utilize. Our future operations may be disrupted if we cannot obtain products and services necessary for our auction operations from our key suppliers, or if we lose access to our cash balances. In addition, our future auction revenues may decrease if our consignors choose not to sell their assets as a

result of economic conditions, or if our buyers are unable to obtain financing for asset purchases, or if any of our customers are in financial distress. In addition, our lenders may be unable to advance funds to us under existing credit facilities, which could harm our liquidity and ability to operate or grow our business. Our customers may decide to delay the sale of excess assets due to uncertainty about the used equipment market, market values, construction spending or other factors, which could limit growth of our gross auction proceeds. The timing and degree of a full recovery in credit and financial markets remain uncertain, and there can be no assurance that market conditions will improve in the near future and that our results of operations will not be adversely affected.

**Competition in our core markets could result in reductions in our future revenues and profitability.**

The used truck and equipment sectors of the global industrial equipment market, and the auction segment of those markets, are highly fragmented. We compete directly for potential purchasers of industrial equipment with other auction companies. Our indirect competitors include equipment manufacturers, other third party methods, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies, other third party methods, and equipment owners that have traditionally disposed of equipment in private sales.

Our direct competitors are primarily regional auction companies. Some of our indirect competitors have significantly greater financial and marketing resources and name recognition than we do. New competitors with greater financial and other resources may enter the industrial equipment auction market in the future. Additionally, existing or future competitors may succeed in entering and establishing successful operations in new geographic markets prior to our entry into those markets. They may also compete against us through internet-based services. If existing or future competitors seek to gain or retain market share by reducing commission rates, or our strategy to compete against them is not effective, we may also be required to reduce commission rates, which may reduce our revenue and harm our operating results and financial condition, or we may lose market share.

We currently generate the majority of our revenues through unreserved auctions. We may be susceptible to loss of business as a result of our restrictive service offering if competing models become more appealing to customers. If our selling model becomes undesirable or we are not successful adding services complimentary to our existing selling model and business, we may not be successful increasing market penetration over the long term, which could prevent us from achieving our long-term earnings growth targets.

**Our substantial international operations expose us to foreign exchange rate fluctuations and political and economic instability that could harm our results of operations.**

We conduct business in many countries around the world and intend to continue to expand our presence in international markets, including emerging markets. Fluctuating currency exchange rates, acts of terrorism or war, and changing social, economic and political conditions and regulations, including income tax and accounting regulations, and political interference, may negatively affect our business in international markets and our related results of operations. Currency exchange rate fluctuations between the different countries in which we conduct our operations impact the purchasing power of buyers, the motivation of consignors, asset values and asset flows between various countries, including those in which we do not have operations. These factors and other global economic conditions may harm our business and our operating results.

Although we report our financial results in U.S. dollars, a significant portion of our auction revenues is generated at auctions held outside the United States, mostly in currencies other than the U.S. dollar. Currency exchange rate changes against the U.S. dollar, particularly for the Canadian dollar and the Euro, could affect the presentation of our results in our financial statements and cause our earnings to fluctuate.

**Our business could be harmed if we lost the services of one or more key personnel.**

The growth and performance of our business depends to a significant extent on the efforts and abilities of our executive officers and senior managers. Our business could be harmed if we lost the services of any of these individuals. We do not maintain key man insurance on the lives of any of our executive officers. Our future success largely depends on our ability to attract, develop and retain skilled employees in all areas of our business, as well as to design an appropriate organization structure and plan effectively for succession.

**Our internet-related initiatives are subject to technological obsolescence and potential service interruptions and may not contribute to improved operating results over the long-term; in addition, we may not be able to compete with technologies implemented by our competitors.**

We have invested significant resources in the development of our internet platform, including our online bidding service and website. We use and rely on intellectual property owned by third parties, which we license for use in providing our online bidding service. Our internet technologies may not result in any material long-term improvement in our results of operations or financial condition and may require further significant investment to avoid obsolescence. We may also not be able to continue to adapt our business to internet commerce and we may not be able to compete effectively against internet auction services offered by our competitors.

The success of our online bidding service and other services that we offer over the internet, including equipment-searching capabilities and historical price information, will continue to depend largely on the performance and reliability of the hardware and software we utilize, our ability to use suitable intellectual property licensed from third parties, further development and maintenance of our information technology infrastructure and the internet in general. Our ability to offer online services depends on the performance of the internet, as well as our internal hardware and software systems.

“Viruses”, “worms” and other similar programs, which have in the past caused periodic outages and other internet access delays, may in the future interfere with the performance of the internet and some of our internal systems. These outages and delays could reduce the level of service we are able to offer over the internet. We could lose customers and our reputation could be harmed if we were unable to provide services over the internet at an acceptable level of performance or reliability.

**Our business is subject to risks relating to our ability to safeguard the security and privacy of our customers' confidential information.**

We maintain proprietary databases containing confidential personal information about our customers and the results of our auctions, and we must safeguard the security and privacy of this information. Despite our efforts to protect this information, we face the risk of inadvertent disclosure of this sensitive information or an intentional breach of our security measures.

Security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability for damages. We may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by any breaches. Our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

**The availability and performance of our internal technology infrastructure are critical to our business.**

The satisfactory performance, reliability and availability of our website, enterprise resource planning system, processing systems and network infrastructure are important to our reputation and our business. We will need to continue to expand and upgrade our technology, transaction processing systems and network infrastructure both to meet increased usage of our online bidding service and other services offered on our website and to implement new features and functions. Our business and results of operations could be harmed if we were unable to expand and upgrade in a timely manner our systems and infrastructure to

accommodate any increases in the use of our internet services, or if we were to lose access to or the functionality of our internet systems for any reason.

We use both internally developed and licensed systems for transaction processing and accounting, including billings and collections processing. We have recently improved these systems to accommodate growth in our business. If we are unsuccessful in continuing to upgrade our technology, transaction processing systems or network infrastructure to accommodate increased transaction volumes, it could harm our operations and interfere with our ability to expand our business.

**We may incur losses as a result of legal and other claims.**

We are subject to legal and other claims that arise in the ordinary course of our business. While the results of these claims have not historically had a material effect on our business, financial condition or results of operations, we may not be able to defend ourselves adequately against these claims in the future and we may incur losses. Aggregate losses from and the legal fees associated with these claims could be material.

**Our business continuity plan may not operate effectively in the event of a significant interruption of our business.**

We depend on our information and other systems and processes for the continuity and effective operation of our business. We have recently implemented a formal business continuity plan covering most significant aspects of our business that would take effect in the event of a significant interruption to our business, or the loss of key systems as a result of a natural or other disaster. Although we have tested our business continuity plan as part of the implementation, there can be no assurance that it will operate effectively or that our business, results of operations and financial condition will not be materially affected in the event of a significant interruption of our business.

We are in the process of implementing a formal disaster recovery plan, including a data center co-location that went into effect in 2009. However, our disaster recovery plan is not yet complete. If we were subject to a disaster or serious security breach, it could materially damage our business, results of operations and financial condition.

**Our insurance may be insufficient to cover losses that may occur as a result of our operations.**

We maintain property and general liability insurance. This insurance may not remain available to us at commercially reasonable rates, and the amount of our coverage may not be adequate to cover all liabilities that we may incur. Our auctions generally involve the operation of large equipment close to a large number of people, and despite our focus on safe work practices, an accident could damage our facilities or injure auction attendees. Any major accident could harm our reputation and our business. In addition, if we were held liable for amounts exceeding the limits of our insurance coverage or for claims outside the scope of our coverage, the resulting costs could harm our results of operations and financial condition.

**Certain global conditions may affect our ability to conduct successful auctions.**

Like most businesses with global operations, we are subject to the risk of certain global conditions, such as pandemics or other disease outbreaks or natural disasters that could hinder our ability to conduct our scheduled auctions, or restrict our customers' travel patterns or their desire to attend auctions. If this situation were to occur, we may not be able to generate sufficient equipment consignments to sustain our business or to attract enough bidders to our auctions to achieve world fair market values for the items we sell. This could harm our results of operations and financial condition.

**Our operating results are subject to quarterly variations.**

Historically, our revenues and operating results have fluctuated from quarter to quarter. We expect to continue to experience these fluctuations as a result of the following factors, among others:

- the size, timing and frequency of our auctions;
- the seasonal nature of the auction business in general, with peak activity typically occurring in the second and fourth calendar quarters, mainly as a result of the seasonal nature of the construction and natural resources industries;
- the performance of our underwritten business (guarantee and outright purchase contracts);
- general economic conditions in our markets; and
- the timing of acquisitions and development of auction facilities and related costs.

In addition, we usually incur substantial costs when entering new markets, and the profitability of operations at new locations is uncertain as a result of the increased variability in the number and size of auctions at new sites. These and other factors may cause our future results to fall short of investor expectations or not to compare favourably to our past results.

**We may not continue to pay regular cash dividends.**

We declared and paid total quarterly cash dividends of \$0.41 per outstanding common share in 2010. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors, after taking into account our operating results, financial condition, cash requirements, financing agreement restrictions and other factors our Board may deem relevant. We may be unable or may elect not to continue to declare and pay dividends, even if necessary financial conditions are met and sufficient cash is available for distribution.

**The impact of the adoption of International Financial Reporting Standards IFRS in 2011 is uncertain.**

We, as a publicly accountable Canadian enterprise, are required by the Canadian Accounting Standards Board to adopt IFRS beginning January 1, 2011. We will not be able to determine the full impact of the adoption of IFRS on our consolidated financial statements until the completion of the first annual financial statements under IFRS for the year ended December 31, 2011. This is due to the continually changing IFRS and guidance issued by the IASB and Canadian Securities Administrators.

**EXHIBIT NO. 4**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

To the Board of Directors of Ritchie Bros. Auctioneers Incorporated

We consent to the inclusion in this annual report on Form 40-F of:

- our auditors' report dated February 22, 2011 on the consolidated balance sheets of Ritchie Bros. Auctioneers Incorporated (the "Company") as at December 31, 2010 and 2009, and the consolidated statements of operations, shareholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2010.
- our Report of Independent Registered Public Accounting Firm dated February 22, 2011 on the effectiveness of internal control over financial reporting as of December 31, 2010.

each of which is included in this annual report on Form 40-F of the Company for the year ended December 31, 2010.

We also consent to the incorporation by reference of such reports in the Registration Statements (Nos. 333 – 65533 and 333 – 71577) on Form S-8 of Ritchie Bros. Auctioneers Incorporated.

*/s/ KPMG LLP*

Chartered Accountants

Vancouver, Canada

February 22, 2011

## EXHIBIT NO. 31.1

### CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter J. Blake, certify that:

1. I have reviewed this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated;
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 issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors:
  - (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 issuer'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 issuer's internal control over financial reporting.

Date: February 24, 2011

/s/ Peter J. Blake

Peter J. Blake  
Chief Executive Officer

## EXHIBIT NO. 31.2

### CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert A. McLeod, certify that:

1. I have reviewed this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated;
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 issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors:
  - (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 issuer'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 issuer's internal control over financial reporting.

Date: February 24, 2011

/s/ Robert A. McLeod

Robert A. McLeod  
Chief Financial Officer

## **EXHIBIT NO. 32.1**

### **CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated for the period ended December 31, 2010, I, Peter J. Blake, Chief Executive Officer of the issuer, certify that:

1. The annual 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 the annual report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: February 24, 2011

/s/ Peter J. Blake

Peter J. Blake  
Chief Executive Officer

This certification accompanies the annual report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the issuer for purposes of Section 18 of the Securities Exchange Act of 1934.

**EXHIBIT NO. 32.2**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated for the period ended December 31, 2010, I, Robert A. McLeod, Chief Financial Officer of the issuer, certify that:

1. The annual 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 the annual report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: February 24, 2011

/s/ Robert A. McLeod

Robert A. McLeod  
Chief Financial Officer

This certification accompanies the annual report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the issuer for purposes of Section 18 of the Securities Exchange Act of 1934.