

RITCHIE BROS AUCTIONEERS INC

Form 6-K

November 03, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**Form 6-K  
REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934  
For the quarter ended September 30, 2009**

**Commission File Number: 001-13425**

**Ritchie Bros. Auctioneers Incorporated**

9500 Glenlyon Parkway

Burnaby, BC, Canada

V5J 0C6

(778) 331 5500

*(Address of principal executive offices)*

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F  Form 40-F

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(1):

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(7):

indicate by check mark whether by furnishing information contained in this Form, the registrant is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes  No

If  Yes  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

82- \_\_\_\_\_

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**PART 1. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The accompanying unaudited consolidated financial statements do not include all information and footnotes required by Canadian or United States generally accepted accounting principles for a complete set of annual financial statements. However, in the opinion of management, all adjustments (which consist only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the relevant periods have been made. Results for the interim periods are not necessarily indicative of the results to be expected for the year or any other period. These financial statements should be read in conjunction with the summary of accounting policies and the notes to the consolidated financial statements included in the Company's Annual Report on Form 40-F for the fiscal year ended December 31, 2008, a copy of which has been filed with the U.S. Securities and Exchange Commission. These policies have been applied on a consistent basis.

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Operations and Retained Earnings

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

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Auction revenues	\$ 75,934	\$ 75,909	\$ 280,068	\$ 273,125
Direct expenses	10,515	10,240	35,481	36,736
	65,419	65,669	244,587	236,389
Expenses:				
Depreciation and amortization	7,823	6,636	22,419	18,223
General and administrative	42,106	41,294	123,308	126,221
	49,929	47,930	145,727	144,444
Earnings from operations	15,490	17,739	98,860	91,945
Other income (expense):				
Interest expense	(139)	(229)	(365)	(743)
Interest income	550	1,272	1,770	3,618
Foreign exchange gain (loss)	(1,267)	(1,922)	(737)	523
Gain (loss) on disposition of capital assets	(41)	(497)	(138)	6,813
Other	773	315	1,471	992
	(124)	(1,061)	2,001	11,203
Earnings before income taxes	15,366	16,678	100,861	103,148
Income tax expense (recovery):				
Current	4,207	6,613	28,430	31,852
Future	(1,733)	(1,869)	813	(2,964)
	2,474	4,744	29,243	28,888
Net earnings	\$ 12,892	\$ 11,934	\$ 71,618	\$ 74,260
Net earnings per share (note 7 (d)):				
Basic	\$ 0.12	\$ 0.11	\$ 0.68	\$ 0.71
Diluted	\$ 0.12	\$ 0.11	\$ 0.68	\$ 0.70
Retained earnings, beginning of period	\$ 397,665	\$ 337,634	\$ 357,845	\$ 292,046
Net earnings	12,892	11,934	71,618	74,260

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Cash dividends paid	(10,529)	(9,432)	(29,435)	(26,170)
Retained earnings, end of period	\$ 400,028	\$ 340,136	\$ 400,028	\$ 340,136

See accompanying notes to consolidated financial statements.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Balance Sheets

(Expressed in thousands of United States dollars)

	September 30, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 267,070	\$ 107,275
Accounts receivable	148,048	60,375
Inventory	6,907	9,711
Advances against auction contracts	3,354	285
Prepaid expenses and deposits	10,189	12,088
Other assets	920	752
Income taxes receivable	3,962	2,674
Future income tax asset	1,007	780
	441,457	193,940
Capital assets (note 3)	568,214	453,642
Other assets (note 4)	11,880	1,164
Goodwill	41,680	40,233
Future income tax asset	1,013	509
	\$ 1,064,244	\$ 689,488
Liabilities and Shareholders' Equity		
Current liabilities:		
Auction proceeds payable	\$ 272,190	\$ 62,717
Accounts payable and accrued liabilities	116,696	84,114
Short-term debt (note 5)	737	
	389,623	146,831
Long-term debt (note 6)	128,533	67,411
Other liabilities	60	60
Future income tax liability	11,432	10,024
	529,648	224,326
Shareholders' equity:		
Share capital (note 7)	99,406	94,366
Additional paid-in capital	15,698	14,355
Retained earnings	400,028	357,845

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Accumulated other comprehensive income (loss)	19,464	(1,404)
	534,596	465,162
	\$ 1,064,244	\$ 689,488

Commitments and contingencies (note 8)

See accompanying notes to consolidated financial statements.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Shareholders' Equity

(Expressed in thousands of United States dollars)

(Unaudited)

	Share Capital	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2008	\$ 94,366	\$ 14,355	\$ 357,845	\$ (1,404)	\$ 465,162
Exercise of stock options	86	(6)			80
Stock compensation tax adjustment		15			15
Stock compensation expense		532			532
Cash dividends paid			(9,439)		(9,439)
Net earnings			19,879		19,879
Foreign currency translation adjustment				(10,970)	(10,970)
Balance, March 31, 2009	94,452	14,896	368,285	(12,374)	465,259
Exercise of stock options	3,960	(677)			3,283
Stock compensation tax adjustment		104			104
Stock compensation expense		529			529
Cash dividends paid			(9,467)		(9,467)
Net earnings			38,847		38,847
Foreign currency translation adjustment				16,308	16,308
Balance, June 30, 2009	98,412	14,852	397,665	3,934	514,863
Exercise of stock options	994	(134)			860
Stock compensation tax adjustment		448			448
Stock compensation expense		532			532
Cash dividends paid			(10,529)		(10,529)
Net earnings			12,892		12,892
Foreign currency translation adjustment				15,530	15,530
Balance, September 30, 2009	\$ 99,406	\$ 15,698	\$ 400,028	\$ 19,464	\$ 534,596

## Consolidated Statements of Comprehensive Income

(Expressed in thousands of United States dollars)

(Unaudited)

Three months ended September 30, 2009		Nine months ended September 30, 2008	
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Net earnings	\$	12,892	\$	11,934	\$	71,618	\$	74,260
Other comprehensive income (loss):								
Foreign currency translation adjustment		15,530		(17,513)		20,868		(11,770)
Reclassification to net earnings of foreign currency translation gains								(2,153)
Comprehensive income (loss)	\$	28,422	\$	(5,579)	\$	92,486	\$	60,337

See accompanying notes to consolidated financial statements.



**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 12,892	\$ 11,934	\$ 71,618	\$ 74,260
Items not involving cash:				
Depreciation and amortization	7,823	6,636	22,419	18,223
Stock compensation expense	532	602	1,593	1,757
Future income taxes	(1,733)	(1,869)	813	(2,964)
Foreign exchange loss (gain)	1,267	1,922	737	(523)
Net loss (gain) on disposition of capital assets	41	497	138	(6,813)
Changes in non-cash working capital:				
Accounts receivable	(29,133)	40,624	(80,599)	(97,759)
Inventory	(52)	(13,145)	3,602	(11,515)
Advances against auction contracts	(2,536)	(8,861)	(2,480)	(13,379)
Prepaid expenses and deposits	(2,201)	(2,048)	(1,035)	(8,301)
Income taxes receivable	(1,793)	(6,670)	(1,094)	(2,236)
Income taxes payable				
Auction proceeds payable	28,648	(11,257)	191,274	209,930
Accounts payable and accrued liabilities	17,733	4,038	28,403	(10,160)
Other	(161)	55	86	(636)
Net cash flows from operating activities	31,327	22,458	235,475	149,884
Investing activities:				
Capital asset additions	(38,132)	(45,150)	(117,335)	(97,860)
Proceeds on disposition of capital assets	539	668	1,947	20,354
Decrease (increase) in other assets	137		(5,045)	
Net cash flows from investing activities	(37,456)	(44,482)	(120,433)	(77,506)
Financing activities:				
Issuance of share capital	860	695	4,223	2,788
Dividends on common shares	(10,529)	(9,432)	(29,435)	(26,170)
Repayment of short-term debt		(9,497)	(300)	(33,859)
Issuance of short-term debt	729	2,600	1,010	37,077
Issuance of long-term debt			66,408	
Repayment of long-term debt		(66)	(14,999)	(205)
Other	437	55	369	198

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Net cash flows from financing activities	(8,503)	(15,645)	27,276	(20,171)
Effect of changes in foreign currency rates on cash and cash equivalents	9,565	(12,326)	17,477	(9,365)
Increase (decrease) in cash and cash equivalents	(5,067)	(49,995)	159,795	42,842
Cash and cash equivalents, beginning of period	272,137	243,152	107,275	150,315
Cash and cash equivalents, end of period	\$ 267,070	\$ 193,157	\$ 267,070	\$ 193,157
Supplemental information:				
Interest paid	\$ 1,708	\$ 779	\$ 3,849	\$ 2,811
Income taxes paid	\$ 5,579	\$ 14,027	\$ 29,027	\$ 33,454
See accompanying notes to consolidated financial statements.				

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**1. Significant accounting policies:**

(a) Basis of presentation:

These unaudited 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) and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applicable to interim financial information and are based on accounting principles and practices consistent with those used in the preparation of the annual consolidated financial statements. These consolidated financial statements are not materially different from those that would be presented in accordance with United States GAAP, except as disclosed in note 10. The interim consolidated financial statements should be read in conjunction with the December 31, 2008 audited consolidated financial statements.

(b) 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 8).

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**1. Significant accounting policies (continued):**

(b) Revenue recognition (continued):

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.

(c) Comparative figures:

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

**2. Seasonality of operations:**

The Company's operations are both seasonal and event driven. Auction revenues tend to be highest during the second and fourth calendar quarters. The Company generally conducts more auctions during these quarters than during the first and third calendar quarters. Mid-December through mid-February and July through August are traditionally less active periods.

In addition, the Company's revenue is dependent upon the timing of such events as fleet upgrades and realignments, contractor retirements, and the completion of major projects, among other things. These events are not predictable and are usually unrelated to fiscal quarters, making quarter-to-quarter comparability difficult.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**3. Capital assets:**

September 30, 2009	Cost	Accumulated depreciation	Net book value
Land and improvements	\$ 206,811	\$ 17,842	\$ 188,969
Buildings	183,657	38,845	144,812
Land and buildings under development	166,345		166,345
Computer software	37,217	13,847	23,370
Yard equipment	26,467	12,833	13,634
Automotive equipment	19,671	7,902	11,769
Computer equipment	17,864	8,425	9,439
Office equipment	15,128	6,662	8,466
Leasehold improvements	3,913	2,503	1,410
	\$ 677,073	\$ 108,859	\$ 568,214
December 31, 2008	Cost	Accumulated depreciation	Net book value
Land and improvements	\$ 173,901	\$ 13,649	\$ 160,252
Buildings	163,044	35,153	127,891
Land and buildings under development	112,807		112,807
Computer software	25,214	8,000	17,214
Yard equipment	21,831	10,424	11,407
Automotive equipment	17,811	6,868	10,943
Computer equipment	11,629	5,418	6,211
Office equipment	11,138	5,519	5,619
Leasehold improvements	3,436	2,138	1,298
	\$ 540,811	\$ 87,169	\$ 453,642

During the nine months ended September 30, 2009, the Company capitalized interest of \$3,515,000 (nine months ended September 30, 2008 \$1,773,000) to the cost of land and buildings under development.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

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

	September 30, 2009	December 31, 2008
Note receivable	\$ 5,156	\$
Long-term prepaids	3,049	133
Assets held for sale	3,675	1,031
	\$ 11,880	\$ 1,164

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 2013.

**5. Short-term debt:**

Short-term debt at September 30, 2009 consisted of draws on the Company's revolving credit facilities with a weighted average interest rate of 7.65% per annum.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**6. Long-term debt:**

	September 30, 2009	December 31, 2008
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	\$ 55,855	\$
Term loan, unsecured, bearing interest at 5.610%, due in quarterly installments of interest only, with full amount of the principal due in 2011	29,958	29,933
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	28,740	25,220
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, which the Company intends to refinance on a long-term basis by drawing on its available credit facilities	13,980	12,258
	\$ 128,533	\$ 67,411

The following credit facilities are available to the Company:

	September 30, 2009	December 31, 2008
Committed revolving credit facilities:		
Total available	\$ 185,315	\$ 189,524
Expires January 2014	165,315	169,524
Uncommitted credit facilities:		
Total available	\$ 286,648	\$ 322,792
Expires November 2011	193,960	250,000

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)  
 (Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**7. Share capital:**

(a) Shares issued:

Common shares issued and outstanding are as follows:

Issued and outstanding, December 31, 2008	104,887,720
Issued for cash, pursuant to stock options exercised	454,150
Issued and outstanding, September 30, 2009	105,341,870

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.

(b) Stock option plan:

Stock option activity for the nine months ended September 30, 2009 is as follows:

	Common Shares Under Option		Weighted Average Exercise Price
Outstanding, December 31, 2008	2,473,634	\$	14.23
Granted	942,053		14.61
Cancelled	(600)		24.39
Exercised	(454,150)		9.30
Outstanding, September 30, 2009	2,960,937	\$	15.11
Exercisable, September 30, 2009	2,005,384	\$	15.32

The options outstanding at September 30, 2009 expire on dates ranging to September 9, 2019.



**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**7. Share capital (continued):**

(b) Stock option plan (continued):

The following is a summary of stock options outstanding and exercisable at September 30, 2009:

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	101,800	2.2	\$ 4.27	101,800	\$ 4.27
\$4.44 \$5.18	182,924	3.2	5.14	182,924	5.14
\$8.82 \$10.80	383,500	4.8	9.77	383,500	9.77
\$14.23 \$14.70	1,408,850	8.4	14.55	467,850	14.67
\$18.67	431,100	7.4	18.67	431,100	18.67
\$24.39 \$25.76	452,763	8.5	24.41	438,210	24.41
	2,960,937			2,005,384	

(c) Stock-based compensation:

The Company uses the fair value based method to account for employee stock-based compensation awards. During the nine months ended September 30, 2009, the Company recognized compensation cost of \$1,593,000 (nine months ended September 30, 2008 \$1,757,000) in respect of options granted in 2009 and 2008 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:

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

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**7. Share capital (continued):**

(c) Stock-based compensation (continued):

The weighted average grant date fair value of options granted during the nine months ended September 30, 2009 was \$3.77 per option (nine months ended September 30, 2008 \$5.29). The fair value method requires that this amount be amortized over the relevant vesting periods of the underlying options.

(d) Net earnings per share:

The computations for basic and diluted earnings per share are as follows:

	Three months ended September 30, 2009			Nine months ended September 30, 2009		
	Net earnings	Shares	Per share amount	Net earnings	Shares	Per share amount
Basic net earnings per share	\$ 12,892	105,228,846	\$ 0.12	\$ 71,618	105,064,864	\$ 0.68
Effect of dilutive securities: Stock options		954,454			616,208	
Diluted net earnings per share	\$ 12,892	106,183,300	\$ 0.12	\$ 71,618	105,681,072	\$ 0.68
	Three months ended September 30, 2008			Nine months ended September 30, 2008		
	Net earnings	Shares	Per share amount	Net earnings	Shares	Per share amount
Basic net earnings per share	\$ 11,934	104,759,284	\$ 0.11	\$ 74,260	104,676,734	\$ 0.71
Effect of dilutive securities: Stock options		1,020,717			1,034,575	(0.01)
Diluted net earnings per share	\$ 11,934	105,780,001	\$ 0.11	\$ 74,260	105,711,309	\$ 0.70

For the nine months ended September 30, 2009, stock options to purchase 452,763 common shares (nine months ended September 30, 2008 nil) were outstanding but were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)  
(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**8. Commitments and 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 its 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 September 30, 2009, outstanding guarantees under contract for industrial equipment to be sold prior to the end of the fourth quarter of 2009 totaled \$70,152,000 (December 31, 2008 \$5,829,000 to be sold prior to the end of the first quarter of 2009). The Company also had guarantees under contract totaling \$9,342,000 relating to agricultural auctions to be held prior to the end of the second quarter of 2010 (December 31, 2008 \$12,094,000 to be sold prior to the end of the second quarter of 2009). 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.

**9. 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 fair value of its note receivable as at September 30, 2009 was approximately \$5,629,000. Based on borrowing rates currently available to the Company for loans with similar terms, the fair value of its long-term debt as at September 30, 2009 was approximately \$133,078,000 (December 31, 2008 \$69,756,000).

(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.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)  
(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**9. 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, whose net assets are exposed to foreign currency translation risk. The Company has elected not to actively 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 nine months ended September 30, 2009, 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 \$100,000 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 \$115,000 due to the revaluation of significant foreign currency denominated monetary items; and

decrease (increase) other comprehensive income by approximately \$1,900,000.

*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 September 30, 2009, 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 September 30, 2009, approximately 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 nine months ended September 30, 2009 was 2.43%.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**9. Financial instruments (continued):**

(b) Financial risk management (continued):

*Interest rate risk (continued)*

During the nine months ended September 30, 2009, the majority of the Company's interest was capitalized as it relates to the development of various new auction sites. As a result, changes in interest rates on these borrowings will not materially affect the Company's net earnings or other comprehensive income until such time as these developments are put into use. For the nine months ended September 30, 2009, with other variables unchanged, a 100 basis points or 1% increase or decrease in interest rates would have no significant impact on the Company's financial statements.

*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 limits 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

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

**10. 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 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:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net earnings under Canadian GAAP	\$ 12,892	\$ 11,934	\$ 71,618	\$ 74,260
Cumulative translation adjustment on settlement intercompany loans (a)				(2,153)
Net earnings under US GAAP	\$ 12,892	\$ 11,934	\$ 71,618	\$ 72,107
Other comprehensive income (loss) under Canadian GAAP	\$ 15,530	\$ (17,513)	\$ 20,868	\$ (13,923)
Cumulative translation adjustment (a)				2,153
Other comprehensive income (loss) under US GAAP	15,530	(17,513)	20,868	(11,770)
Comprehensive income under US GAAP	\$ 28,422	\$ (5,579)	\$ 92,486	\$ 60,337
Net earnings per share in accordance with US GAAP:				
Basic	\$ 0.12	\$ 0.11	\$ 0.68	\$ 0.69
Diluted	0.12	0.11	0.68	0.68

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

	September 30, 2009		December 31, 2008	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP

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Capital assets (b)	\$ 568,214	\$ 568,214	\$ 453,642	\$ 474,720
Accounts payable and accrued liabilities (b)	116,696	116,696	84,114	105,192
Retained earnings (a)	400,028	385,144	357,845	342,961
Accumulated other comprehensive income (loss) (a)	19,464	34,348	(1,404)	13,480

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Nine months ended September 30, 2009 and 2008

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at September 30, 2009 and for the nine-month periods ended September 30, 2009 and 2008 is unaudited)

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

- (a) 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. During the nine months ended September 30, 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 \$2,153,000, inclusive of tax of \$68,000. During the year ended December 31, 2008, foreign currency translation gains of \$14,884,000, net of tax of \$139,000, were reclassified to net earnings. 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.
- (b) The Company sold its new headquarters building under construction and will lease the property from the purchaser upon construction completion. Under US GAAP, the Company is required to record an asset under construction as prescribed by the Emerging Issue Task Force ( EITF ) 97-10, The Effect of Lessee Involvement in Asset Construction, as the Company is deemed the owner of the construction project during the construction period. Reimbursements from the lessor to the Company during the construction period are recorded as accounts payable and accrued liabilities, as construction is expected to be completed within one year. During the quarter ended September 30, 2009, construction was completed and a sale-leaseback transaction occurred under US GAAP. The Company is now leasing the headquarters facility from the lessor. Amounts recorded under asset under construction and accounts payable and accrued liabilities were derecognized upon completion of construction.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### 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 three- and nine-month periods ended September 30, 2009 compared to the three- and nine-month periods ended September 30, 2008. This discussion should be read in conjunction with our unaudited interim consolidated financial statements and notes thereto for the period ended September 30, 2009, and with the disclosures below regarding forward-looking statements and risk factors. You should also consider our audited consolidated financial statements and notes thereto and our Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2008, which are included in our 2008 Annual Report on Form 40-F.*

*The date of this discussion is as of October 29, 2009. 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). Our Annual Report on Form 40-F is available on the SEC's EDGAR system at [www.sec.gov](http://www.sec.gov). None of the information on the SEDAR or EDGAR websites 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 that would be reported under generally accepted accounting principles in the United States, or U.S. GAAP, except as described in note 10 to the interim consolidated financial statements. Amounts discussed below are based on our interim 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 39 auction sites worldwide. We sell, through unreserved public auctions, a broad range of industrial assets, including equipment, trucks and other assets used in the construction, transportation, agricultural, material handling, mining, forestry, petroleum and marine industries. Our purpose is to use unreserved auctions to create a global marketplace for our customers.

We operate mainly in the auction segment of the global industrial equipment marketplace. Our primary target markets within that marketplace are the used truck and equipment sectors, which are large and fragmented. The world market for used trucks and equipment continues to grow, primarily as a result of the increasing, 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 truck and equipment transactions, of the type of equipment we sell at our auctions, is greater than \$100 billion per year. Although we sell more used equipment than any other company in the world, we estimate our share of this fragmented market is in the range of 3%.

In recent periods, approximately 80% of the value of the items sold at our auctions was purchased by end users of trucks and equipment (retail buyers), such as contractors, with the remainder being purchased primarily by truck and equipment dealers 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, distributors and dealers that sell new or used industrial assets, and equipment rental companies that offer an alternative to purchasing. When sourcing equipment to sell at our auctions, we compete with other auction companies, truck and equipment dealers and brokers, and equipment owners that have traditionally disposed of equipment through private sales.

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:

- Our reputation for conducting only unreserved auctions and our widely recognized commitment to honesty 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, financial strength and access to capital, the international scope of our operations, our extensive network of auction sites, and our unparalleled marketing skills.

- Our ability to enhance our live auctions with technology using our online bidding service, and our proprietary Virtual Ramp methodology, which projects equipment photos and information onto a large screen to allow bidders to view each item as they bid.

- Our in-depth experience in the marketplace, including our 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 and provide high quality and consistent service to consignors and bidders.

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 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, 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.

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 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.

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 has helped us to achieve substantial momentum in our business. During the nine months ended September 30, 2009, we had almost 247,000 bidder registrations at our industrial auctions, compared to almost 198,000 in the first nine months of 2008. We received over 27,000 industrial asset consignments (typically comprised of multiple lots) in both the nine-month periods ended September 30, 2009 and 2008.

In spite of the difficulties being faced by many companies as a result of the current economic environment, we believe our business model remains strong and our strategy is intact. Financial and economic uncertainty generally acts as an incentive for equipment owners to turn their surplus assets into cash quickly, efficiently and for fair market value, which we believe benefits our business.

We believe there is still a significant volume of surplus used equipment in the market. However, in some geographies in which we operate, particularly the United States, our gross auction proceeds (see below) growth in 2009 has been affected by market uncertainty. Many equipment owners are holding on to idle assets rather than selling them, hoping for the economy to recover and used equipment pricing to improve. There have been recent signs in many of our geographic markets that equipment owners are starting to accept the current environment as the new reality, and we believe we are well positioned to assist these owners when they do decide to sell their surplus assets. In some other markets, such as Canada, we have experienced strong growth to date in 2009.

In addition, at our auctions during the first nine months of 2009, we experienced a 25% increase in the number of bidder registrations. Our strategy, which is discussed further below, is designed in part to increase our share of the large and highly fragmented used equipment market, and market share gains tend not to be affected by economic uncertainty. Also, there is still a significant amount of infrastructure and other construction projects being undertaken around the world, which we believe benefits our business by generating equipment buying and selling activity at our auctions.

In our experience over the last 50 years, when cash flow or credit is tight and there is uncertainty in the market, traditional buyers of new equipment are more likely to look for good quality, late-model used equipment, resulting in demand for equipment at our auctions.

Equipment prices trended down through 2008 and appear to have remained relatively stable to date in 2009. We have generally seen price decreases being offset by increased consignment volumes in our Canadian and European operations but not in the United States market. The mix of equipment being sold at our auctions continually changes and recently the mix has included an increase in the number of low value lots which impacts the average gross auction proceeds per lot and positively impacts our commission rate.

We have re-examined our growth strategy, including operating and capital plans, and overall we continue to believe our business model is well suited to current economic conditions. We also believe that designing and executing our strategy will continue to be a more significant determinant of our ability to grow our earnings than the macro economic environment, in part because our share of the world market for used trucks and equipment is so small, that our growth is not directly dependent on, or impacted by, growth or contraction of broader used truck and equipment market.

### ***Growth Strategies***

Our long-term mission is to be the world's largest marketplace for commercial and industrial assets. Our principal goals are to grow our earnings per share at a manageable pace over the long term while maintaining a reasonable return on invested capital, and to maintain and enhance the Ritchie Bros. culture. Our preference is to pursue sustainable growth with a consistently high level of customer service, rather than targeting aggressive growth and risking erosion of the strong customer relationships and high level of customer service that we believe differentiate us from our competitors.

To grow our business, we are focusing simultaneously on three different fronts, and we believe these three key components of our strategy work in unison.

#### **1. Our People**

People are a key driver of our growth, and one of our key strategies is to build the team that will help us achieve our goals. This includes recruiting, training and developing the right people, as well as enhancing the productivity of our sales force and our administrative support teams by giving them the tools and training they need to be effective. This component of our strategy also includes active succession planning and leadership development, with a focus on developing employees from within our company.

Our ability to recruit, train and retain capable new members for our sales team has a significant influence on our rate of growth. Ours is a relationship business and our Territory Managers are the main point of contact with our customers. We look for bright, hard-working individuals with positive attitudes, and we are committed to providing our people with a great workplace and opportunities to grow with the company and become future leaders of our global team.

#### **2. Our Places**

We intend to continue to expand our presence in existing markets and enter new markets, and to expand our international auction site network to handle expected growth in our business. When we talk about markets, we are referring to geographic markets and industry sectors.

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. Our sales offices in many of these emerging markets have been established to position us to take advantage of these future growth opportunities, and we anticipate continued investment in frontier markets in the future.

We plan to expand our worldwide network of auction sites, adding an average of at least two new permanent auction sites or regional auction units to our network per year. In addition, we will be expanding or replacing existing sites as necessary to facilitate increased sales volumes. Our auction site network does not directly drive growth, but is a critical strategic advantage and helps us to sustain efficient and scalable growth. Our shorter-term focus for this expansion is the United States, Western Europe and Asia. In addition, we intend to continue to hold offsite auctions in new regions to expand the scope of our operations.

We also aim to increase our market share in our core markets of construction, transportation and agricultural equipment, and to sell more assets in categories that are complementary to these core markets. Examples of these complementary categories include mining, forestry and petroleum assets.

#### **3. Our Processes**

We are committed to developing and continually refining the processes and systems that we use to conduct our business. We believe that this continuous improvement focus will allow us to grow our revenues faster than our operating costs in the future. We also intend to use technology to facilitate our growth and enhance the quality and service level of our auctions.

Over the past few years, we have made significant progress in developing business processes and systems that are efficient, consistent and scalable, including the successful implementation of a new enterprise resource planning system.

We believe that these three components work together because our people help us to achieve our growth objectives, our places give us focus areas for and the capacity to handle growth, and our processes help us to achieve that growth with efficiency and consistency while continuing to deliver value to our customers.

### ***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 the first nine months of 2009, 91% of our gross auction proceeds was attributable to auctions held at our permanent auction sites and regional auction units (first nine months of 2008 91%). Gross auction proceeds represent the total proceeds from all items sold at our auctions (please see Sources of Revenue and Revenue Recognition below).

During the first nine months of 2009, we conducted 138 unreserved industrial auctions at locations in North and Central America, Europe, the Middle East, Australia, and India (first nine months of 2008 134). We also held 108 unreserved agricultural auctions during the first nine months of 2009 in Canada (first nine months of 2008 125). Although our auctions have varied in size over the last 12 months, our average industrial auction during the 12-month period ended September 30, 2009 attracted over 1,600 bidder registrations (12 months ended September 30, 2008 over 1,400) and featured over 1,400 lots (12 months ended September 30, 2008 almost 1,300) consigned by 185 consignors (12 months ended September 30, 2008 191), generating average gross auction proceeds of approximately \$16.9 million per auction (12 months ended September 30, 2008 \$18.1 million).

We sold over \$600 million of trucks, equipment, and other assets to online bidders during the first nine months of 2009, representing a 20% increase compared to the first nine months of 2008 (first nine months of 2008 over \$500 million).

Approximately 55% of our auction revenues in the first nine months of 2009 was earned from operations in the United States (first nine months of 2008 54%), 23% was generated from auctions in Canada (first nine months of 2008 22%) and the remaining 22% was earned from auctions in countries other than the United States and Canada, primarily in Europe, the Middle East, Australia, and Mexico (first nine months of 2008 24%). We had 1,140 full-time employees at September 30, 2009, including 300 sales representatives and 20 trainee territory managers, compared to 1,071 and 267 and 26 respectively, at September 30, 2008.

We are a public company and our common shares are listed under the symbol RBA on the New York and Toronto Stock Exchanges. On October 29, 2009, we had 105,361,070 common shares issued and outstanding and stock options outstanding to purchase a total of 2,940,137 common shares. On April 24, 2008, our issued and outstanding common shares were split on a three-for-one basis. All share and per share amounts in this document reflect the stock split on a retroactive basis.

### ***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 Statement 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 our 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 the last 5 years, straight commission sales have represented approximately 75% 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 September 30, 2009, our outstanding industrial and agricultural guarantees totaled approximately \$79 million, of which approximately \$31 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 \$56 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. In recent periods, guarantee contracts have represented approximately 15% of gross auction proceeds on an annual basis. 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. In recent periods, inventory contracts have represented approximately 10% of gross auction proceeds on an annual basis. We generally refer to our guarantee and outright purchase business as our underwritten or at-risk business.

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 fluctuate from period to period. Our auction revenue rate performance is presented in the table below.

- (1) Our comparative historical auction revenue rates have been reclassified to conform with the presentation adopted in 2008. The revised presentation had an insignificant impact on auction revenue rates for the periods 2004 through 2007. On an annual basis, the impact on auction revenue rates during this period was in the range of one to 12 basis points.

Prior to 2008, our expected average annual auction revenue rate was in the range of 9.50% to 10.00%. At the beginning of 2008, we made changes to certain of our existing fees charged to our customers, including the minimum commission rate applicable to low value lots and the consignor document administration fee. These fees were increased slightly to reflect increased costs of conducting auctions. In addition, effective January 2008, we made certain reclassifications in our Statement of Operations that affected our auction revenue rate, including the reclassifications of interest income from auction revenues to other income and auction advertising fees and documentation fees from direct expenses to auction revenues. These changes were made to improve the presentation in our financial statements and had no impact on our reported net earnings. As a result of the changes to our existing fees and the reclassifications, we increased our expected annual average auction revenue rate to be in the range of 9.75% to 10.25%. However, our past experience has shown that our auction revenue rate is difficult to estimate precisely, meaning our actual auction revenue rate in future periods may be above or below our expected range. For the first nine months of 2009, we achieved an auction revenue rate of 10.77% (first nine months of 2008 10.07%). The increase compared to our experience in the first nine months of 2008 related primarily to the performance of our underwritten business, which performed better in 2009 than in 2008. For the foreseeable future we continue to expect our annual average auction revenue rate to be in the range of 9.75% to 10.25%.





The largest contributor to the variability of our auction revenue rate is the performance, rather than the amount, of our underwritten business. In a period when our underwritten business performs better than average, our auction revenue rate typically exceeds the expected average rate. Conversely, if our underwritten business performs below average, our auction revenue rate will typically be below the expected average rate.

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 and auction revenues are best compared on an annual basis, rather than on a quarterly basis.

***Developments in 2009***

Highlights of the first nine months of 2009 included:

We held our first auction in India and our first auction in Panama since 1999, continuing the development of our business in our frontier markets.

Our sales force increased by 13% during the first nine months of 2009, demonstrating our success in executing our people strategy.

We broke regional gross auction proceeds records in Denver, Colorado; Fort Worth, Texas; Houston, Texas; Dubai, UAE; Moncofa, Spain; Paris, France; Edmonton, Alberta; and Montreal, Quebec.

We held our first auctions at our replacement permanent auction sites in Houston, Texas and Minneapolis, Minnesota; and at our new permanent auction site in London, Ontario.

We completed the purchase of approximately 62 acres of land in Caorso, Italy, on which we intend to build a new permanent auction site to replace our existing regional auction unit in that region.

We completed the purchase of approximately 74 acres of land in Madrid, Spain, and held our first auction at that location. We intend to build a new permanent auction site in Madrid to complement our existing regional auction unit in Moncofa, Spain.

We completed the purchase of approximately 67 acres of land near St. Louis, Missouri, on which we intend to build a new permanent auction site.

We conducted our first auction at our new regional auction unit in Geelong, Australia, which replaced our regional auction unit in Melbourne, Australia.

We conducted our first auction at our new property near Mexico City, Mexico. We are in the process of building a permanent auction facility on that property, which is expected to open in the fourth quarter of 2009.

We extended the term of the lease on our regional auction unit in Las Vegas, Nevada to 25 years.

We entered into an arrangement with uShip.com, the world's largest online shipping marketplace, to provide online shipping solutions to our customers participating in our U.S. and Canadian auctions.

**Overall Performance**

During the first nine months of 2009, we recorded auction revenues of \$280.1 million and net earnings of \$71.6 million, or \$0.68 per diluted common share. This performance compares to auction revenues of \$273.1 million and net earnings of \$74.3 million, or \$0.70 per diluted share, during the first nine months of 2008. We ended the first nine months of 2009 with working capital of \$51.8 million, compared to \$47.1 million at December 31, 2008.

Adjusted net earnings for the nine months ended September 30, 2009 were \$71.0 million, or \$0.67 per diluted share, which compares to adjusted net earnings of \$66.3 million, or \$0.63 per diluted share, for the nine months ended September 30, 2008. We define adjusted net earnings as financial statement net earnings excluding the after-tax effects of sales of excess property 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 for the first nine months of 2009 grew by approximately 7% compared to the first nine months of 2008 as a result of a stronger auction revenue rate combined with lower operating costs.

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

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>
Net earnings under Canadian GAAP	\$ 71,618	\$ 74,260
Gain on sale of excess property <sup>(1)</sup>		(8,304)
Net foreign exchange impact on financing transactions <sup>(2)</sup>	(759)	(712)
Tax relating to reconciling items	95	1,013
Adjusted net earnings	\$ 70,954	\$ 66,257

(1) During the nine months ended September 30, 2008, we recorded a gain of \$8,304 (\$7,295, or \$0.07 per diluted share, after tax) on the sale of our former headquarters property in Richmond, British Columbia.

(2)

During the nine months ended September 30, 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. The equivalent amount in 2008 was a foreign exchange loss of \$2,057 (\$1,759, or \$0.02 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 currency fluctuations. In addition, during the first nine months of 2008, we reclassified to net earnings foreign currency translation gains reported in the

cumulated translation adjustment account of \$2,769 (\$2,467, or \$0.02 per diluted share, after tax) as a result of the settlement of a number of foreign currency denominated intercompany loans that were considered long-term in nature. We did not settle any long-term intercompany loans during the first nine months of 2009 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.

**Results of Operations***Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

We conduct operations around the world in a number of different currencies, but our reporting currency is the U.S. dollar. In the first nine months of 2009, approximately 40% of our revenues and approximately 50% 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.

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 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 supply 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 largely offset, making the impact of the currency fluctuation on our net earnings insignificant. Excluding the foreign exchange impacts on financing transactions discussed in *Overall Performance* above, our adjusted net earnings for the nine months ended September 30, 2009 included a \$1.5 million pre-tax loss (first nine months of 2008 \$0.2 million pre-tax loss) resulting from the revaluation and settlement of our foreign currency denominated monetary assets and liabilities.

*United States Dollar Exchange Rate Comparison*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change in U.S. \$</b>
Average value of one U.S. dollar:			
Canadian dollar	\$ 1.1700	\$ 1.0186	15%
Euro	0.7339	0.6583	11%

*Auction Revenues*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Auction revenues	\$ 280,068	\$ 273,125	3%
Gross auction proceeds	\$ 2,600,910	\$ 2,713,233	-4%
Auction revenue rate	10.77%	10.07%	

Our auction revenues increased in the first nine months of 2009 compared to the equivalent period in 2008 primarily as a result of a higher auction revenue rate, partially offset by slightly lower gross auction proceeds and the impact of currency fluctuations. Gross auction proceeds growth in Canada, Europe and the Middle East was offset by a decrease in the U.S. Our underwritten business (guarantee and inventory contracts) represented 18% of our total gross auction proceeds in the first nine months of 2009 (first nine months of 2008 24%). As discussed above under Sources of Revenue and Revenue Recognition, we do not have a target for the relative mix of contracts. The mix of contracts experienced in the first nine months of 2009 was driven by our consignor's risk tolerance and sale objectives, and is not necessarily indicative of the mix in future periods or a trend. Our gross auction proceeds for the first nine months of 2009 in local currency, primarily being the United States, Canadian and Australian dollar and the Euro, increased by 3% compared to the first nine months of 2008.

Our auction revenue rate for the first nine months of 2009 was 10.77%, which was higher than our expected range of 9.75% to 10.25%. The increase compared to our experience in the first nine months of 2008 related primarily to the performance of our underwritten business, which performed better in 2009 than in 2008. We continue to believe our sustainable average auction revenue rate will be in the range of 9.75% to 10.25%, although our experience has shown that our auction revenue rate is difficult to estimate precisely. Our actual auction revenue rate in future periods may be above or below our expected range.

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 the first nine months of 2009 would have impacted auction revenues by approximately \$2.6 million, of which approximately \$1.8 million, or \$0.02 per common 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>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Direct expenses	\$ 35,481	\$ 36,736	-3%
Direct expenses as a percentage of gross auction proceeds	1.36%	1.35%	

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 hired to safeguard equipment at the auction site and rental expenses for temporary auction sites. 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 the first nine months of 2009 is comparable to the rate for the first nine months of 2008.

*Depreciation and Amortization Expense*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Depreciation and amortization expense	\$ 22,419	\$ 18,223	23%

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. Depreciation increased in the first nine months of 2009 compared to the first nine months of 2008 as a result of depreciation relating to new assets that we have put into service in recent periods, such as our new permanent auction sites in London, Ontario; Kansas City, Missouri; Paris, France; Houston, Texas; and Minneapolis, Minnesota; and new computer hardware and software. We expect our depreciation in future periods to increase in line with our on-going capital expenditures.

*General and Administrative Expenses*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
General and administrative expenses	\$ 123,308	\$ 126,221	-2%

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. G&A expenses exclude foreign exchange gains or losses resulting from the revaluation and settlement of monetary assets and liabilities which were reclassified to other income at the end of 2008. Our G&A for the period ended September 30, 2008 has been reclassified to conform with the presentation adopted at the end of 2008.

Foreign currency fluctuations resulted in a decrease in our G&A of approximately \$9.8 million in the first nine months of 2009 compared to the first nine months of 2008 in connection with the translation into United States dollars for reporting purposes of our foreign operations' G&A expenses.

Our ongoing investments in our people, places and processes continued to contribute to the growth in our gross auction proceeds in local currency and adjusted earnings during the first nine months of 2009. Our future success is dependent upon adding people to grow our business, building the places required to handle our anticipated future growth, and developing and implementing processes to help gain efficiencies and ensure consistency. Our sales force and administrative support teams are instrumental in carrying out these building and development programs and are necessary to facilitate and accommodate that growth. Personnel costs are the largest component of our G&A representing roughly 60% of our G&A on an annual basis, and our workforce increased 6% between September 30, 2009 and September 30, 2008. This increase was offset by the foreign currency effect discussed above. Our ongoing expansion will continue to influence future levels of G&A.

*Interest expense*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Interest expense	\$ 365	\$ 743	-51%

Interest expense is comprised mainly of interest paid on long-term debt and revolving credit facilities. Interest expense decreased in the first nine months of 2009 compared to the same period in 2008 primarily due to an increase in the amount of interest we capitalized to property under development.

*Interest income*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Interest income	\$ 1,770	\$ 3,618	-51%

Interest income, which is earned on our excess cash balances invested in conservative and liquid investments, is significantly affected by market interest rates. In recent periods, market interest rates in Canada and the United States have decreased dramatically, which resulted in a decrease in our interest income. In addition, our interest income can fluctuate from period to period depending on our cash position, which is affected by the timing, size and number of auctions held during the period, as well as the timing of the receipt of auction proceeds from buyers and payments to consignors.

*Foreign exchange gain (loss)*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Foreign exchange gain (loss)	\$ (737)	\$ 523	N/A

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 period. The gain or loss recognized in any given period is affected by changes in foreign exchange rates as well as the composition of our foreign currency denominated monetary assets and liabilities.

*Gain (loss) on Disposition of Capital Assets*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Gain (loss) on disposition of capital assets	\$ (138)	\$ 6,813	N/A

The gain on disposition of capital assets in the first nine months of 2008 included a \$8.3 million gain recorded on the sale of our former headquarters property located in Richmond, British Columbia, partially offset by the write off of costs incurred on a property development project that was no longer considered viable. There were no significant asset dispositions in 2009.

*Income Taxes*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Income taxes	\$ 29,243	\$ 28,888	1%
Effective income tax rate	29.0%	28.0%	

Income taxes have been estimated using the tax rates in effect in each of the tax jurisdictions in which we earn our income. The effective tax rate for the nine months ended September 30, 2009 includes a favorable tax adjustment in the amount of a \$1.9 million relating to uncertain tax positions. The effective tax rate for the nine months ended September 30, 2008 includes adjustments recorded in 2008 to reflect our actual cash tax expenses arising from our 2007 tax filings. 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>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Net earnings	\$ 71,618	\$ 74,260	-4%
Net earnings per share basic	0.68	0.71	-4%
Net earnings per share diluted	0.68	0.70	-3%

Our net earnings in the first nine months of 2009 decreased compared to the equivalent period in 2008 as a result of the gain recorded on the sale of our former headquarters property in 2008, offset by higher auction revenues and lower G&A costs achieved in 2009. Adjusted net earnings (see discussion above under Overall Performance ) for the first nine months of 2009 were \$71.0 million, or \$0.67 per diluted share, compared to adjusted net earnings of \$66.3 million, or \$0.63 per diluted share, in the first nine months of 2008, representing a 7% increase in 2009. Adjusted net earnings in the first nine months of 2009 were higher compared to the first nine months of 2008, primarily as a result of increased auction revenues, and lower operating costs.

*Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008  
United States Dollar Exchange Rate Comparison*

The proportion of revenues and expenses 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, but is usually roughly consistent with the rates we expect to experience on a full year basis.

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change in U.S. \$</b>
Average value of one U.S. dollar:			
Canadian dollar	\$ 1.0974	\$ 1.0418	5%
Euro	0.6992	0.6676	5%
<i>Auction Revenues</i>			

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Auction revenues	\$ 75,934	\$ 75,909	0%
Gross auction proceeds	\$ 693,288	\$ 767,718	-10%
Auction revenue rate	10.95%	9.89%	

The increase in auction revenues in the third quarter of 2009 compared to the equivalent period in 2008 was due to a higher auction revenue rate, offset by lower gross auction proceeds. Our underwritten business represented 15% of gross auction proceeds in the third quarter of 2009 (third quarter of 2008 18%), which is within the range we have experienced in recent periods. The mix of contracts experienced in the third quarter of 2009 was driven by our consignors risk tolerance and sale objectives, and is not necessarily indicative of the mix in future periods or a trend. As discussed above under Sources of Revenue and Revenue Recognition, we do not have a target for the relative mix of contracts.

Our auction revenue rate in the third quarter of 2009 of 10.95% was higher than our expected range of 9.75% to 10.25%. The increase compared to our expected range and our experience in the third quarter of 2008 related mainly to the performance of our underwritten business, which performed better in 2009 than in 2008. In addition, the mix of equipment we sold in the third quarter of 2009 contributed to the higher rate. We sold 10% more lots than in the third quarter of 2008 and this mainly comprised lower value lots that generate higher commission rates and administration fees.

*Direct Expenses*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Direct expenses	\$ 10,515	\$ 10,240	-3%
Direct expenses as a percentage of gross auction proceeds	1.52%	1.33%	

Our direct expense rate fluctuates from period to period based in part on the size and location of the auctions we hold during a particular period. Our direct expense rate in the third quarter of 2009 was higher than the rate we experienced in the third quarter of 2008 because we held a larger number of auctions in offsite locations and our average gross auction proceeds per auction was lower in 2009 than in 2008.



*Depreciation and Amortization Expense*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
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Depreciation and amortization expense	\$ 7,823	\$ 6,636	18%
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Depreciation and amortization in the third quarter of 2009 increased compared to the third quarter of 2008 as a result of depreciation relating to new assets that we have put into service in recent periods, such as new auction facilities and computer hardware and software.

*General and Administrative Expenses*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
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General and administrative expenses	\$ 42,106	\$ 41,294	2%
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The increase in our G&A was due to our increased headcount, partially offset by operating efficiencies and currency fluctuations. Our workforce grew by 6% between September 30, 2008 and September 30, 2009, which resulted in higher personnel costs for the quarter ended September 30, 2009. The stronger U.S. dollar during the third quarter of 2009 compared to the third quarter of 2008 resulted in a decrease of approximately \$1.4 million in our G&A when our foreign operations expenses were translated into our reporting currency, the U.S. dollar.

*Interest Income*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
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Interest income	\$ 550	\$ 1,272	-57%
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The decrease in interest income during the third quarter of 2009 was due to a decrease in market interest rates in 2009 compared to 2008.

*Foreign exchange loss*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
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Foreign exchange loss	\$ (1,267)	\$ (1,922)	-34%
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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 period. The gain or loss recognized in any given period is affected by changes in foreign exchange rates as well as the composition of our foreign currency denominated monetary assets and liabilities.

*Loss on Disposition of Capital Assets*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Loss on disposition of capital assets	\$ (41)	\$ (497)	N/A

The loss on disposition of capital assets in the third quarter of 2008 included write offs of costs incurred on property and software development projects that were no longer considered viable. There were no such write offs in the third quarter of 2009.

*Income Taxes*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Income taxes	\$ 2,474	\$ 4,744	-48%
Effective income tax rate	16.1%	28.4%	

Income taxes have been estimated using the tax rates in effect in each of the tax jurisdictions in which we earn our income. The effective tax rate for the quarter ended September 30, 2009 was lower than the rate we experienced in the same quarter in 2008 as a result of 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 any unusual items and the level of earnings in the different tax jurisdictions in which we earn our income.

*Net Earnings*

<b>Three months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Net earnings	\$ 12,892	\$ 11,934	8%
Net earnings per share basic	0.12	0.11	9%
Net earnings per share diluted	0.12	0.11	9%

Our net earnings in the third quarter of 2009 were higher than our net earnings in the comparable period in 2008 primarily as a result of higher auction revenues and a reduced tax expense in the third quarter of 2009 offset by higher operating costs. Adjusted net earnings (see discussion above under Overall Performance ) for the third quarter of 2009 were \$12.9 million, or \$0.12 per diluted share, compared to adjusted net earnings of \$13.0 million, or \$0.12 per diluted share, in the third quarter of 2008.

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

	<b>Three months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
Net earnings under Canadian GAAP	\$ 12,892	\$ 11,934
Net foreign exchange impact on financing transactions <sup>(1)</sup>		1,276
Tax relating to reconciling items		(185)
Adjusted net earnings	\$ 12,892	\$ 13,025

(1) During the three months ended September 30, 2008, we recorded a



foreign exchange loss of \$1,276 (\$1,091, 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 U.S. dollar to eliminate the future impact of currency fluctuations. No amounts were recorded in the three months ended September 30, 2009.

**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, 2008 and 2007, and our discussion above about the seasonality of our business.

	<b>Q3 2009</b>	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Q4 2008</b>
Gross auction proceeds <sup>(1)</sup>	\$ 693,288	\$ 1,109,331	\$ 798,291	\$ 853,927
Auction revenues	\$ 75,934	\$ 120,459	\$ 83,675	\$ 81,693
Net earnings	12,892	38,847	19,879 <sup>(2)</sup>	27,140 <sup>(2)(3)</sup>
Adjusted net earnings	12,892	38,847	19,215	19,222
Net earnings per share basic	\$ 0.12	\$ 0.37	\$ 0.19	\$ 0.26
Net earnings per share diluted	0.12	0.37	0.19	0.26
Adjusted net earnings per share diluted	0.12	0.37	0.18	0.18
	<b>Q3 2008</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>
Gross auction proceeds <sup>(1)</sup>	\$ 767,718	\$ 1,163,546	\$ 781,969	\$ 873,306
Auction revenues	\$ 75,909	\$ 115,822	\$ 81,394	\$ 82,129 <sup>(5)</sup>
Net earnings	11,934 <sup>(2)</sup>	45,919 <sup>(2)(3)(4)</sup>	16,407 <sup>(2)(3)</sup>	16,966 <sup>(2)</sup>
Adjusted net earnings	13,025	37,942	15,290	16,945
Net earnings per share basic <sup>(6)</sup>	\$ 0.11	\$ 0.44	\$ 0.16	\$ 0.16
Net earnings per share diluted <sup>(6)</sup>	0.11	0.43	0.16	0.16
Adjusted net earnings per share diluted <sup>(6)</sup>	0.12	0.36	0.14	0.16

(1) 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.

- (2) Net earnings included the impact of foreign exchange 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 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). The impact in the fourth, third, second and first

quarters of 2008 was a \$3,778 loss (\$3,230, or \$0.03 per diluted share, after tax), a \$1,276 loss (\$1,091, or \$0.01 per diluted share, after tax), a \$205 gain (\$175, or less than \$0.01 per diluted share, after tax), and a \$986 loss (\$843, or \$0.01 per diluted share, after tax), respectively. The impact in the fourth quarter of 2007 was a \$24 gain (\$21, or less than \$0.01 per diluted share, after tax).

- (3) Net earnings in the fourth quarter of 2008 included the reclassification of foreign currency translation gain of \$12,254 (\$11,148, or \$0.11 per diluted share, after tax) relating to the settlement of foreign currency denominated intercompany loans. Amounts included in the second and first

quarters of 2008 were \$680 (\$507, or less than \$0.01 per diluted share, after tax) and \$2,089 (\$1,960, or \$0.02 per diluted share, after tax) respectively. We have highlighted these amounts as we do not expect these items to recur in future periods.

- (4) Net earnings in the second quarter of 2008 included a gain of \$8,304 recorded on the sale of our former headquarters property in Richmond, British Columbia (\$7,295, or \$0.07 per basic and diluted share, after tax). Excluding this amount, net earnings would have been \$38,624, or \$0.37 per basic and diluted share.
- (5) Auction revenues have been reclassified to conform with the presentation adopted in 2008.

Please see discussion above under Sources of Revenue and Revenue Recognition.

- (6) Net earnings per share amounts have been adjusted on a retroactive basis to reflect the April 24, 2008 three-for-one stock split.

*Liquidity and Capital Resources*

	<b>September 30, 2009</b>	<b>December 31, 2008</b>	<b>% Change</b>
Working capital	\$ 51,834	\$ 47,109	10%

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 the nine months ended September 30 2009, our working capital increased by \$4.7 million, mostly as a result of positive operating results and the incurrence of debt, offset by our capital expenditures.

There are a number of factors that could potentially impact our working capital, such as current global economic conditions, which may affect the financial stability of our buyers and their ability to pay on a timely basis. However, we have substantial borrowing capacity in the event of any temporary working capital requirements. As at September 30, 2009, we had \$472 million of unused credit facilities, which included a \$165 million five-year committed revolving credit facility expiring in January 2014, and a \$194 million three-year uncommitted non-revolving credit facility expiring in November 2011. We believe our existing working capital and established credit facilities are sufficient to satisfy our present operating requirements, as well as to fund future growth initiatives, such as property acquisitions and development. Our access to capital resources has not been impacted by recent events in credit markets, and we do not expect that the current economic environment will have a material adverse impact on our capital resources or our business. However, there can be no assurance that the cost or availability of future borrowings under our credit facilities will not be affected should there be a prolonged capital market disruption.

*Cash Flows*

<b>Nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
Cash provided by (used in):			
Operations	\$ 235,475	\$ 149,884	57%
Investing	(120,433)	(77,506)	55%
Financing	27,276	(20,171)	N/A

Similar to the discussion above concerning our cash position, our cash provided by operations can fluctuate significantly from period to period, largely as a result of 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 nine months ended September 30, 2009 is indicative of a trend.

Capital asset additions were \$117.3 million for the nine months ended September 30, 2009 compared to \$97.9 million in the equivalent period of 2008. Our capital expenditures in the first nine months of 2009 related primarily to the acquisition of land in Caorso, Italy; Madrid, Spain; and St. Louis, Missouri; the expansion of our existing permanent auction site in Orlando, Florida and the construction of our new permanent auction sites in Houston, Texas; St. Louis, Missouri; Grande Prairie, Alberta; Chilliwack, British Columbia; Caorso, Italy; Madrid, Spain; Mexico City, Mexico; and Tokyo, Japan. Capital asset additions also included investments in computer software and hardware as part of our process improvement initiatives. Exchange rate changes relating to capital assets held in currencies other than the U.S. dollar, which are not reflected as capital assets additions on the consolidated statements of cash flows, resulted in an increase of \$25.2 million in the capital assets reported on our consolidated balance sheet as at September 30, 2009, compared to a decrease of \$11.2 million as at September 30, 2008.

Based on our most recent review of our auction site development and process improvement initiatives, we expect that our annual capital expenditures will be in the range of \$160 million in 2009 and in the range of \$100 million per year for the next several years thereafter, which is less than our previous estimate of roughly \$150 million per year for the next several years. The reduced estimate reflects our current view of opportunities and the timing of projects. We still intend to add auction facilities in selected locations around the world as appropriate opportunities arise, either to replace existing facilities or to establish new sites. We plan to add an average of at least two new permanent auction sites or regional auction units to our network per year, as well as a number of replacement facilities. Actual expenditures will vary depending on the availability and cost of suitable expansion opportunities and prevailing business and economic conditions. Depending on the scope of the required system improvements, the process improvement expenditures will likely be primarily for hardware, the development, purchase and implementation of software, and related systems. We expect to fund future capital expenditures from operating cash flows and credit facilities.

During the first nine months of 2009, we provided a secured loan of \$5.3 million with market terms to a lessor with whom we have a long-term property lease. The loan is repayable in monthly installments of principal and interest, with the balance due in March 2013. The loan is secured by the underlying property and a neighbouring property. We declared and paid regular quarterly cash dividends of \$0.09 per share for each of the quarters ended December 31, 2008 and March 31, 2009, and declared and paid a cash dividend of \$0.10 per share for the quarter ended June 30, 2009. The payments of the above-mentioned dividends were made in the first nine months of 2009 and the total dividend payments for the first nine months of 2009 were \$29.4 million compared to total dividend payments of \$26.2 million in the first nine months of 2008. 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 September 30, 2009 and December 31, 2008 were as follows:

	<b>September 30, 2009</b>	<b>December 31, 2008</b>	<b>% Change</b>
Long-term debt	\$ 128,533	\$ 67,411	91%
Revolving credit facilities total available:	\$ 324,152	\$ 287,792	
Revolving credit facilities total unused:	\$ 278,003	\$ 262,316	
Non-revolving credit facilities total available:	\$ 250,000	\$ 250,000	
Non-revolving credit facilities total unused:	\$ 193,960	\$ 250,000	
Total unused credit facilities	\$ 471,963	\$ 512,316	

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. As at September 30, 2009, we had fixed rate and floating rate long-term debt bearing interest rates ranging from 1.10% to 6.385%. We were in compliance with all financial covenants applicable to our debt at September 30, 2009. Our long term debt and credit facilities have increased in the nine months ended September 30, 2009 in order to fund our auction site development initiatives.

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

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.

Because we conduct operations in local currencies in countries around the world, yet have the U.S. dollar as our reporting currency, we are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the U.S. dollar. 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 nine months ended September 30, 2009, approximately 40% of our revenues were earned in currencies other than the U.S. dollar and approximately 50% 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 substantially 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 the nine months ended September 30, 2009, we recorded an increase in our foreign currency translation adjustment balance of \$20.9 million, compared to a decrease of \$13.9 million in the first nine months of 2008. Our foreign currency translation adjustment arises from the translation of our net assets denominated in currencies other than the U.S. dollar into our reporting currency. Changes in this balance arise primarily from the strengthening or weakening of non- U.S. currencies against 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 only available at floating rates of interest. If our portfolio of floating rate debt increases, we may consider the use of interest rate swaps to mitigate our exposure to interest rate fluctuations. As at September 30, 2009, we had a total of \$29.0 million (December 31, 2008 \$25.4 million) in revolving loans bearing floating rates of interest.



***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***

On January 1, 2009, we adopted The Canadian Institute of Chartered Accountants Handbook Section 3064, Goodwill and Intangible Assets. Section 3064 establishes new standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of Section 3064 had no impact on our consolidated financial statements.

Other than our adoption of the new standard described above, there have been no significant changes in our critical accounting policies and estimates since our Management's Discussion and Analysis of Financial Condition and Results of Operations as at and for the year ended December 31, 2008, which is included in our 2008 Annual Report on Form 40-F.

***International Financial Reporting Standards***

In February 2008, the Canadian Institute of Chartered Accountants Accounting Standards Board confirmed its strategy of replacing Canadian GAAP with International Financial Reporting Standards (or IFRS) for Canadian publicly accountable enterprises. IFRS is issued by the International Accounting Standards Board (IASB). IFRS will be effective for our interim and annual financial statements effective January 1, 2011. The conversion to IFRS will impact our accounting policies, information technology and data systems, internal control over financial reporting, and financial statement presentation and disclosure. The transition may also impact our operations, including such areas as contractual arrangements, debt covenants, and compensation arrangements.

We commenced our IFRS conversion project in 2007 and have established a conversion plan and an IFRS project team. We have identified the standards that may have an impact on our financial statements, business processes and systems, and have completed our detailed analysis of the standards, including the evaluation of policy choices. We believe that the areas of highest potential impact include property, plant and equipment, investment properties, income taxes, presentation and disclosure, and the provisions related to the initial adoption of IFRS under IFRS 1, First Time Adoption. We expect to finalize this assessment and the preparation of draft financial statements during the fourth quarter of 2009. As the IASB will also continue to issue new accounting standards during our conversion period the final impact of IFRS on our financial statements will only be measured once the IFRS applicable at our conversion date are known.

We have conducted initial training sessions targeted to various levels of our organization. Additionally, we will also continue to provide training to other key employees and will monitor the impacts on our business processes, our information systems, and develop a broader external communication plan.

Our transition plans are on schedule and we will continue to provide updates on the status of key activities for this project in our quarterly and annual Management's Discussion and Analysis throughout the period to initial adoption on January 1, 2011.

***Internal Control Over Financial Reporting***

There has been no change in our internal control over financial reporting during the nine months ended September 30, 2009 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 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 and equipment at our auctions; our bidders' ability to access credit to fund their purchases; the impact of the economic environment on equipment prices, 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 long-term mission to be the world's largest marketplace for commercial and industrial assets;

our people, including our ability to recruit, train, retain and develop the right people to help us achieve our goals and sales force increases;

our places, including our ability to add the capacity necessary to accommodate our growth; our ability to increase our market share in our core markets and regions; and our ability to expand into complimentary market sectors and new geographic markets, including our ability to take advantage of growth opportunities in emerging markets; and the acquisition and development of auction facilities and the related impact on our capital expenditures;

our processes, including our process improvement and system continuity initiatives, and their effect on our business, results of operations and capital expenditures, particularly our ability to grow revenues faster than operating costs;

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 our commission rate and fee changes implemented in 2008, 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 United States 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, likely, generally,

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 also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition would suffer.

**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 is 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 or, if sufficiently lower, we will 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. In recent periods, guarantee and inventory contracts have generally represented approximately 25% of our annual gross auction proceeds.

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 incur losses if we are required to make payments to buyers and lienholders because we are unable to deliver clear title on the assets sold at our auctions.**

In jurisdictions where title registries are commercially available, we guarantee to our buyers that each item purchased at our auctions is free of liens and other encumbrances, up to the purchase price paid at our auction. If we are unable to deliver clear title, we provide the buyer with a full refund of the purchase price. While we exercise considerable effort to ensure that all liens have been identified and, if necessary, discharged prior to the auction, we occasionally do not properly identify or discharge liens and have had to make payments to the relevant lienholders or purchasers. We will incur a loss if we are unable to recover sufficient funds from the consignors to offset these payments, and aggregate losses from these payments could be material.

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

One of the main elements of our strategy is to continue to grow our 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 business successfully, we need to accomplish a number of objectives, including:

recruiting and retaining suitable sales personnel;

identifying and developing new geographic markets and market sectors;

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;

managing expansion successfully;

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 consignors, bidders and buyers in new markets and market sectors, and maintaining these relationships in our existing markets;

succeeding against local and regional competitors in new geographic markets;

capitalizing on changes in the supply of and demand for industrial assets, 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.

In addition, we continue to pursue our strategy of investing in our people, places and processes to give us the capacity to handle expected future growth, including investments in frontier markets that may not generate profitable growth in the near term. Planning for future growth requires investments to be made now in anticipation of growth that may not materialize, and if we are not successful growing our gross auction proceeds our earnings may be impacted. A large component of our general and administrative 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.



**Disruptions to credit and financial markets, economic uncertainty and a sustained economic downturn could harm our operations.**

The current global economic and financial market crisis has caused, among other things, a general tightening in credit markets, lower levels of liquidity, and increases in default and bankruptcy rates, all of which may have a 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 current economic conditions, or if our buyers are unable to obtain financing for assets purchases, or if 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. The timing and nature of any 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.

**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 be reduced if there was significant erosion in the supply of, demand for, or market values of used industrial equipment, which would 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 but not limited to economic uncertainty, disruptions to credit and financial markets, a sustained economic recession, lower commodity prices, and our customers' restricted access to capital, are beyond our control. Any increase in the volume or change in the mix of equipment at our auctions may not be sufficient to offset declines in the market value for that equipment as a result of the current economic environment. In addition, price competition and 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 impact the supply of, demand for or market values of industrial equipment.

**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 police and enforce our policy of conducting unreserved auctions, we could lose business and our results of operations would suffer.

**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, distributors and dealers that sell new or used equipment, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies, equipment dealers and brokers, 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, 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.

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**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 future 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.

**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 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 have not finalized our formal business continuity plan, which exposes our business to risks.**

We depend on our information and other systems for the continuity and effective operation of our business. 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, we do not currently have plans in place to ensure that our business continues to operate in an effective manner. Although we are in the process of implementing a formal business continuity plan, our business, results of operations and financial conditions could 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 plan. However, these plans are not yet complete. If we were subject to a disaster, serious security breach or threat to business continuity, it could materially damage our business, results of operations and financial condition.

**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. 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 infrastructure and the internet in general. Our ability to offer online services depends on the performance of the internet, as well as some of 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.

**The availability and performance of our internal technology infrastructure, as well as the implementation of an enterprise resource planning system, 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.

**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 some 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, and to plan effectively for succession.

**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, 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.

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 entering into commerce in the United States. If these restrictions, or changes to environmental laws, were to inhibit materially the ability of customers to ship equipment to or from our auction sites, they could reduce gross auction proceeds and harm 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.

**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 liability 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.

**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. 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.

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

We declared and paid total quarterly cash dividends of \$0.28 per outstanding common share in the first nine months of 2009. 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.

**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 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.

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

As a publicly accountable Canadian enterprise, we are required by the Canadian Accounting Standards Board to adopt IFRS beginning January 2011. We have not yet determined the full impact of the adoption of IFRS on our consolidated financial statements, or how our reported financial results will differ from those reported under current Canadian GAAP.

**SIGNATURES**

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

**Ritchie Bros. Auctioneers Incorporated**  
(Registrant)

Date: November 3, 2009

By: */s/ Jeremy Black*  
Jeremy Black,  
Corporate Secretary