



FINANCIAL INFORMATION:

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

Overview

The following discussion summarizes the significant factors affecting the consolidated operating results and financial condition of Ritchie Bros. Auctioneers Incorporated ("Ritchie Bros." or the "Company") for the year ended December 31, 2000 compared to the year ended December 31, 1999. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included herein. The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles in Canada which, except as set out in note 9 to the consolidated financial statements, result in materially consistent financial position and results of operations to that which would be reported under generally accepted accounting principles in the United States. Amounts discussed below are based on consolidated financial statements prepared in accordance with Canadian accounting principles.

Ritchie Bros. is the world's leading auctioneer of industrial equipment. At December 31, 2000, the Company operated from over 80 locations in North and Central America, Europe, Asia, Australia, Africa and the Middle East. The Company sells, through unreserved public auctions, a broad range of used equipment, including equipment utilized in the construction, transportation, mining, forestry, petroleum and agricultural industries.

Gross auction sales represent the aggregate selling prices of all items sold at Ritchie Bros. auctions during the periods indicated. Gross auction sales are key to understanding the financial results of the Company, since the amount of auction revenues and to a lesser extent, certain expenses, are dependent on it. Auction revenues include commissions earned as agent for consignors through both straight commission and gross guarantee contracts, plus the net profit on the sale of equipment purchased and sold by the Company as principal. Under a gross guarantee contract, the consignor is guaranteed a minimum amount of proceeds on the sale of its equipment. When the Company guarantees gross proceeds, it earns a commission on the guaranteed amount and typically participates in a negotiated percentage of proceeds, if any, in excess of the guaranteed amount. If auction proceeds are less than the guaranteed amount, the Company's commission would be reduced, or, if sufficiently lower, the Company would incur a loss. Auction revenues are reduced by the amount of any losses on gross guarantee consignments and sales by the Company as principal. Auction revenues also include interest income earned that is incidental to the auction business.

The Company's gross auction sales and auction revenues are affected by the seasonal nature of the auction business. Gross auction sales and auction revenues tend to increase during the second and fourth calendar quarters during which the Company generally conducts more auctions than in the first and third calendar quarters. The Company's gross auction sales and auction revenues are also affected on a period-to-period basis by the timing of major auctions. In newer markets where the Company is developing operations, the number and size of auctions and, as a result, the level of gross auction sales and auction revenues, is likely to vary more dramatically from period-to-period than in the Company's established markets where the number, size and frequency of the Company's auctions are more consistent. Finally, economies of scale are achieved as the Company's operations in a region mature from conducting intermittent auctions, establishing a regional auction unit, and ultimately to developing a permanent auction site. Economies of scale are also achieved when the size of the Company's auctions increases.

The Company is aware of potential restrictions that may affect the ability of equipment owners to transport certain equipment between some jurisdictions. Management believes that these potential restrictions have not had a significant impact on the Company's business, financial condition or results of operations to date. However, the extent of any future impact on the Company's business, financial condition or results of operations from these potential restrictions cannot be predicted at this time.

Although the Company cannot accurately anticipate the future effect of inflation, inflation historically has not had a material effect on the Company's operations.

During 2000 the Company held its first auction in Spain and opened sales offices in Spain, Saudi Arabia, Jordan and several cities in North America. In addition, new permanent auction sites were opened in Perris, California; Morris, Illinois; and Montreal, Quebec. The Company also opened new auction facilities at its regional auction units in Dubai, the United Arab Emirates and Singapore. Also during 2000, the Company purchased 318 acres of land (with plans to develop approximately 125 acres) in Edmonton, Alberta with the intention of constructing a permanent auction site to service the Edmonton market. The new site is expected to replace the existing 24 acre Edmonton permanent auction site in the second half of 2001. The Company also purchased two acres of land in Richmond, British Columbia with the intention of constructing a new administrative head office building. The new head office is expected to be complete in June 2001.

Also during 2000 the Company hosted several live auction broadcasts over the Internet and continued its work on other Internet initiatives designed to enhance the Company's auction business.

Results of Operations

Auction Revenues

Auction revenues of \$106.1 million for the year ended December 31, 2000 increased by \$1.5 million, or 1.4%, from 1999 due to increased gross auction sales, partially offset by a lower average percentage of auction revenues earned by the Company on gross auction sales. Gross auction sales of \$1.23 billion for the year ended December 31, 2000 increased \$62.4 million, or 5.3%, over the prior year, primarily as a result of increased gross auction sales in Canada and the United States, partially offset by decreased gross auction sales in other parts of the world. Results for 2000 included significant auctions in Fort Worth, Texas; Ocala, Florida; Toronto, Ontario and in the Port of Moerdijk, the Netherlands. In addition, the Company held its first auction in Spain. Auction revenues as a percentage of gross auction sales have averaged approximately 8.80% on a long-term basis. In the year ended December 31, 2000, the auction revenue rate of 8.61% was lower than the long-term average and lower than the 8.94% rate experienced in the year ended December 31, 1999. Management's expectations with respect to the long-term average auction revenue rate remain unchanged.

Direct Expenses

Direct expenses are expenses that are incurred as a direct result of an auction sale being held. Direct expenses include the costs of hiring personnel to assist in conducting the auction, lease expenses for temporary auction sites, travel costs for full time employees to attend and work at the auction site, security hired to safeguard equipment while at the auction site and advertising specifically related to the auction. Direct expenses of \$17.9 million for the year ended December 31, 2000 increased by \$0.5 million compared to 1999 due to increased auction activity generated by the Company in 2000. As a percentage of gross auction sales, direct expenses were 1.45% for the year ended December 31, 2000, roughly consistent with the 1.49% ratio experienced in the prior year. Direct expenses as a percentage of gross auction sales fluctuate based on the size and location of auctions held each period. Management expects that, on average, direct expenses as a percentage of gross auction sales will be approximately 1.50% in 2001.

Depreciation and Amortization Expense

Depreciation is calculated on capital assets employed in the Company's business, including buildings, certain site improvements, automobiles, yard equipment, and computer hardware and software. Amortization results from expensing, over 20 years, the \$33.0 million of goodwill recorded as a result of the acquisition of the auction business of Forke in April 1999. In the year ended December 31, 2000, depreciation and amortization expense was \$7.8 million, compared to \$5.6 million in 1999. This increase is primarily the result of the depreciation of new auction facilities constructed over the past year. Management anticipates that depreciation expense will increase as existing auction sites are improved and additional permanent auction sites are acquired and developed.

General and Administrative Expense

General and administrative expense ("G&A") includes employee expenses such as salaries, wages, performance bonuses and benefits, non-auction related travel, institutional advertising, insurance, general office, and computer expenses. For the year ended December 31, 2000, the Company incurred G&A of \$52.9 million, as compared to \$47.3 million in 1999. This increase in expenditures is attributable to an increase in employee numbers and infrastructure to support the growth initiatives of the Company, and costs associated with a Company-wide meeting held in January 2000. Future levels of G&A will be affected by infrastructure and workforce expansion necessary to support the Company's growth plans and other factors.

Income from Operations

Income from operations was \$27.5 million for the year ended December 31, 2000 compared to \$34.2 million in 1999. This decrease is primarily the result of increased G & A and depreciation and amortization expenses.

Interest Expense

Interest expense includes interest and bank charges paid on term bank debt. Interest expense for the year ended December 31, 2000 was \$3.4 million, compared to \$1.7 million incurred in 1999. The increase resulted primarily from debt incurred by the Company in April 1999 and June 1999 in connection with the acquisition of the auction business and certain assets of Forke, as well as debt incurred over the past year to finance the development of additional permanent auction sites. During the year, the Company capitalized \$1.1 million (1999—\$0.9 million) of interest related to properties under development. Management anticipates that interest expense will increase further as debt is incurred to finance the development of additional permanent auction sites. See "Overview" and "Liquidity and Capital Resources."

Other Income

Other income arises from equipment appraisals performed by the Company, and other miscellaneous sources. Other income for the year ended December 31, 2000 was \$1.3 million compared to \$1.2 million in 1999.

Income Taxes

Income taxes of \$8.2 million for the year ended December 31, 2000 have been computed based on rates of tax that apply in each of the tax jurisdictions in which the Company operates. The effective tax rate of 32.2% on net income for the year ended December 31, 2000 is lower than the 33.9% rate the Company experienced in 1999 primarily due to the different jurisdictions in which the Company operates and earns its income.

Liquidity and Capital Resources

The Company's cash can fluctuate significantly from period to period, largely due to differences in timing of receipt of gross sale proceeds from buyers and the payment of net amounts due to consignors. If auctions are conducted near a period end, the Company may hold cash in respect of those auctions that will not be paid to consignors until after the period end. Accordingly, management believes a more meaningful measure of the Company's liquidity is working capital, including cash.

At December 31, 2000, working capital including cash was \$30.9 million, compared to \$26.0 million at December 31, 1999. This increase of \$4.9 million during the year is primarily a result of the reclassification of redundant property from capital assets to current assets partially offset by an increase in current portion of bank debt. The redundant property is presently being marketed for sale. The increase in debt was incurred to finance the acquisition and development of certain permanent auction sites.

Net capital expenditures by the Company during the year ended December 31, 2000 were \$46.5 million as compared to \$55.2 million for the year ended December 31, 1999. In 2000, the Company acquired land for use as permanent auction sites and an administrative head office and incurred related development costs in Canada and the United States. In addition, the Company continued to incur site development costs in the United States, Canada, Singapore and the United Arab Emirates. The Company is continuing with its plan to add additional permanent auction sites in selected locations and is presently in various stages of commitments to acquire land for development in the United States. The Company expects that it will incur capital expenditures of approximately \$40 million during 2001 and the first half of 2002. In subsequent years, the Company expects to incur in the range of \$20 million per year in capital expenditures. Actual expenditure levels will depend on the Company's ability to identify, acquire and develop suitable auction sites.

The Company has established credit facilities with financial institutions in the United States, Canada, Europe, and Australia. The Company presently has access to credit lines for operations of approximately \$97.2 million and to credit lines for funding property acquisitions of approximately \$91.9 million. At December 31, 2000, the Company had bank debt of \$2.1 million related to operations, and bank debt related to property acquisitions totaled \$65.1 million, leaving a net credit line of \$95.1 million available for operations and net credit lines of \$25.7 million available for property acquisitions. See "Overview".

Forward-Looking Statements

This Annual Report, including 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 the Company's business. These statements include, in particular, statements relating to auction revenues, direct expenses, G&A, income taxes, the anticipated improvement, acquisition and development of permanent auction sites, and the financing available to the Company. Words such as "expects", "intends", "plans", "believes", "estimates", "anticipates" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. The following important factors, among others, could affect the Company's actual results and could cause such results to differ materially from those expressed in the Company's forward-looking statements: the many factors that have an impact on the supply of and demand for used equipment; fluctuations in the market values of used equipment; potential inability to achieve and manage growth; periodic and seasonal variations in operating results or financial conditions; the timing and location of auctions; potential delays in construction or development of auction sites; actions of competitors; adverse changes in economic conditions; restrictions affecting the ability of equipment owners to transport equipment between jurisdictions; potential losses from price guarantees, purchases of inventory, advances by the Company and guarantees of clear title; risks of noncompliance with governmental and environmental regulation; potential inadequacy of insurance coverage; risks of international operations; dependence of key personnel; and other risks and uncertainties as detailed in the Company's periodic filings with the United States Securities and Exchange Commission including its annual return for 2000 filed on Form 40-F in March 2001. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements should be considered in light of these factors.

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated balance sheets of Ritchie Bros. Auctioneers Incorporated (the "Company") as at December 31, 2000 and 1999 and the consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, in accordance with Canadian generally accepted accounting.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations for each of the years in the three year period ended December 31, 2000 and shareholders' equity as at December 31, 2000 and 1999 to the extent summarized in note 9 to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Vancouver, Canada
February 16, 2001

CONSOLIDATED STATEMENTS OF INCOME

(Expressed in thousands of United States Dollars)

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Auction revenues	\$ 106,125	\$ 104,624	\$ 94,899
Direct expenses	(17,936)	(17,469)	(16,010)
	88,189	87,155	78,889
Expenses:			
Depreciation and amortization	7,761	5,581	2,752
General and administrative	52,942	47,346	39,315
	60,703	52,927	42,067
Income from operations	27,486	34,228	36,822
Other income (expenses):			
Interest expense	(3,378)	(1,705)	(1,569)
Other	1,252	1,209	3,251
	(2,126)	(496)	1,682
Income before income taxes	25,360	33,732	38,504
Income taxes (note 8):			
Current	7,979	10,902	13,962
Future	176	550	(292)
	8,155	11,452	13,670
Net income	\$ 17,205	\$ 22,280	\$ 24,834
Net income per share (note 1(n)):			
Basic	\$ 1.03	\$ 1.34	\$ 1.56
Diluted	1.01	1.31	1.54
Weighted average number of shares outstanding	16,743,433	16,686,595	15,918,214

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors



C. Russell Cmolik
Director



Peter J. Blake
Director

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States Dollars)

December 31, 2000 and 1999

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	\$ 63,435	\$ 55,921
Accounts receivable	10,565	9,645
Inventory	9,175	3,203
Advances against auction contracts	—	856
Prepaid expenses and deposits	1,234	1,221
Income taxes recoverable	911	865
Capital assets available for sale	7,305	292
	92,625	72,003
Capital assets (note 2)	140,621	110,459
Funds committed for debt repayment (note 5)	3,250	—
Goodwill (note 3)	30,116	31,767
Future income taxes (note 8)	1,741	1,917
	\$ 268,353	\$ 216,146
Liabilities and Shareholders' Equity		
Current liabilities:		
Auction proceeds payable	\$ 23,556	\$ 16,178
Accounts payable and accrued liabilities	28,846	17,891
Short-term debt (note 4)	2,057	6,529
Current bank term loans (note 5)	7,309	5,425
	61,768	46,023
Bank term loans (note 5)	57,821	35,728
	119,589	81,751
Shareholders' equity:		
Share capital (note 6)	69,132	69,130
Additional paid-in capital (note 6(f))	4,332	4,332
Retained earnings	81,257	64,052
Foreign currency translation adjustment	(5,957)	(3,119)
	148,764	134,395
	\$ 268,353	\$ 216,146

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in thousands of United States Dollars)

	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Total shareholders' equity
Balance, December 31, 1997	\$ 10,866	\$ —	\$ 16,958	\$ (2,118)	\$ 25,706
Net proceeds on common shares issued	53,862	—	—	—	53,862
Net income	—	—	24,834	—	24,834
Reorganization costs	—	—	(20)	—	(20)
Foreign currency translation adjustment	—	—	—	(210)	(210)
Balance, December 31, 1998	64,728	—	41,772	(2,328)	104,172
Net proceeds on stock options exercised	3	—	—	—	3
Employee share compensation	1,344	—	—	—	1,344
Common shares issued on acquisition of goodwill (note 6(f))	3,055	—	—	—	3,055
Warrants issued on acquisition of goodwill (note 6(f))	—	4,332	—	—	4,332
Net income	—	—	22,280	—	22,280
Foreign currency translation adjustment	—	—	—	(791)	(791)
Balance, December 31, 1999	69,130	4,332	64,052	(3,119)	134,395
Net proceeds on stock options exercised	2	—	—	—	2
Net income	—	—	17,205	—	17,205
Foreign currency translation adjustment	—	—	—	(2,838)	(2,838)
Balance, December 31, 2000	\$ 69,132	\$ 4,332	\$ 81,257	\$ (5,957)	\$ 148,764

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States Dollars)

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Cash and cash equivalents provided by (used in):			
Operating activities:			
Net income	\$ 17,205	\$ 22,280	\$ 24,834
Items not involving the use of cash:			
Depreciation	6,110	4,345	2,752
Amortization of goodwill	1,651	1,236	—
Employee share compensation	—	1,344	—
Future income taxes	176	550	(2,467)
Changes in non-cash working capital:			
Accounts receivable	(920)	(2,874)	(27)
Inventory	(5,972)	(848)	4,726
Advances against auction contracts	856	4,489	(4,084)
Prepaid expenses and deposits	(13)	(510)	507
Auctions proceeds payable	7,378	2,148	(3,698)
Income taxes	(46)	(3,944)	(1,463)
Accounts payable and accrued liabilities	10,955	(3,860)	4,620
Other	(231)	(86)	(210)
	37,149	24,270	25,490
Investing activities:			
Capital asset additions	(46,539)	(55,153)	(37,069)
Acquisition of goodwill	—	(25,616)	—
	(46,539)	(80,769)	(37,069)
Financing activities:			
Issuance of share capital	2	3	53,862
Bank term loans	24,624	32,268	4,208
Short-term debt	(4,472)	6,529	—
Reorganization costs	—	—	(20)
Funds committed for debt repayment	(3,250)	—	—
	16,904	38,800	58,050
Increase (decrease) in cash and cash equivalents	7,514	(17,699)	46,471
Cash and cash equivalents, beginning of year	55,921	73,620	27,149
Cash and cash equivalents, end of year	\$ 63,435	\$ 55,921	\$ 73,620
Supplemental disclosure of cash flow information:			
Interest paid, excluding interest capitalized	\$ 3,948	\$ 2,633	\$ 1,570
Income taxes paid	8,123	14,861	16,735
Non-cash investing activities:			
Common shares issued on acquisition of goodwill	—	3,055	—
Warrants issued on acquisition of goodwill	—	4,332	—
Non-cash financing activities:			
Employee share compensation	—	1,344	—

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts expressed in thousands of United States Dollars)

Years ended December 31, 2000, 1999 and 1998

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements present the financial position, results of operations and changes in shareholders' equity and cash flows of Ritchie Bros. Auctioneers Incorporated (the "Company"), a company incorporated in July 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 which, except as disclosed in note 9, also comply, in all material respects, with generally accepted accounting principles 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 available for sale:

Capital assets available for sale are valued at lower of cost and net realizable value.

(e) Advances against auction contracts:

Advances against auction contracts represent funds advanced to consignors against proceeds from future auctions.

(f) Capital assets:

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

Improvements	30 years straight-line
Buildings	30 years straight-line
Automotive equipment	30% declining balance
Computer equipment	30% declining balance
Computer software	3 years straight-line
Yard equipment	20-30% declining balance
Office equipment	20% declining balance
Leasehold improvements	Terms of leases

(g) Goodwill:

Goodwill, which represents non-identifiable intangible assets acquired, is being amortized on a straight-line basis over the expected period to be benefited, which is 20 years. The Company periodically assesses the recoverability of goodwill by determining whether the amortization of the carrying value over its remaining life can be recovered through estimated undiscounted future operating cash flows.

(h) Revenue recognition:

Auction revenues are recognized when the specific items are sold and title passes to the purchaser and are represented by the commissions received from the consignor and the net proceeds received from the sale of self-owned equipment.

(i) 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 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 income in the period that includes the enactment date of future tax benefits. To the extent that realization of future tax assets is not considered to be more likely than not, a valuation allowance is provided.

(j) Foreign currency translation:

The Company's reporting currency is the United States dollar. The functional currency for each of the Company's operations is the currency of the country of residency. Each of these operations is considered to be self-sustaining. Accordingly, the financial statements of operations of the Company that are not located in the United States 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 income. Any gains or losses from this translation have been included in the foreign currency translation adjustment account which is included in 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. Any exchange gains and losses on these are included in the determination of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts expressed in thousands of United States Dollars)

Years ended December 31, 2000, 1999 and 1998

1. Significant accounting policies (continued):

(k) *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. Actual results could differ from such estimates and assumptions.

(l) *Financial instruments:*

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, auction proceeds payable, accounts payable and accrued liabilities and short-term debt, approximate their fair value due to their short maturities. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of its bank term loans approximates fair value.

(m) *Credit risk:*

The Company does not extend credit to purchasers of auctioned items. Equipment is not normally released to the purchasers until it is paid for in full.

(n) *Net income per share:*

Net income per share has been calculated based on the weighted average number of common shares outstanding. Diluted net income per share has been calculated after giving effect to the outstanding options and warrants.

(o) *Stock-based compensation:*

The Company has a stock-based compensation plan, which is described in note 6(e). No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

(p) *Comparative figures:*

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

2. Capital assets:

December 31, 2000	Cost	Accumulated depreciation	Net book value
Land and buildings under development	\$ 13,854	\$ —	\$ 13,854
Land and improvements	62,291	1,755	60,536
Buildings	58,639	5,011	53,628
Automotive equipment	7,821	2,839	4,982
Computer equipment	2,942	1,531	1,411
Computer software	2,261	621	1,640
Yard equipment	4,317	1,802	2,515
Office equipment	3,421	1,685	1,736
Leasehold improvements	520	201	319
	\$ 156,066	\$ 15,445	\$ 140,621

December 31, 1999	Cost	Accumulated depreciation	Net book value
Land and buildings under development	\$ 12,764	\$ —	\$ 12,764
Land and improvements	48,723	1,426	47,297
Buildings	43,808	3,535	40,273
Automotive equipment	6,633	2,224	4,409
Computer equipment	2,492	1,131	1,361
Computer software	525	185	340
Yard equipment	3,474	1,391	2,083
Office equipment	2,999	1,329	1,670
Leasehold improvements	380	118	262
	\$ 121,798	\$ 11,339	\$ 110,459

During the year, interest of \$1,141,007 (1999 - \$918,581) was capitalized to cost of the buildings.

3. Goodwill:

	2000	1999
Goodwill	\$ 33,003	\$ 33,003
Accumulated amortization	2,887	1,236
	\$ 30,116	\$ 31,767

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts expressed in thousands of United States Dollars)

Years ended December 31, 2000, 1999 and 1998

4. Short-term debt:

Short-term debt consists of a draw on lines of credit in the amounts of AUD \$1,900,000 and \$1,000,000 with a weighted average interest rate of 8.35%.

5. Bank term loans:

	2000	1999
Term loan of NLG 9.6 million, secured by deeds of trust on specific property, bearing interest at the Amsterdam Interbank Offered Rate plus 7/8%, due in quarterly instalments of NLG 125,000 including interest, with the final payment occurring in 2013	\$ 3,890	\$ 4,395
Term loan, unsecured, with \$25 million bearing interest at 7.21% and \$10 million bearing interest at 7.10%, due in minimum annual instalments of \$5 million (\$1.75 million towards principal, \$3.25 million towards a sinking fund), with the final payment occurring in 2004	33,250	35,000
Term loan of AUD \$2.7 million, secured by deeds of trust on specific property, with \$1.7 million bearing interest at 6.5% and \$1 million bearing interest at the Australian prime rate, due in quarterly instalments of AUD \$75,000, including interest, with final payment occurring in 2010	1,321	1,758
Term loan, unsecured, of \$5 million bearing interest at 7.81%, due in minimum annual instalments of \$250,000, with final payment occurring in 2005	5,000	—
Term loan, unsecured, of \$5 million bearing interest at 7.91%, due in minimum annual instalments of \$250,000, with final payment occurring in 2005	5,000	—
Term loan, unsecured, of \$5 million bearing interest at 7.91%, due in minimum annual instalments of \$714,300 (\$250,000 towards principal, \$464,300 towards a sinking fund), with the final payment occurring in 2005	5,000	—
Term loan, unsecured, of \$5 million bearing interest at 7.15%, due in minimum annual instalments of \$714,300 (\$250,000 towards principal, \$464,300 towards a sinking fund), with the final payment occurring in 2006	5,000	—
Term loan, unsecured, of CAD \$10 million bearing interest at 7.195%, due in monthly instalments of interest only, with the full amount of the principal due in December, 2004	6,669	—
	65,130	41,153
Current portion	7,309	5,425
	\$ 57,821	\$ 35,728

As at December 31, 2000, principal repayments including sinking fund requirements are as follows for the next five years:

2001	\$ 7,309
2002	7,309
2003	7,309
2004	27,227
2005	11,237
Thereafter	4,739
	\$ 65,130

6. 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:

Issued and outstanding, December 31, 1997	13,213,666
Number of common shares issued during the year ended December 31, 1998:	
Pursuant to an equity offering	3,335,000
Issued and outstanding, December 31, 1998	16,548,666
Number of common shares issued during the year ended December 31, 1999:	
For cash, pursuant to stock options exercised	34,598
Employee share compensation (note 6(e))	50,000
Pursuant to acquisition of goodwill (note 6(f))	100,000
Issued and outstanding, December 31, 1999	16,733,264
Number of common shares issued during the year ended December 31, 2000:	
For cash, pursuant to stock options exercised	15,299
Issued and outstanding, December 31, 2000	16,748,563

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts expressed in thousands of United States Dollars)

Years ended December 31, 2000, 1999 and 1998

6. Share capital (continued):

(c) Options:

The Company has a stock option plan which 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. At December 31, 2000, there were 1,162,667 (1999 – 1,240,667) shares authorized for grants of options under the stock option plan. Stock option activity for 1998, 1999 and 2000 is presented below:

	Number of options outstanding	Weighted average exercise price
Outstanding, December 31, 1997	196,333	\$ 0.10
Granted	36,000	26.12
Cancelled	(25,333)	0.10
Outstanding, December 31, 1998	207,000	\$ 4.67
Granted	27,000	31.23
Cancelled	(4,166)	0.10
Exercised	(34,598)	0.10
Outstanding, December 31, 1999	195,236	9.20
Granted	78,000	26.66
Cancelled	(16,301)	5.00
Exercised	(15,299)	0.10
Outstanding, December 31, 2000	241,636	\$ 15.70
Exercisable, December 31, 2000	163,636	\$ 9.89

The options outstanding at December 31, 2000 expire on dates ranging to April 26, 2010.

The following is a summary of stock options outstanding and exercisable at December 31, 2000.

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
\$0.10	103,636	3.58	\$ 0.10	103,636	\$ 0.10
\$26.12 - \$38.625	138,000	7.56	\$ 27.41	60,000	\$ 26.79
	241,636			163,636	

With respect to the options granted in 1999 and 2000, the current market price did not exceed the exercise price at the grant date, therefore, no compensation expense has been recorded.

(d) Warrants:

	2000	1999
Warrants outstanding (note 6(f))	400,000	400,000

(e) Employee share compensation:

During 1999, the Company issued 50,000 common shares to an employee. The transaction was recorded at the market value of the common shares on the issuance date of \$26.88 per share. Compensation expense of \$1,344,000 has been recorded for this issuance.

(f) Acquisition of goodwill:

During 1999, the Company acquired non-identifiable intangible assets related to an auction business through the payment of \$25 million cash and the issuance of 100,000 common shares and 400,000 warrants to acquire common shares of the Company. The warrants are fully vested and have an exercise price of \$26.69 per share and expire on April 1, 2001. The shares have been valued using the market price of \$30.55 per share and the warrants have been valued at \$4,332,000 using an option pricing model.

7. Segmented information:

The Company's principal business activities include the sale of consignment and self-owned equipment at auctions. This business represents a single operating segment.

Summarized information on the Company's activities generated by geographic segment are as follows:

	United States	Canada	Other	Combined
Year ended December 31, 2000:				
Auction revenues	\$ 66,425	\$ 18,517	\$ 21,183	\$ 106,125
Capital assets and goodwill	109,376	30,005	31,356	170,737
Year ended December 31, 1999:				
Auction revenues	64,766	17,110	22,748	104,624
Capital assets and goodwill	94,662	17,463	30,101	142,226
Year ended December 31, 1998:				
Auction revenues	49,747	16,105	29,047	94,899
Capital assets	31,529	9,203	20,592	61,324

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts expressed in thousands of United States Dollars)

Years ended December 31, 2000, 1999 and 1998

8. 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:

	2000	1999	1998
Statutory tax rates in the United States	39%	39%	39%
Expected income tax expense	\$ 9,890	\$ 13,155	\$ 15,017
Differences:			
Different tax rates in non-U.S. jurisdictions	(2,052)	(1,289)	(2,028)
Other	317	(414)	681
Actual income tax expense	\$ 8,155	\$ 11,452	\$ 13,670
Future income tax assets and liabilities are as follows:			
	2000	1999	
Future income tax assets:			
Tax deductible benefit of options granted	\$ 579	\$ 652	
Tax deductible financing costs incurred in the course of the Company's initial public offering in March 1998	880	1,305	
Unused tax losses, expiring on December 31, 2004 to 2007	1,327	543	
Accounts payable	—	20	
Total future income tax assets	2,786	2,520	
Less valuation allowance	(458)	—	
Net future income tax assets	2,328	2,520	
Future income tax liabilities arising from temporary differences between the tax basis of net assets and their carrying value:			
Capital assets	(211)	(441)	
Goodwill	(376)	(162)	
Total future income tax liabilities	(587)	(603)	
	\$ 1,741	\$ 1,917	

9. United States generally accepted accounting principles:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada which differ, in certain respects, from accounting practices generally accepted in the United States and from requirements promulgated by the Securities and Exchange Commission. Material measurement differences to these consolidated financial statements are as follows:

Consolidated statements of net income per share:

	2000	1999	1998
Net income per share in accordance with United States GAAP:			
Basic	\$ 1.03	\$ 1.34	\$ 1.56
Diluted	1.02	1.32	1.54

Consolidated statements of comprehensive net income:

	2000	1999	1998
Net income in accordance with Canadian GAAP	\$ 17,205	\$ 22,280	\$ 24,834
Effect of differences in accounting for reorganization costs (note 9(a))	—	—	(20)
Net income in accordance with United States GAAP	17,205	22,280	24,814
Other comprehensive loss (note 9(b)):			
Foreign currency translation adjustment	(2,838)	(791)	(210)
Comprehensive income in accordance with United States GAAP	\$ 14,367	\$ 21,489	\$ 24,604

(a) Reorganization costs

In accordance with generally accepted accounting principles in Canada, costs incurred with respect to a reorganization undertaken by the Company were charged, net of tax, against equity. Under generally accepted accounting principles in the United States, such amounts are required to be charged against income.

(b) Other comprehensive loss

Comprehensive loss includes the change in equity or net assets of the Company during the period from non-owner sources, including foreign exchange adjustments, and reflected as a separate component of shareholders' equity.

SELECTED FINANCIAL AND OPERATING DATA

(Tabular dollar amounts expressed in thousands of United States Dollars, except per share data)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended April 30, 1997	Year Ended April 30, 1996	Year Ended April 30, 1995
	(unaudited)						
Gross Auction Sales	\$ 1,232,974	\$ 1,170,529	\$ 1,087,800	\$ 946,415	\$ 792,865	\$ 752,735	\$ 634,058
Income Statement Data							
Auction revenues	\$ 106,125	\$ 104,624	\$ 94,899	\$ 85,009	\$ 72,186	\$ 65,306	\$ 51,326
Direct expenses	(17,936)	(17,469)	(16,010)	(17,351)	(13,908)	(13,138)	(12,979)
	88,189	87,155	78,889	67,658	58,278	52,168	38,347
Depreciation and amortization	(7,761)	(5,581)	(2,752)	(2,548)	(2,014)	(1,820)	\$ (1,708)
General and administrative	(52,942)	(47,346)	(39,315)				
Income from operations	27,486	34,228	36,822				
Interest expense	(3,378)	(1,705)	(1,569)	(2,034)	(1,081)	(1,104)	(1,274)
Other income	1,252	1,209	3,251(2)	754	917	1,179	677
Income before income taxes	25,360	33,732	38,504				
Income taxes	(8,155)	(11,452)	(13,670)				
Net income	\$ 17,205	\$ 22,280	\$ 24,834				
Net income per share-diluted(1)	\$ 1.02	\$ 1.32	\$ 1.54(3)				
Balance Sheet Data (end of year)							
Working capital (including cash)	\$ 30,857	\$ 25,980	\$ 49,149	\$ 3,322	\$ 39,707	\$ 33,132	\$ 21,822
Total assets	268,353	216,146	152,593	70,460	142,858	150,969	98,521
Long term debt	57,821	35,728	8,768	4,623	5,755	6,547	6,985
Total shareholders' equity	148,764	134,395	104,172	25,706	59,325	48,801	37,718
Selected Operating Data							
Auction revenues as percentage of gross auction sales	8.61%	8.94%	8.72%	8.98%	9.10%	8.68%	8.09%
Number of consignors	18,177	16,185	14,432	13,636	12,088	10,744	10,460
Number of buyers	41,940	38,958	34,613	33,340	30,630	27,837	27,401
Number of permanent auction sites (end of year)	20	17	13	13	13	12	11

Note: Information for periods prior to 1998 has been omitted if it is not meaningful for comparative purposes. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

- (1) Diluted net income per share has been calculated in accordance with United States GAAP.
- (2) Other income in 1998 includes \$1.8 million of non-recurring income.
- (3) 1998 net income per share is not comparable to 1999 net income per share because the average number of shares outstanding changed significantly between the two periods due to the impact of the Company's initial public offering in March 1998.

SUPPLEMENTAL QUARTERLY DATA

(Unaudited; tabular dollar amounts expressed in thousands of United States Dollars, except per share data)

2000	Gross	Auction	Net	Net Income Per Share		Closing Stock Price
	Auction Sales	Revenue	Income	Basic	Diluted(1)	
1st quarter	\$ 289,928	\$ 26,769	\$ 3,609	\$ 0.22	\$ 0.21	\$ 25.50
2nd quarter	353,354	29,570	6,109	0.36	0.36	23.94
3rd quarter	231,550	21,554	1,503	0.09	0.09	21.38
4th quarter	358,142	28,232	5,984	0.36	0.36	20.75
	\$ 1,232,974	\$ 106,125	\$ 17,205	\$ 1.03	\$ 1.02	

1999	Gross	Auction	Net	Net Income Per Share		Closing Stock Price
	Auction Sales	Revenue	Income	Basic	Diluted(1)	
1st quarter	\$ 201,764	\$ 18,013	\$ 1,632	\$ 0.10	\$ 0.10	\$ 33.69
2nd quarter	387,288	35,589	10,471	0.63	0.62	38.13
3rd quarter	219,024	20,699	2,146	0.13	0.13	38.00
4th quarter	362,453	30,323	8,031	0.48	0.47	27.75
	\$ 1,170,529	\$ 104,624	\$ 22,280	\$ 1.34	\$ 1.32	

1998	Gross	Auction	Net	Net Income Per Share		Closing Stock Price
	Auction Sales	Revenue	Income	Basic	Diluted(1)	
1st quarter	\$ 227,637	\$ 21,229	\$ 3,377	\$ 0.24	\$ 0.24	\$ 24.06
2nd quarter	339,219	29,188	8,492	0.51	0.51	26.56
3rd quarter(2)	183,633	13,869	2,004	0.12	0.12	22.13
4th quarter	337,311	30,613	10,961	0.66	0.65	26.94
	\$ 1,087,800	\$ 94,899	\$ 24,834	\$ 1.56(3)	\$ 1.54(3)	

(1) Diluted net income per share has been calculated in accordance with United States GAAP.

(2) Net income for the third quarter of 1998 includes non-recurring income of \$1.2 million or \$0.07 per share.

(3) 1998 net income per share on a full year basis does not equal the sum of the quarterly amounts because the number of shares outstanding changed significantly in March 1998 when the company completed its initial public offering.



SHAREHOLDER INFORMATION

ADDRESS

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USA (toll-free)
Facsimile:
Website:

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1-800-663-1739
1-800-663-8457
(604) 273-6873
rbauction.com

DIRECTORS AND EXECUTIVE OFFICERS

David E. Ritchie	Chairman and Chief Executive Officer
C. Russell Cmolik	Director, President and Chief Operating Officer
Peter J. Blake	Director, VP - Finance & Chief Financial Officer
Charles E. Croft	Director
G. Edward Moul	Director
Robert S. Armstrong	Corporate Secretary

MANAGEMENT ADVISORY COMMITTEE

David E. Ritchie	Chief Executive Officer
C. Russell Cmolik	President and Chief Operating Officer
Peter J. Blake	VP - Finance and Chief Financial Officer
Robert S. Armstrong	Manager - Finance & Corporate Relations; Corporate Secretary
Edward H. Banser	VP - South Central Division
Donald F. Chalmers	VP - Western Canada & Prairie Divisions
Robert K. Mackay	VP - Asia Pacific Division
Michael J. Murray	Divisional Manager - Northwest Division
David D. Nicholson	Regional Manager - Great Lakes Region
Michael G. Ritchie	VP - Northeast Division
Roger W. Rummel	VP - Southwest & Mexico Divisions
J. Dean Siddle	Valuation Analyst
Sylvain M. Touchette	VP - Eastern Canada Division
Randall J. Wall	Managing Director - Europe & Middle East Divisions
Robert K. Whitsit	VP - Southeast Division
John T. Wild	VP - Administration & Human Resources

INVESTOR RELATIONS

Securities analysts, portfolio managers, investors and representatives of financial institutions seeking financial and operating information may contact:

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Copies of the Company's filings with the US Securities & Exchange Commission and with the Canadian securities commissions are available to shareholders and other interested parties on request or can be accessed directly on the Internet at rbauction.com.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company's shareholders will be held at 11am on Friday April 20, 2001 at the Abercorn Inn, 9260 Bridgeport Road, Richmond, B.C. V6X 1S1.

STOCK EXCHANGE

Ritchie Bros. Auctioneers Incorporated is listed on the New York Stock Exchange and trades under the symbol "RBA".

TRANSFER AGENT

Communications concerning transfer requirements, address changes and lost certificates should be directed to:

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AUDITORS

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