

Consolidated Financial Statements of

**RITCHIE BROS. AUCTIONEERS
INCORPORATED**

Years ended December 31, 2010 and 2009

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 comprehensive income, retained earnings and cash flows for the years then ended, 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 opinions.

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 the years then ended 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.

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 Controls 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.

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
Assets		
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
Liabilities and Shareholders' Equity		
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 Balance Sheets
(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)
	<u>40,165</u>	<u>138,455</u>	<u>90,688</u>
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
	<u>(54,593)</u>	<u>(164,656)</u>	<u>(110,211)</u>
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)
	<u>(43,342)</u>	<u>22,914</u>	<u>(6,194)</u>
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	<u>\$ 68,185</u>	<u>\$ 122,596</u>	<u>\$ 107,275</u>
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.

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

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.

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

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.

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

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.

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

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.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements
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 States dollars, except share and per share amounts)

Years ended December 31, 2010, 2009 and 2008

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.

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

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.

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

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

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

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.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements
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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:

	2010	2009
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
	12,607	9,451
Valuation allowance	(4,773)	(2,921)
Total future income tax asset	7,834	6,530
Current future income tax asset	210	1,227
Non-current future income tax asset	7,624	5,303
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	(22,442)	(18,277)
Current future income tax liability	-	-
Non-current future income tax liability	(22,442)	(18,277)
Net future income taxes	\$ (14,608)	\$ (11,747)
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)
	\$ (14,608)	\$ (11,747)

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:

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

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.

