Condensed Consolidated Interim Financial Statements and Notes

Three Month Periods Ended March 31, 2012 and 2011 (Unaudited)

Consolidated Balance Sheet
Expressed in thousands of Canadian dollars (unaudited)

	Note	**March 31, 2012 $**	December 31, 2011 $
Assets			
Current			
Cash		**34,160**	31,032
Trade receivables and other		**44,707**	45,453
Inventory	**7**	**404,029**	354,631
Prepaid expenses		**3,050**	3,363
		485,946	434,479
Non-current			
Property and equipment		**17,941**	21,369
Goodwill		**9,961**	9,961
		27,902	31,330
		513,848	465,809
Liabilities			
Current			
Trade payables, accruals and other		**44,105**	48,670
Floor plan payable		**277,712**	226,863
Deferred revenue and advances		**7,054**	3,808
Current portion of long-term debt		**5,219**	5,927
Current portion of obligations under finance leases		**819**	907
		334,909	286,175
Non-current			
Long-term debt		**11,119**	11,701
Obligations under finance leases		**1,440**	1,589
Convertible debentures		**28,853**	28,761
Deferred tax liability	**11.2**	**6,782**	8,283
Derivative financial instruments	**13**	**477**	1,139
		48,671	51,473
		383,580	337,648
Shareholders' Equity			
Common shares		**79,730**	79,668
Convertible debentures		**990**	990
Contributed surplus		**4,556**	4,304
Accumulated other comprehensive loss		**(23)**	(502)
Retained earnings		**45,015**	43,701
		130,268	128,161
		513,848	465,809

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" M.C. (Matt) Campbell
M.C. (Matt) Campbell, Director

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

Consolidated Statement of Net Earnings
For the three month periods ended
Expressed in thousands of Canadian dollars except per share amounts (unaudited)

	Note	**March 31, 2012 $**	March 31, 2011 $
Sales			
New equipment		**112,432**	84,724
Used equipment		**58,004**	46,542
Parts		**13,840**	11,905
Service		**6,640**	5,650
Other		**1,135**	1,006
	9	**192,051**	149,827
Cost of sales		**164,331**	125,990
Gross profit		**27,720**	23,837
Selling, general and administrative	**10**	**22,084**	17,823
Interest on short-term debt		**1,727**	1,544
Interest on long-term debt		**870**	867
Earnings before income taxes		**3,039**	3,603
Provision for income taxes			
Current		**2,546**	5,610
Deferred		**(1,666)**	(4,670)
	11.1	**880**	940
Net earnings		**2,159**	2,663
Earnings per share			
Basic		**0.12**	0.14
Diluted		**0.11**	0.14

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

Consolidated Statement of Comprehensive Income
For the three month periods ended
Expressed in thousands of Canadian dollars (unaudited)

	Note	**March 31, 2012 $**	March 31, 2011 $
Net earnings		**2,159**	2,663
Other comprehensive income:			
Unrealized gain on derivative financial instruments	**13**	**479**	-
Total other comprehensive income for the period, net of tax		**479**	-
Net earnings and comprehensive income		**2,638**	2,663

Items included within other comprehensive income are disclosed net of tax.

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

ROCKY MOUNTAIN DEALERSHIPS

Consolidated Statement of Changes in Equity
Expressed in thousands of Canadian dollars and thousands of common shares (unaudited)

	Note	Common shares						
		Number of shares	Amount $	Convertible debentures $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total equity $
Balance, December 31, 2011		18,768	79,668	990	4,304	(502)	43,701	128,161
Shares issued upon exercise of stock options	**8**	10	62	-	(20)	-	-	42
Share-based payment expense	**10**	-	-	-	272	-	-	272
Net earnings		-	-	-	-	-	2,159	2,159
Other comprehensive income	**13**	-	-	-	-	479	-	479
Dividends paid		-	-	-	-	-	(845)	(845)
Balance, March 31, 2012		18,778	79,730	990	4,556	(23)	45,015	130,268

	Note	Common shares						
		Number of shares	Amount $	Convertible debentures $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total equity $
Balance, December 31, 2010		18,427	76,144	990	4,837	-	23,905	105,876
Shares issued:								
As consideration for business combinations		55	490	-	-	-	-	490
Upon exercise of stock options	**8**	12	73	-	(24)	-	-	49
Share-based payment expense	**10**	-	-	-	321	-	-	321
Net earnings		-	-	-	-	-	2,663	2,663
Dividends paid		-	-	-	-	-	(832)	(832)
Balance, March 31, 2011		18,494	76,707	990	5,134	-	25,736	108,567

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

Consolidated Statement of Cash Flows
For the three month periods ended
Expressed in thousands of Canadian dollars (unaudited)

	Note	**March 31, 2012 $**	March 31, 2011 $
Operating activities			
Net earnings		**2,159**	2,663
Adjustments for:			
Depreciation expense		**1,433**	1,362
Accretion expense		**92**	85
Deferred tax expense		**(1,666)**	(4,670)
Share-based payment expense	**10**	**272**	321
Non-cash impact of credit promissory note		**7**	(47)
Loss on disposal of property and equipment		**31**	6
Gain on derivative financial instruments	**13**	**(18)**	-
		2,310	(280)
Changes in non-cash working capital		**1,191**	4,018
		3,501	3,738
Financing activities			
Repayment of long-term debt		**(1,297)**	(1,423)
Proceeds from long-term debt		**-**	3,302
Net change in obligations under finance leases		**(237)**	789
Dividends paid		**(845)**	(832)
Proceeds from issuance of common shares	**8**	**42**	49
		(2,337)	1,885
Investing activities			
Purchase of property and equipment		**(1,278)**	(1,762)
Disposal of property and equipment		**3,242**	126
Purchase of equipment dealerships, net of cash acquired		**-**	(5,905)
		1,964	(7,541)
Net increase (decrease) in cash and cash equivalents		**3,128**	(1,918)
Cash and cash equivalents, beginning of period		**31,032**	17,139
Cash and cash equivalents, end of period		**34,160**	15,221
Cash taxes paid (received)		**6,454**	(2,996)
Cash interest received		**5**	16
Cash interest paid		**3,148**	2,962

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

1. General information

Rocky Mountain Dealerships Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta). Through its wholly-owned subsidiaries, the Company sells, leases and provides support for a wide variety of agriculture and construction equipment in Western Canada. All of the Company's subsidiaries are incorporated in Canada.

During the quarter, Rocky elected to align the year end of Rocky Mountain Dealer Group Partnership with that of the consolidated group.

The head office, principal address and registered and records office of the Company are located at Suite 301, 3345 8th Street S.E., Calgary, Alberta, T2G 3A4.

These condensed consolidated interim financial statements have been reviewed, not audited.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended December 31, 2011.

4. Key estimates and judgements

The preparation of interim financial statements requires the use of estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the key estimates and judgements made by management in applying the Company's accounting policies were the same as those applied to the annual consolidated financial statements for the year ended December 31, 2011.

5. Prior year comparative disclosures

Certain prior period comparative information disclosed in the notes to these condensed consolidated interim financial statements have been revised to conform to current period presentation.

6. Seasonality

The Company's customers operate in industries that are affected by seasonality. The seasonal nature of our customers' businesses affects their demand for the Company's equipment and services. The Company generally experiences a lower volume of equipment sales during the first quarter of the calendar year, when winter weather makes certain types of construction and agriculture work difficult to perform.

7. Inventory

	March 31, 2012 $	December 31, 2011 $
New equipment	**208,784**	171,344
Used equipment	**161,911**	153,187
Parts	**31,255**	28,422
Work-in-progress	**2,079**	1,678
	404,029	354,631

For the three months ended March 31, 2012, inventory recognized as an expense amounted to $161,257 (2011 – $122,711), which is included in cost of sales in the consolidated statement of net earnings. There were $Nil in write downs of inventory to net realizable value (2011 - $554) and there have been $Nil of reversals of previously recorded inventory write downs (2011 - $Nil) in the consolidated statement of net earnings. The Company's inventory has been pledged as security for its bank indebtedness, floor plan payables and long-term debt.

8. Stock options

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, and employees of the Company at an exercise price equal to the market price of the Company's common shares at the time of the grant. The plan is limited to 10% of the issued and outstanding common shares. Options granted carry neither voting rights nor rights to dividends.

The general terms of stock options granted under the plan include a maximum exercise period of 5 years and a vesting period of 3 years with one-third of the grant vesting on each anniversary of the grant.

The fair value of the options granted using the Black-Scholes option pricing model and assumptions used in their determination during the three months ended March 31, are as follows:

	2012	2011
Weighted average risk free interest rate	**1.3%**	2.4%
Weighted average expected option life	**4.5 years**	4.5 years
Weighted average expected volatility (1)	**55.3%**	62.8%
Weighted average expected annual dividend per share	**$0.18**	$0.18
Weighted average exercise price	**$11.96**	$10.39
Weighted average share price on date of grant	**$11.96**	$10.39
Weighted average fair value	**$4.92**	$4.83

(1) Expected volatility has been based on the historical volatility of the Company's publicly traded shares

8. Stock options, continued

The reconciliation of options outstanding as at March 31 is as follows:

	2012		2011	
	Number of options (thousands)	**Weighted average exercise price $**	Number of options (thousands)	Weighted average exercise price $
Balance, January 1	**908**	**10.33**	1,074	9.39
Granted	**356**	**11.96**	125	10.39
Exercised	**(10)**	**4.15**	(12)	4.15
Forfeited	**(5)**	**10.39**	(6)	12.4
Expired	**-**	**-**	-	-
Balance, March 31	**1,249**	**10.85**	1,181	9.53

The weighted average share price at the date of exercise for the options exercised during the three month period ended March 31, 2012 was $11.58 (2011 –$10.33).

The options outstanding at March 31, 2012 (in thousands) are as follows:

Date granted	Number of options outstanding	Number of options exercisable	Weighted average exercise price $	Expiry date	Weighted average contractual life (years)
December 20, 2007	56	56	10.00	December 20, 2012	0.7
February 29, 2008	375	375	12.40	February 28, 2013	0.9
March 12, 2009	31	31	4.15	March 12, 2014	1.9
December 29, 2009	175	111	9.22	December 29, 2014	2.7
March 11, 2011	66	22	10.39	March 11, 2016	3.9
August, 11, 2011	190	-	8.71	August, 11, 2016	4.4
March 28, 2012	356	-	11.96	March 28, 2017	5.0
	1,249	595	10.85		3.0

9. Sales

The Company's sales for the three months ended March 31 are comprised of:

	2012 **$**	2011 $
Agriculture equipment sales	**152,324**	117,074
Construction equipment sales	**18,112**	14,192
Parts sales	**13,840**	11,905
Sale of goods	**184,276**	143,171
Rendering of services	**7,775**	6,656
Total sales	**192,051**	149,827

10. Selling, general and administrative

Selling, general and administrative expenses for the three months ended March 31 are comprised of:

	2012 **$**	2011 $
Short-term employee benefit expenses	**13,986**	10,914
Administrative expenses	**3,260**	2,066
Rent and other facility expenses	**3,380**	3,247
Depreciation expense	**1,186**	1,275
Share-based payment expense	**272**	321
Total selling, general and administrative expenses	**22,084**	17,823

Included in administrative expenses are marketing, training, insurance, travel, professional fees and other miscellaneous expenses.

11. Income taxes

11.1 Income tax recognized in net earnings

For the three months ended March 31, total taxes recognized in net earnings were different than the amount computed by applying the combined statutory Canadian and Provincial tax rates to income before taxes. The difference resulted from the following:

	2012 **$**	2011 $
Earnings before income taxes	**3,039**	3,603
Computed tax at statutory tax rate of 25.9% for 2012 and 25.6% for 2011	**785**	923
Non-deductible expenses	**94**	65
Change in enacted tax rates	**-**	(9)
Adjustment from prior year income tax expenses	**87**	-
Other	**(86)**	(39)
	880	940

11. Income taxes, continued

11.2 Deferred taxes

The Company's deferred tax liabilities consist of the following:

	March 31, 2012 $	December 31, 2011 $
Share issue costs	**(240)**	(184)
Cumulative eligible capital	**(85)**	(92)
Property and equipment	**522**	971
Partnership deferral	**6,450**	7,588
Convertible debentures	**361**	361
DSUs	**(105)**	(71)
Interest-rate swap	**(121)**	(290)
	6,782	8,283

12. Related party transactions

12.1 Related party transactions

During the three months ended March 31, the Company entered into the following transactions with related parties:

	2012 $	2011 $
Management fees	**31**	88
Performance bonuses	**-**	131
Flight costs	**158**	34
Other expenses	**56**	-
Rental payments on Company facilities	**1,048**	862
Equipment sales	**500**	662
Equipment and other purchases	**3**	470

All related parties are either directly or indirectly owned by a member of senior management of the Company and/or a close family member thereof. These transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated. For the three months ended March 31, 2012 and 2011, the Company did not have any related party transactions that were not at arm's length.

12. Related party transactions, continued

12.2 Amounts due from (to) related parties

Amounts due from (to) related parties included in the consolidated balance sheet under trade receivables and other (trade payables, accruals and other) are as follows:

	March 31, 2012 $	December 31, 2011 $
Due from related parties	**429**	307
Due to related parties	**(10)**	(77)

The amounts due from related parties are not secured and are to be settled in cash. As at March 31, 2012 and December 31, 2011, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the three months ended March 31, 2012, $Nil has been recognized in bad debt expenses with respect to related party transactions (2011 - $Nil).

13. Derivative financial instruments and hedges

The Company hedges its interest rate risk by using floating-to-fixed interest rate swaps. The Company has long and short-term debt raised at floating interest rates. Under the interest rate swaps, the Company hedges its interest rate risk by exchanging, at specified intervals ranging from monthly to quarterly, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

	March 31, 2012 $		December 31, 2011 $	
	Assets	**Liabilities**	Assets	Liabilities
Interest rate swaps – cash flow hedges	**-**	**477**	-	1,139

The ineffective portion amounted to a gain of $18 for the three months ended March 31, 2012 (2011 – $Nil), and is recognized as an administrative expense within selling, general and administrative expenses. At March 31, 2012, the effective fixed interest rate on the underlying debt was 4.5% (December 31, 2011 – 4.5%) and the effective floating rate using the Bankers' Acceptance rate was 3.8% (December 31, 2011 – 3.7%).

The notional principal amounts of the interest rate swaps outstanding at March 31, 2012 were $38,653 (December 31, 2011 – $39,472). The net loss in accumulated other comprehensive loss within equity as at March 31, 2012 was $23 (December 31, 2011 – $502), and will be continuously released to the consolidated statement of net earnings within interest on long-term debt until full repayment of the underlying debt.

14. Convertible debentures

On February 22, 2012, the Company announced its offer to acquire all of its outstanding 7% convertible unsecured subordinated debentures (the **"Debentures"**) at a price of $1.125 for each $1.0 principal amount of Debentures. On March 22, 2012, the Company announced its intention to enhance its offer (the **"Offer"**) from $1.125 to $1.2 (the **"Offer Price"**) for each $1.0 principal amount of Debentures.

15. Subsequent events

On April 23, 2012, a special meeting of the holders of the Debentures (the **"Debentureholders"**) took place where the Debentureholders approved an amendment to the Debenture indenture. This amendment allowed the Company to redeem all of its Debentures which were not tendered pursuant to the Offer, at the Offer Price, being $1.2 for each $1.0 principal amount of Debentures, plus accrued interest. On April 30, 2012, the Company repurchased all Debentures which were tendered pursuant to the Offer and redeemed the remainder pursuant to the amendment. Management estimates that the pre-tax charge arising on the repurchase of the Debentures that will be recognized in net earnings during the second quarter of 2012 will approximate $4,200.

In conjunction with the redemption and repurchase of the Debentures, the Company secured an additional $35,000 credit facility (the **"Debenture Repayment Facility"**) effective April 27, 2012. The Debenture Repayment Facility calls for equal quarterly principal payments of $875 for a period of 19 fiscal quarters commencing on September 27, 2012, after which point, a balloon payment of $18,375 is required. The Debenture Repayment Facility bears interest at the Bankers' Acceptance rate plus 2.5% - 4.0%.

On April 27, 2012, the Company also entered into a floating-to-fixed interest rate swap, hedging its exposure to fluctuations in the Bankers' Acceptance rate on the $35,000 Debenture Repayment Facility. This interest rate swap carries a notional amount which amortizes with the hedged debt and bears an effective interest rate on April 27, 2012 of 4.6%.

ROCKY MOUNTAIN DEALERSHIPS

ROCKY MOUNTAIN DEALERSHIPS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

This Management Discussion and Analysis ("**MD&A**") was prepared as of May 14, 2012 and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three months ended March 31, 2012. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2012 and the audited consolidated financial statements for the years ended December 31, 2011 and 2010 together with the notes thereto and the auditor's report thereon. The results reported herein have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and are presented in Canadian dollars.

Unless the context otherwise requires, use in this MD&A of "**Rocky**", "**the Company**", "**we**", "**us**", or "**our**" means Rocky Mountain Dealerships Inc. and its wholly owned subsidiaries including Hammer Equipment Ltd., Hi-Way Service Ltd., Miller Equipment Ltd., and Rocky Mountain Dealer Group Partnership, collectively.

Rocky's common shares trade on the Toronto Stock Exchange under the symbol 'RME'. Additional information relating to Rocky, including the Company's Annual Information Form, dated March 19, 2012 ("**AIF**"), is available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") web site at www.sedar.com.

This MD&A contains forward-looking statements ("**FLS**"). Please see the section "Caution Regarding Forward-Looking Information and Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements.

COMPANY OVERVIEW

Rocky is one of Western Canada's largest equipment dealers with a network of 36 full-service agriculture and/or construction equipment stores across the Canadian Prairie Provinces. Our network currently includes 24 branches in Alberta, 7 in Manitoba and 5 in Saskatchewan.

We are Canada's largest retail dealer of CNH Global N.V. ("**CNH**") equipment which includes Case IH Agriculture, New Holland Agriculture and Case Construction equipment. We are also a major independent dealer of equipment from a number of other manufacturers, including but not limited to, Terex, Dynapac, Leeboy, Kawasaki, Metso, Bourgault, and Seedhawk.

We offer our customers a one-stop solution for their equipment needs through new and used equipment sales, parts sales, repairs and maintenance services, and third-party equipment financing and insurance services. In addition, we provide other ancillary services such as equipment transportation and global positioning satellite (GPS) signal subscriptions.

Headquartered in Calgary, Alberta, our business is carried on through Rocky Mountain Dealer Group Partnership (the **"Partnership"**) under our three brands Hammer Equipment, Hi-Way Service Ltd. and Miller Equipment.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

- Increased revenues by 28.2% to $192.1 million.
- Gross profit increased by 16.3% to $27.7 million.
- Generated net earnings of $2.2 million ($0.11 per fully diluted share) compared to $2.7 million ($0.14 per fully diluted share) in 2011.
- Generated Cash Flow from Net Earnings[1] of $2.3 million, up from ($0.3) million in 2011.
- Announced 50% increase in annual dividend to $0.27 per common share.
- Announced offer to repurchase 7% unsecured subordinated convertible debentures[2].

(1) See further discussion in "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

(2) Refer to "Debenture Repurchase" section below for additional information.

MARKET FUNDAMENTALS AND OUTLOOK

Agriculture Market

Our agriculture equipment sales are made primarily to grain and oilseed crop farmers in Western Canada. Commodity prices, input costs and weather are the key demand drivers for equipment among these customers.

Global food demand is expected to increase 50% over the next 25 years in response to a growing world population and a decrease in arable land per capita. The United Nations' Food and Agriculture Organization (FAO) predicts that rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, will keep prices above historical levels for years to come, encouraging farmers to continue improving productivity.

As part of the need to improve productivity, farmers are investing in new equipment to drive better results on both the input cost and output efficiency sides of their business. New equipment technology enables lower input costs by reducing the number of field passes a vehicle needs to make, reducing per hour fuel consumption and reducing overlapping seed and spray patterns. New equipment technology on the harvest side of the business also reduces fuel consumption, increases the speed per acre harvested and reduces process waste on the field. The emergence of GPS enabled precision farming techniques acts as a multiplier for all of these advantages, as well as a driver of demand and total spend. Within the Canadian agriculture sector, the trend towards larger farms is further benefiting farm equipment sales. According to its most recent census data, Statistics Canada reported a 31.2% increase in the number of Canadian farms managing operations with crop receipts in excess of $1.0 million. These operators require larger, more productive equipment and they tend to replace their equipment more frequently to capitalize on the latest technological advances and equipment efficiencies.

Demand from China and India, crop land dedicated to bio-fuel production, and general GDP growth are all putting pressure on worldwide production. Parts and service demand is also expected to remain strong due to the increased number of units that we have installed within the regions that we operate. Overall, the fundamentals underpinning agriculture equipment demand are excellent.

Construction Market

Our construction equipment sales are balanced through residential construction, roadwork (including paving and aggregate production), and commercial, industrial, and municipal construction in the Alberta market. Increases in housing starts, oil rig count, vehicle sales, and GDP growth are all factors that influence construction equipment purchases in Alberta, and these indicators all point to growth in the short and mid-terms.

Fueled by a renewed resource, agriculture and mining industry investment in the province, Alberta's GDP and population are growing and driving general construction and infrastructure spending. According to the Government of Alberta, the province is expected to see average growth in real GDP of approximately 3.8% in 2012 and 2013 compared to the government of Canada's national forecast of 2.7% for the same period.

In its 2011 forecast for Canadian construction equipment sales, the Association of Equipment Manufacturers predicts that equipment sales into the Canadian market will grow 10.4% in 2012, 11.2% in 2013 and 8.0% in 2014. Given Alberta's faster rate of economic growth, we are confident that demand for our construction equipment will continue to recover throughout 2012 and thereafter. The market demand is stronger; however, lead times for some of the construction products are still stretched and could be a growth constraint.

In addition, we anticipate strong parts and service demand from the construction market to continue throughout 2012. Contractors that delayed maintenance during the recession are now investing in parts and service to ensure their equipment is ready to meet increased demand. Accordingly, the outlook for construction related demand is positive in 2012 and beyond.

Overall

We believe that the high levels of activity in our end-markets, combined with the significant acquisition activity we undertook in recent years will support continued growth in our revenues.

Rocky's success and growth, while predicated on the larger economic conditions and factors discussed above, is also affected by our ability to be a partner of choice for equipment purchasers. Rocky is currently laying out a roadmap to improve our market and brand position, as well as our operating efficiency and the relationship we have with our customers. Our long-term objective is to keep selling, general and administrative ("**SG&A**") expenses to less than 10% of sales; in 2012 our system-wide rebranding effort, as well as organizational changes and investments will push those expenses higher than that level. This investment in a single name and strong, consistent brand positioning across all our stores will yield results for many years to come, while the related expenses should be contained to 2012. In conjunction with the re-branding efforts, foundational investment in systems and processes, combined with

organizational development costs may have a short term SG&A impact, but will ultimately provide benefit to the organization and our customers.

The positive outlook for both the agriculture and construction end-markets, the impact of previously added dealerships and trade areas, and the number of available acquisition targets in our core operating areas leave us in a good position for revenue and earnings growth into the future.

SELECTED FINANCIAL INFORMATION

For the three months ended March 31,
$ thousands, except per share amounts

	2012		2011	
Sales				
New equipment	**112,432**	**58.5%**	84,724	56.5%
Used equipment	**58,004**	**30.2%**	46,542	31.1%
Parts	**13,840**	**7.2%**	11,905	7.9%
Service	**6,640**	**3.5%**	5,650	3.8%
Other	**1,135**	**0.6%**	1,006	0.7%
	192,051	**100.0%**	149,827	100.0%
Cost of sales	**164,331**	**85.6%**	125,990	84.1%
Gross profit	**27,720**	**14.4%**	23,837	15.9%
Selling, general and administrative	**22,084**	**11.5%**	17,823	11.9%
Interest on short-term debt	**1,727**	**0.9%**	1,544	1.0%
Interest on long-term debt	**870**	**0.4%**	867	0.6%
Earnings before income taxes	**3,039**	**1.6%**	3,603	2.4%
Provision for income taxes	**880**	**0.5%**	940	0.6%
Net earnings	**2,159**	**1.1%**	2,663	1.8%
Earnings per share				
Basic	**0.12**		0.14	
Diluted	**0.11**		0.14	
Dividends per share	**0.045**		0.045	
Non-IFRS Measures[(1)]				
EBITDA	**5,342**	**2.8%**	5,832	3.9%
Operating SG&A	**20,916**	**10.9%**	16,548	11.0%
Cash Flow from Net Earnings	**2,310**	**1.2%**	(280)	(0.2%)
Normalized Diluted Earnings per Share	**0.11**		0.14	

(1) – See further discussion in “Non-IFRS Measures” and “Reconciliation of Non-IFRS measures to IFRS” sections below

Sales

The Company uses the terms “acquired” versus “same store” in assessing its sales results. Each acquired store has an average historical level of sales generated prior to being acquired by Rocky. When the Company discusses “acquired” sales, it is referring to the average historical sales level realized by each acquired store prior to acquisition. This base level of sales continues to be classified as acquired until such time as the acquired store has been included in our dealership for four complete calendar quarters after which point, all sales are classified as same store.

For the three months ended March 31,
$ thousands

	2012	2011	Change: Same store	Change: Acquired	Change: Total
New equipment					
Agriculture equipment	**96,079**	72,094	22,234	1,751	23,985
Construction equipment	**16,353**	12,630	3,723	-	3,723
Used equipment					
Agriculture equipment	**56,245**	44,980	10,382	883	11,265
Construction equipment	**1,759**	1,562	197	-	197
Parts	**13,840**	11,905	1,263	672	1,935
Service	**6,640**	5,650	783	207	990
Other	**1,135**	1,006	129	-	129
Total sales	**192,051**	149,827	38,711	3,513	42,224

For the three months ended March 31, 2012, total sales were $192.1 million representing an increase of $42.2 million or 28.2% over the same period in 2011. Lower snow packs across the prairies along with an earlier spring thaw provided more favourable weather conditions for both our agriculture and construction customers. Early forecasts are calling for an increase in seeded acres for 2012. This early optimism translated into healthy same store sales growth accounting for $38.7 million of the total sales increase, the majority of which came from the agriculture side of the business. Acquired sales growth for the period amounted to $3.5 million and has been tempered as a result of our previously discussed plan to slow the rate of acquisitions to focus on internal synergies.

New equipment sales increased by $27.7 million or 32.7% compared to the same period in 2011 driven in large part by $22.2 million in same store new agriculture equipment sales. Strength in famers' balance sheets as well as strong forecasted commodity prices and seeded acre estimates combined to drive this growth. This positive outlook on the agriculture market conditions has also encouraged farmers who elected to forgo new equipment purchases in 2011 in lieu of more economically conservative used equipment purchases, to resume a more typical buying pattern and reinvest in new equipment.

As the global economy continues to recover, with particular emphasis on Alberta and its energy-driven growth, the market for construction equipment continues to rebound. This, coupled with favourable weather conditions in the first quarter of 2012 has enabled us to post another quarter of same store new construction equipment sales growth. During the first quarter of 2012, same store new construction equipment sales grew by $3.7 million, representing an increase in new construction equipment sales of 29.5% over the same period last year.

Our used equipment sales increased by $11.5 million or 24.6% over the same period in 2011 with $10.4 million of the increase attributable to same store used agriculture equipment sales growth. As previously discussed, positive outlooks with respect to commodity prices and seeded acres as well as favourable weather conditions and strength in farmers' balance sheets generated strong agriculture equipment sales for the quarter. Again, these same indicators were also responsible for restoring our mix of new and used agriculture equipment sales to more typical levels after the inclement weather in 2011 resulted in abnormally large amounts of used agriculture equipment purchases. As a result of this shift, new agriculture equipment sales growth of 30.8% exceeded used agriculture equipment sales growth of 23.1% for the quarter on a same store basis.

In addition to same store used agriculture equipment growth, we also generated $0.2 million in same store used construction equipment sales growth and acquired $0.9 million of additional used agriculture equipment sales.

Parts sales for the first quarter of 2012 increased by $1.9 million, driven by same store sales growth of $1.3 million and acquired sales growth of $0.6 million. Service sales grew by $1.0 million with same store sales contributing $0.8 million and acquired sales of $0.2 million. As Rocky has evolved, the importance of large-scale, complex-wide marketing programs has become much clearer. In the quarter, our winter service programs experienced solid uptake as more of our customers were approached with (and accepted) a service offering. Going forward, product support will continue to be a focus of our marketing efforts, at the branch and complex level.

Other sales comprise rental, lease, and finance and insurance revenues. For the three months ended March 31, 2012, other sales increased by $0.1 million as a result of increased same store sales.

Gross Profit

Gross profit for the three months ended March 31, 2012 increased by $3.9 million or 16.3% over the first quarter of 2011 primarily as a result of the increase in equipment sales in the quarter. The increase in equipment sales shifted the Company's mix between equipment sales and product support, weighting it more heavily on equipment sales than in the comparative period. Equipment sales generate lower margins than product support sales, diluting gross margins in periods with elevated equipment sales, such as the first quarter of 2012. Manufacturer incentives recognized in the first quarter of 2012 decreased by $1.2 million over the comparative period. During

the first quarter of 2011, we received additional supplier performance bonus incentives which did not recur in the first quarter of 2012 decreasing our gross margin period over period. Overall, gross margin for the three months ended March 31, 2012 was 14.4%, down 1.5% from the same period in 2011.

Selling, General and Administrative

Selling, general and administrative expenses include sales and marketing expenses, sales commissions, payroll, and related benefit costs, insurance expenses, professional fees, rent, other facility costs and administration overhead including depreciation of property and equipment. The majority of these costs are fixed. As we acquire new stores, these costs will increase as we incur additional expenditures related to the direct selling, general and administrative functions. Over time, as the acquisition is amalgamated into the business, these costs will generally decrease as we incorporate their finance and administrative functions into our corporate resources. Similarly, costs will increase as we add direct customer related resources such as equipment specialists, but will normalize as those positions drive sales and increase the customer base.

Fixed costs are subject to annual price increases primarily driven by both real estate and labour demand in Western Canada.

Variable costs included within selling, general and administrative expenses consist primarily of sales commissions and enhancements to the organizational structure.

The Company assesses it's Operating SG&A relative to total sales in analyzing its results. See the definition and reconciliation of Operating SG&A in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

Operating SG&A increased to $20.9 million from $16.5 million for the same period last year. During the quarter ended March 31, 2012, increased equipment sales levels drove increased sales commissions. Throughout the latter part of 2011 and into 2012, the Company has also been assessing its organizational structure. As a result of this analysis, we have complemented our existing management team by adding individuals with the skills required to develop, market and support our products and services to ensure that we are able to achieve our growth objectives. This investment in our team positions us well for our next stage of growth.

As a percentage of sales, operating SG&A for the quarter was 10.9%, an improvement from 11.0% for the same period in 2011. The Company continues to target a sub-10% Operating SG&A on an annual basis and given the seasonality of the business, it is not uncommon for Operating SG&A to exceed this target in the first quarter of a fiscal year.

As a result of the costs anticipated with respect to our ongoing initiative to assess and enhance the effectiveness of our organizational structure, management continues to expect Operating SG&A to trend closer to and above 10% during 2012.

Depreciation included in SG&A amounted to $1.2 million for the three months ended March 31, 2012 and was relatively consistent with the comparative period depreciation in SG&A of $1.3 million.

Interest

The majority of the Company's short-term interest expense is attributable to the floor plan financing associated with our new and used equipment inventory. The $0.2 million increase in short-term interest expense correlates to the increase in the balance of floor plan outstanding which rose in response to increased inventory levels.

Long-term interest expense amounted to $0.9 million for the three months ended March 31, 2012, consistent with the comparative period.

Net Earnings

For the three months ended March 31, 2012, we achieved net earnings of $2.2 million or $0.11 per fully diluted share compared to net earnings of $2.7 million or $0.14 per fully diluted share in the first quarter of last year. The decrease in earnings is primarily attributable to increases in SG&A as discussed above. Excluding the after-tax effect of the non-recurring charges, the Company's net earnings for the quarter ended March 31, 2012 are $2.1 million or $0.11 per fully diluted share.

ROCKY MOUNTAIN DEALERSHIPS

SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts

	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Sales									
New equipment	**112,432**	132,712	90,523	115,974	84,724	121,302	68,298	82,065	61,938
Used equipment	**58,004**	82,318	78,468	62,481	46,542	45,553	68,694	36,981	38,087
Parts	**13,840**	16,155	26,757	20,714	11,905	14,871	18,453	12,184	8,545
Service	**6,640**	7,459	8,034	6,885	5,650	6,304	6,004	4,932	4,631
Other	**1,135**	1,945	1,073	1,438	1,006	973	1,138	1,175	583
	192,051	240,589	204,855	207,492	149,827	189,003	162,587	137,337	113,784
Cost of sales	**164,331**	203,620	171,556	176,405	125,990	159,238	138,245	116,061	96,043
Gross profit	**27,720**	36,969	33,299	31,087	23,837	29,765	24,342	21,276	17,741
SG&A	**22,084**	21,964	20,915	21,299	17,823	18,082	16,508	15,247	13,572
Expenses	**3,477**	6,044	5,263	5,324	3,351	5,338	4,132	2,933	2,413
Net earnings	**2,159**	8,961	7,121	4,464	2,663	6,345	3,702	3,096	1,756
EPS – basic	**0.12**	0.48	0.38	0.24	0.14	0.34	0.20	0.17	0.10
EPS – diluted	**0.11**	0.42	0.34	0.23	0.14	0.31	0.20	0.17	0.10

Fluctuating seasonal revenue cycles are common in both the agriculture and construction industries as a result of weather conditions, the timing of crop receipts and farming cycles and the timing of infrastructure expenditures. As a result, our financial results vary between quarters. The first calendar quarter is typically the weakest due to winter shutdowns, while the fourth quarter is the strongest due to conversions of equipment on rent with purchase options and the post-harvest purchases that are typical in the agriculture sector.

BALANCE SHEET SUMMARY

$ thousands

	March 31, 2012	December 31, 2011
Assets		
Current assets	**485,946**	434,479
Property and equipment	**17,941**	21,369
Goodwill	**9,961**	9,961
Total assets	**513,848**	465,809
Liabilities and equity		
Current liabilities	**334,909**	286,175
Long-term debt	**11,119**	11,701
Obligations under finance leases	**1,440**	1,589
Convertible debenture	**28,853**	28,761
Deferred income taxes	**6,782**	8,283
Derivative financial instruments	**477**	1,139
	383,580	337,648
Shareholders' equity	**130,268**	128,161
Total liabilities and equity	**513,848**	465,809

Current assets at March 31, 2012 consisted primarily of new and used equipment inventory of approximately $208.8 million and $161.9 million respectively (December 31, 2011 – $171.3 million and $153.2 million respectively). The Company's new and used equipment inventory is comprised predominantly of agriculture equipment. Typically, our agriculture customers trade-in their used equipment when purchasing new equipment. The Company has a diverse customer base for its agriculture equipment and carries an appropriate mix of both new and used equipment to best serve our customers. Construction equipment by contrast is generally utilized from sale to the end of its useful life by one owner. Trades of used construction equipment are less common and as such, the Company carries a more modest inventory of used construction equipment relative to new.

The increase in inventory over December 31, 2011 is primarily attributable to additional new equipment inventory. During 2011, the economic recovery put strain on our original equipment manufacturers' (OEM) supply of new units which constrained our growth. In

late 2011, we responded by ordering significant amounts of new construction equipment to compensate for long lead times and ensure that we had the equipment to meet our construction customers' growing demands. Of the $37.5 million increase in new equipment inventory over December 31, 2011, $19.8 million pertains to new construction equipment inventory.

For the quarter ended March 31, 2012, there were $Nil in write downs of inventory to net realizable value (2011 - $0.6 million) and there have been $Nil reversals of previously recorded inventory write downs (2011 - $Nil).

Current liabilities consisted predominantly of floor plan payable for inventory financed of approximately $277.7 million as at March 31, 2012 (December 31, 2011 – $226.9 million). The increase in floor plan payable from December 31, 2011 to March 31, 2012 is the result of additional equipment inventory carried by the Company as discussed above. As floor plan financing is attributable to new and used equipment inventory, fluctuations in equipment inventory balances and floor plan payable are generally correlated.

LIQUIDITY AND CAPITAL RESOURCES

We assess liquidity in terms of our ability to generate sufficient Cash Flow from Net Earnings, along with other sources of liquidity, including cash and borrowings, to fund our operations and growth in operations. Net cash flow is affected by the following items:

- Operating activities, including Cash Flow from Net Earnings, the level of accounts receivable, inventory, accounts payable, floor plan payable, and financing provided to customers;
- Financing activities, including bank credit facilities, long-term debt and other capital market activities providing both short and long-term financing; and,
- Investing activities, including capital expenditures, acquisitions of complementary businesses and divestitures of non-core businesses.

Working Capital Requirements

Through credit and financing facilities, the Company is required to maintain minimum working capital requirements. The definitions and calculations for minimum working capital requirements vary between lenders. As at March 31, 2012, the Company was in compliance with all working capital requirements as defined by its various lenders.

Summary of Cash Flows

Cash flows for the quarter ended March 31, can be summarized as follows:

$ thousands	**2012**	2011
Net earnings	**2,159**	2,663
Effect of non-cash items in net earnings	**151**	(2,943)
Cash Flow from Net Earnings[(1)]	**2,310**	(280)
Effect of non-cash working capital items	**1,191**	4,018
Cash flows from operating activities	**3,501**	3,738
Cash flows from financing activities	**(2,337)**	1,885
Cash flows from investing activities	**1,964**	(7,541)
Net increase (decrease) in cash and cash equivalents	**3,128**	(1,918)
Cash and cash equivalents, beginning of period	**31,032**	17,139
Cash and cash equivalents, end of period	**34,160**	15,221

(1) – See further discussion in "Non-IFRS Measures" and "Reconciliation of Non-IFR measures to IFRS" sections below.

Cash Flows from Operating Activities

During the quarter ended March 31, 2012, we generated Cash Flow from Net Earnings of $2.3 million, up from a use of cash of $0.3 million in 2011. Cash generated from operating activities was $3.5 million for the quarter ended March 31, 2012 compared to $3.7 million in 2011.

The increase in Cash Flow from Net Earnings from the first quarter of 2011 was the result of a decrease in deferred income tax recovery for the quarter resulting from the alignment of the year end of Rocky Mountain Dealer Group Partnership with that of the consolidated group.

Cash Flows from Financing Activities

During the three months ended March 31, 2012, we utilized $2.3 million for financing activities, compared a cash inflow of $1.9 million in the same period last year. Cash utilized for financing activities pertained primarily to scheduled debt repayments. Debt repayments during the first quarter of 2011 were offset by drawings against the acquisition facility, the receipt of non-interest bearing debt and cash received pursuant to the financing of obligations under capital lease.

Cash Flows from Investing Activities

For the quarter March 31, 2012, we generated $2.0 million in cash for investing activities compared to a use of cash of $7.5 million for the same period in 2011. Cash generated from investing activities in the current period was the result of the disposition of a portion of our rental fleet of rock trucks which offset our normal capital expenditures. During the first quarter of 2011, cash utilized for investing activities was primarily the result of the acquisition of new equipment dealerships.

ADEQUACY OF CAPITAL RESOURCES

We use cash flow from operations to finance the purchase of inventory, service our debt requirements, and fund our operating activities, including working capital, both operating and finance leases and floor plan payable. Our ability to service our debt will depend upon our ability to generate cash, which depends on our future operating performance, general economic conditions, as well as other factors, some of which are beyond our control. Based on our current operational performance, we believe that cash flow from operations, along with existing credit facilities, will provide for our capital needs.

Finance Facilities

We have secured credit facilities with a syndicate of lenders to help finance the general day-to-day cash requirements of our operations (the **"Operating Facility"**), to make acquisitions (the **"Acquisition Facility"**) and to finance our inventory the (**"Flooring Facility"**) collectively (the **"Syndicated Facility"**).

The Syndicated Facility is a revolving facility secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lender's prime rate or the US base rate plus 125 bps – 275 bps or based on the banker's acceptance ("**BA**") rate plus 250 bps – 400 bps. The Company pays standby fees of between 63 bps and 100 bps per annum on any undrawn portion of the Syndicated Facility.

The Operating Facility may be utilized to advance up to the greater of 50% of eligible inventory plus 75% of eligible accounts receivable or $30.0 million and may be used to finance our general corporate operating requirements. The Acquisition Facility may be used to finance future acquisitions. The Flooring Facility may be used to finance up to 75% of the value of eligible equipment inventory.

During the quarter, the Company increased its floor plan limit by $50 million. In addition to the Syndicated Facility, we now have further floor plan facilities of approximately $450.0 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing inventory. Our equipment inventory is financed by way of floor plan financing, which is made available to Rocky by the equipment manufacturers' captive finance companies or divisions (such as CNH Capital), as well as banks and specialty lenders.

In addition to our available cash balance of $34.2 million as at March 31, 2012, we have approximately $318.6 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	Available
Operating Facility	30.0	-	30.0
Acquisition Facility	30.0	13.7	16.3
Various Floor Plan Facilities	550.0	277.7	272.3
	610.0	291.4	318.6

The Company utilizes derivative financial instruments to hedge our exposure to changes in interest rates. We do not use derivatives to speculate, but rather as a risk management tool. We entered into two separate interest rate swaps (the **"Swaps"**) related to our Acquisition Facility and a portion of our Flooring Facility (the **"Hedged Facilities"**).

The interest rate swap related to the Acquisition Facility amortizes with principal payments on the debt until May 27, 2016 and had an original notional amount outstanding of $15.6 million. At March 31, 2012, the notional amount of the swap was $13.7 million. The interest rate swap related to the Flooring Facility is non-amortizing and matures on August 31, 2018. The notional amount outstanding

at March 31, 2012 was $25.0 million. The Hedged Facilities each bear interest at a floating rate based on the prevailing one-month BA rate plus 250 – 400 bps. The swaps hedge our exposure to fluctuations in the BA rate. At March 31, 2012 the effective rates on the Acquisition and hedged portion of the Flooring Facilities were 4.0% and 4.7% respectively (December 31, 2011 – 4.0% and 4.7% respectively). We have designated these instruments as hedges and have accounted for them using hedge accounting in our condensed consolidated interim financial statements.

If we sell or terminate a hedged item, or it matures before the related hedging instrument is terminated, we recognize in income any realized or unrealized gain or loss on the derivative instrument. In accounting for this cash flow hedge, changes in fair value of these swaps are included in the consolidated statement of other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive amounts are allocated to net earnings in the same period in which the hedged item affects net earnings. For all cash flow hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings.

On May 14, 2012, Rocky's Board of Directors declared a quarterly dividend of $0.0675 per common share on the Company's outstanding common shares. The common share dividend is payable on June 29, 2012, to shareholders of record at close of business on May 31, 2012. The Company is in compliance with all externally imposed capital requirements on all of its lending facilities.

Management believes there is sufficient liquidity available to meet its needs for the foreseeable future.

DEBENTURE REPURCHASE

On February 22, 2012, the Company announced its offer to acquire all of its outstanding 7% convertible unsecured subordinated debentures (the **"Debentures"**) at a price of $1.125 thousand for each $1.0 thousand principal amount of Debentures. On March 22, 2012, the Company announced its intention to enhance its offer (the **"Offer"**) from $1.125 thousand to $1.2 thousand (the **"Offer Price"**) for each $1.0 thousand principal amount of Debentures.

On April 23, 2012, a special meeting of the holders of the Debentures (the **"Debentureholders"**) took place where the Debentureholders approved an amendment to the Debenture indenture. This amendment allowed the Company to redeem all of its Debentures which were not tendered pursuant to the Offer, at the Offer Price, plus accrued interest. On April 30, 2012, the Company repurchased all Debentures which were tendered pursuant to the Offer and redeemed the remainder pursuant to the amendment. Management estimates that the pre-tax charge arising on the repurchase of the Debentures that will be recognized in net earnings during the second quarter of 2012 will approximate $4.2 million.

In conjunction with the redemption and repurchase of the Debentures, the Company secured an additional $35 million credit facility under the Syndicated Facility (the **"Debenture Repayment Facility"**) effective April 27, 2012. The Debenture Repayment Facility calls for equal quarterly principal payments of $0.9 million for a period of 19 fiscal quarters commencing on September 27, 2012, after which point, a balloon payment of $18.4 million is required. The Debenture Repayment Facility bears interest at the Bankers' Acceptance rate plus 250 – 400 bps.

On April 27, 2012, the Company also entered into a floating-to-fixed interest rate swap, hedging its exposure to fluctuations in the Bankers' Acceptance rate on the $35 million Debenture Repayment Facility. This interest rate swap carries a notional amount which amortizes with the hedged debt and bears an effective interest rate on April 27, 2012 of 4.6%.

SHARE CAPITAL – OUTSTANDING SHARES

Thousands

	March 31, 2012	**March 31, 2011**
Opening balance	**18,768**	18,427
Issued pursuant to:		
Agritrac acquisition	**-**	55
Stock option exercises	**10**	12
Closing balance	**18,778**	18,494

As at May 14, 2012, there were 18,780,067 shares outstanding.

There were 122 thousand shares under a restricted share unit plan outstanding as at March 31, 2012 (December 31, 2011 – 122 thousand). Under this plan, certain employees will receive treasury shares of the Company on December 20, 2012, should they remain with the Company at that time.

The options outstanding at March 31, 2012 are as follows (expressed in thousands except per option and average life amounts):

Date granted	Number of options outstanding	Number of options exercisable	Weighted average exercise price $	Expiry date	Weighted average contractual life
December 20, 2007	56	56	10.00	December 20, 2012	0.7
February 29, 2008	375	375	12.40	February 28, 2013	0.9
March 12, 2009	31	31	4.15	March 12, 2014	1.9
December 29, 2009	175	111	9.22	December 29, 2014	2.7
March 11, 2011	66	22	10.39	March 11, 2016	3.9
August, 11, 2011	190	-	8.71	August, 11, 2016	4.4
March 28, 2012	356	-	11.96	March 28, 2017	5.0
	1,249	595	10.85		3.0

As at May 14, 2012, there were 1,247,168 options outstanding.

GOODWILL

For the purposes of impairment testing, goodwill is allocated to the Company's cash-generating unit ("**CGU**") (or groups of CGUs) which are expected to benefit from the synergies of the combination. As at March 31, 2012, the Company has identified one CGU and as such, all goodwill has been allocated to that CGU.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in net earnings. Such impairment losses are not reversed in subsequent periods.

The Company performed a goodwill impairment test on December 31, 2011 and determined that the recoverable amount of the CGU exceeded its carrying amount. Consequently, no impairment charge was made against goodwill. As at March 31, 2012, there was no indication that the Company's CGU was impaired, thus no impairment test was required.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations consist primarily of its floor plan payable used to finance the purchase of new, and to a lesser extent, used equipment. The Company has classified its floor plan payable as current as the corresponding inventory to which it relates has also been classified as current. Floor plan payable as well as trade payables, accruals and other form the majority of the Company's contractual obligations which will be discharged within the next 12 months.

Other significant contractual obligations outstanding as at March 31, 2012 include the convertible debentures which bear interest at 7% per annum, payable semi-annually until maturity in September 2017 and operating lease commitments which relate primarily to the Company's facilities and vehicles. Lease terms are between 3 and 10 years and all building leases contain 5-year renewal options.

The following table provides an overview of the contractual obligations (including both principal and interest payments) of the Company as at March 31, 2012.

$ thousands

	Total	**Remainder of 2012**	**2013-2014**	**2015-2016**	**Thereafter**
Trade payables, accruals and other	44,105	44,105	-	-	-
Floor plan payable	287,432	287,432	-	-	-
Long-term debt	17,430	4,551	7,871	5,008	-
Obligations under finance leases	2,492	744	1,447	301	-
Convertible debentures	43,628	1,103	4,410	4,410	33,705
Operating lease obligations	23,186	5,760	9,838	5,084	2,504
Derivative financial instruments	682	226	393	63	-
Total contractual obligations	418,955	343,921	23,959	14,866	36,209

RELATED PARTY TRANSACTIONS

During the three months ended March 31, the Company entered into the following transactions with related parties:

$ thousands

	2012	2011
Management fees	**31**	88
Performance bonuses	**-**	131
Flight costs	**158**	34
Other expenses	**56**	-
Rental payments on Company facilities	**1,048**	862
Equipment sales	**500**	662
Equipment purchases	**3**	470

All related parties are either directly or indirectly owned by a member of senior management of the Company and/or a close family member thereof. These transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated. For the three month periods ended March 31, 2012 and 2011, the Company did not have any related party transactions that were not at arm's length.

As at March 31, 2012 and December 31, 2011, amounts due from (to) related parties are included in the consolidated balance sheet under trade receivables and other (trade payables, accruals and other) and are as follows:

$ thousands

	2012	2011
Due from related parties	**429**	307
Due to related parties	**(10)**	(77)

The amounts due from related parties are not secured and are to be settled in cash. As at March 31, 2012 and December 31, 2011, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the three month period ended March 31, 2012, $Nil has been recognized in bad debt expenses with respect to related party transactions (2011 - $Nil).

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases. These leases relate to the Company's buildings and certain vehicles with lease terms of between three and ten years. All building leases contain five-year renewal options. We have paid monthly amounts under these operating leases ranging from $0.1 thousand to $58.3 thousand. The current operating leases expire between April 2012 and December 2020. We intend to replace or extend these operating leases when their terms expire.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company has identified financial assets and financial liabilities that qualify for recognition under IFRS. For more information on the Company's financial instruments and the related risk factors, see note 24 of the audited consolidated financial statements for the year ended December 31, 2011, available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed consolidated interim financial statements requires that certain estimates and judgments be made with respect to the reported amounts of sales and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the condensed consolidated interim financial statements may change as future events unfold, additional experience is acquired or the Company's operating environment changes. Management considers the following to be the most significant of these estimates:

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed by management on a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are

usually limited to specific customer circumstances.

Net Realizable Value of Inventory

Equipment is valued at the lower of cost and net realizable value, with cost being determined on a specific item, actual cost basis, and net realizable value being determined by the recent sales of the same or similar equipment inventory or market values as established by industry publications less the costs to sell. Parts inventory is recorded at the lower of cost and net realizable value, with cost being determined on an average cost basis and net realizable value being determined by the recent sales of the same or similar parts inventory less the costs to sell. Work-in-progress is valued on a specific item, actual cost basis.

Net Recoverable Amount of Goodwill

For the purposes of impairment testing, goodwill is allocated to the Company's CGU. The recoverable amount of the CGU is determined from a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount and growth rates. The key assumptions are based on past experience which has been adjusted for expected changes in future conditions.

Derivative Financial Instruments

The Company utilizes derivative financial instruments to manage its interest rate exposure. Derivatives are initially recognized on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair values of interest rate swaps are calculated as the net present value of the estimated future cash flows expected to arise on the variable and fixed legs, determined using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the Company's own credit risk and the credit risk of the counter party, if different from the spread implicit in the swap curve.

KEY FINANCIAL STATEMENT COMPONENTS

Equipment Sales

Equipment revenues are derived from the sale of new and used construction and agriculture equipment. Revenue is recognized when the customer has signed the sales agreement, has paid or is credit-approved, and title to and risk of loss for the piece of equipment have transferred. New equipment sales also include certain rental revenues.

Parts Sales

Revenue from parts sales is recognized when title to the product has transferred to the customer and collection is reasonably assured. This is evidenced by the goods being shipped or physically taken by the customer, or in the case of parts drawn to complete service work, when the service work order is completed.

Service Revenue

Revenue from service is recognized by reference to the stage of completion of the contract when the outcome can be estimated reliably.

Other Revenue

Other revenue consists of commission revenue from finance and insurance recognized when the finance contract is signed; revenue from rentals recognized on the first day of each month specified in the rental contract on a straight-line basis over the term of the contract; and lease revenue recognized on a straight-line basis over the term of the lease independent of the timing of the payments received. Prepayment of any lease is initially set up as a deposit, and is reduced on a monthly basis at a rate reflective of the lease contract.

Cost of Sales

Cost of sales is the accumulation of the costs of sales attributable to the sources of revenue set forth in the financial statements. Revenues are matched to cost of sales attributable to specific revenue sources. The cost of equipment sales is determined based on the actual cost of the equipment. The cost of parts sales is determined based on the average actual cost for those parts. The cost of service revenues is determined based on actual costs to complete the service job, which include, without limitation, wages paid to service technicians and the actual cost of externally sourced labour plus the applicable overheads.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include sales and marketing expenses, sales commissions, payroll, and related benefit costs, insurance expenses, professional fees, rent, and other facility costs and administration overhead including depreciation of property and equipment.

Interest Expense

Short-term interest includes the aggregate expense for interest under the current floor plan financing programs associated with financing inventory through numerous creditors, and existing credit facilities. Short-term interest also includes charges related to credit and financing. Long-term interest includes the aggregate expense for interest under long-term indebtedness associated with the equipment rental inventory, long-term indebtedness, interest on the convertible debentures and various finance leases.

RISKS AND UNCERTAINTIES

Risk factors faced by Rocky include industry risks associated with construction and agriculture equipment dealerships and others, including but not limited to: dependence on equipment manufacturers; nature of dealership agreements; weather conditions; consolidations within the equipment manufacturing industry; non-exclusive nature of key geographic markets; inventory management risks; floor plan financing risks; dependence on credit facilities; changing economic conditions; fluctuations in commodity prices; seasonality and cyclicality in our customers' businesses; competition; fluctuations in interest rates; customer credit risks; import product restrictions; foreign trade; foreign exchange exposure; insurance risks; dependence on leasing branch premises and key personnel; labour costs and shortages; labour relations; freight costs; reliance on information systems; government regulation; industry oversupply; future warranty claims; product liability risks; manufacturers' restrictions on dealership acquisitions; growth risks, dividend policy risks; future sales of common shares by existing shareholders; dilution of common shares due to future distributions; conflicts of interest; income tax matters; dependence on subsidiaries; potential unknown liabilities; unpredictability and volatility of common share price.

Our success largely depends on the abilities and experience of our senior management team and other key personnel. These employees carry a significant amount of the management responsibility of our business and are important for setting strategic direction and dealing with certain significant customers.

Our future performance will also depend on our ability to attract, develop, and retain highly qualified employees in all areas of our business. We face significant competition for individuals with the skills required to develop, market and support our products and services. If we fail to recruit and retain sufficient numbers of these highly skilled employees, we may not be able to achieve our growth objectives and our business may be adversely affected.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Our financial performance is subject to a number of external factors that affect our business, including seasonality and cyclicality, currency fluctuations, inflation, and interest rate fluctuations.

Seasonality and Cyclicality

Our customers operate in industries that are affected by seasonality, which affects the timing of demand for the equipment and services we provide. We generally experience a lower volume of equipment sales during the first quarter of the calendar year, when winter weather makes certain types of construction and agriculture work difficult to perform. We have mitigated the effects of seasonality to some extent by also carrying lines of equipment for which peak operating periods occur during the winter months. Examples include equipment used for aggregate crushing, mulching and clearing.

Currency Fluctuations and Foreign Exchange

The original equipment manufacturers we do business with are geographically diversified, requiring us to conduct business in two currencies: U.S. dollars and Canadian dollars. As a result, we have foreign currency exposure with respect to purchases of U.S. dollar denominated products (inventory) and we experience foreign currency translation gains and losses thereon. These adjustments arise as a result of fluctuations in foreign currency exchange rates at the period end. The nature of exposure to foreign exchange fluctuations differs between equipment manufacturers and the various dealer agreements with them.

The last several years have seen a weakening of the U.S. dollar in comparison to the Canadian dollar. This has generally had a positive effect on our performance by lowering our cost of goods sold. However, as the markets in which we operate are highly competitive, a declining U.S. dollar also has the effect of reducing sales prices in Canadian dollars and, as a consequence, we cannot capture the entire potential benefit of a declining U.S. dollar environment. If the U.S. dollar strengthens in comparison to the Canadian dollar, and we are

unable to fully offset the increase in cost of goods through price increases, our financial results may be negatively affected. We mitigate some of this risk by occasionally purchasing forward contracts for U.S. dollars on large transactions to cover the period from the time the equipment is ordered from the manufacturer to the delivery date.

Inflation

To date, inflation has not had a material effect on our operating results, and we do not expect this to change in the near term. We have experienced cost increases that are similar to the cost escalations being experienced throughout the Alberta, Manitoba and Saskatchewan economies, but we have been able to increase selling prices to offset such increases. Items that are susceptible to localized inflation in the above-mentioned areas, such as labour and rent, are a relatively small component of our overall cost structure as compared to the cost of goods sold, which is affected by numerous factors. There is no assurance, however, that inflation will not affect us in the longer term or that we will be continually able to increase selling prices as a means to offset the effect of increases on our cost structure (including, without limitation, cost of goods sold) while remaining competitive.

Interest Rate Fluctuations

We finance our purchases of new and, to a lesser extent, used equipment inventory through floor plan borrowing arrangements, under which we are charged interest at floating rates. As a result, rising interest rates have the effect of increasing our costs, particularly with respect to interest on debt financing, including floor plan financing. To the extent that we cannot pass on such increased costs to our customers, our net earnings or cash flow may decrease. In addition, some of our customers finance the equipment they purchase through us. A customer's decision to purchase may be affected by interest rates available to finance the purchase.

NON-IFRS MEASURES

Throughout this MD&A, we use terms which do not have standardized meanings under IFRS. As these non-IFRS financial measures do not have standardized meanings prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other issuers. Our definition for each term is as follows:

- "**EBITDA**" is a commonly used metric in the dealership industry. EBITDA is calculated by adding long-term interest, income taxes, depreciation and amortization to net earnings. Adding back non-operating expenses allows management to consistently compare periods by removing changes in tax rates, long-term assets and financing costs.
- "**Cash Flow from Net Earnings**" is calculated by adding back non-cash items such as depreciation of property and equipment, non-cash finance charges on the convertible debentures and long-term debt, deferred income taxes, share-based payment expense, losses (gains) on the disposal of property and equipment, and losses (gains) on derivative financial instruments to net earnings. Adding back these non-cash items allows management to isolate and analyze the operating cash flows generated through earnings, prior to any consideration of changes in working capital balances and the impact of acquisitions.
- "**Operating SG&A**" is calculated by adding back depreciation of property and equipment and any non-recurring charges incurred during the period to SG&A. Management deems non-recurring charges to be unusual and/or infrequent charges that the Company incurs outside of its common day-to-day operations. For the three months ended March 31, 2012 and 2011, the ineffective portion of hedged financial instruments is considered by management to be a non-recurring charge in SG&A. Adding back this item allows management to assess the discretionary expenses from ongoing operations. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.
- "**Normalized Diluted Earnings per Share**" is calculated by adding back the after-tax impact of non-recurring charges to net earnings when calculating diluted earnings per share. Adding back these non-recurring charges to net earnings allows management to assess the fully diluted earnings per share from ongoing operations.

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

Reconciliation of Quarterly Net Earnings to EBITDA

$ thousands

	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Net earnings	**2,159**	8,961	7,121	4,464	2,663	6,345	3,702	3,096	1,756
Interest on long-term debt	**870**	917	870	933	867	943	662	231	228
Depreciation	**1,433**	1,604	1,711	1,663	1,362	1,517	1,468	1,234	1,061
Income taxes	**880**	3,105	2,294	1,750	940	2,564	1,745	1,196	822
EBITDA	**5,342**	14,587	11,996	8,810	5,832	11,369	7,577	5,757	3,867

Reconciliation of Cash Flow from Net Earnings

Three months ended March 31,
$ thousands

	2012	2011
Net earnings	**2,159**	2,663
Depreciation expense	**1,433**	1,362
Accretion expense	**92**	85
Deferred tax expense (recovery)	**(1,666)**	(4,670)
Share-based payment expense	**272**	321
Non-cash impact – credit promissory note	**7**	(47)
Loss (gain) on disposal of property and equipment	**31**	6
Loss (gain) on derivative financial instruments	**(18)**	-
Cash Flow from Net Earnings	**2,310**	(280)

Reconciliation of Operating SG&A to Selling, General and Administrative Expenses

Three months ended March 31,
$ thousands

	2012	2011
Operating SG&A	**20,916**	16,548
Depreciation	**1,186**	1,275
Non-recurring charges		
Ineffective portion of derivative financial instrument	**(18)**	-
SG&A	**22,084**	17,823

Reconciliation of Normalized Diluted Earnings per Share

Three months ended March 31,
$ thousands, except share and per share amounts

	2012	2011
Earnings used in the calculation of diluted earnings per share	**2,159**	2,663
After tax impact of non-recurring charges on earnings [(1)]	**(14)**	-
Earnings used in the calculation of Normalized Diluted Earnings per Share	**2,145**	2,663
Weighted average diluted shares used in the calculation of diluted earnings per share	**18,896**	18,725
Normalized Diluted Earnings per Share	**0.11**	0.14

(1) – Non-recurring charges after applying statutory rate of 25% (2011 – 26.5%).

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining the Company's disclosure controls and procedures, ("**DC&P**"), to provide reasonable assurance that material information related to the Company is made known. In addition, internal controls over financial reporting ("**ICFR**") have been designed by or have been caused to be designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have evaluated the effectiveness of our DC&P and assessed the design of our ICFR, as of March 31, 2012, pursuant to the requirements of National Instrument 52-109, and have concluded that:

(i) The DC&P are effective to provide reasonable assurance that all material or potentially material information about activities of the Company are made known to them; and

(ii) Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management has concluded that, as of March 31, 2012, the Company has sufficiently documented and tested the effectiveness of the internal controls over financial reporting for the Company and can conclude that these controls are working effectively. It should be noted that while the Company's management believe that the Company's IFCR and DC&P provide a reasonable level of assurance that they are effective, they do not expect these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains FLS within the meaning of applicable securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Rocky or industry results, to be materially different from any future results, events, expectations, performance or achievements expressed or implied by such FLS. FLS typically contain words or phrases such as “may”, “outlook”, “objective”, “intend”, “estimate”, “anticipate”, “should”, “could”, “would”, “will”, “expect”, “believe”, “plan” and other similar terminology suggesting future outcomes or events. FLS involve numerous assumptions and should not be read as guarantees of future performance or results. Such statements will not necessarily be accurate indications of whether or not such future performance or results will be achieved. Readers of this MD&A should not unduly rely on FLS as a number of factors, many of which are beyond the control of Rocky, could cause actual performance or results to differ materially from the performance or results discussed in the FLS.

In particular, FLS in this MD&A include, but are not limited to: (i) disclosure under the heading “Market Fundamentals and Outlook”, (ii) demand for Rocky's products and services, (iii) growth of Rocky's business and operations, (iv) business strategies and implementation plans, (v) demand for parts and service due to the increased machine population that Rocky has installed over the past three and a half years, (vi) realization of accretive benefits from significant acquisition activity undertaken in 2010 & early 2011 and that such benefits will continue to support growth in Rocky's revenues in 2011 and deliver gradual improvements in gross profit throughout 2011 and 2012, (vii) expected high levels of activity in Rocky's end-markets and (viii) disclosure under “Adequacy of Capital Resources.”

With respect to the FLS listed above and contained in this MD&A, Rocky has made assumptions regarding, among other things: (i) grain and oilseed prices and management's characterization of the growing supply and demand imbalance therein, (ii) increasing global food demand over the next 25 years in response to a growing world population and a decrease in arable land per capita, (iii) rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, (iv) increasing food demand will cause producers to seek improved production techniques, (v) increasing demand from China and India for grain and oilseed products, (vi) increasing crop land dedicated to bio-fuel production, (vii) general GDP growth in the markets we operate in and (viii) the Company will continue to benefit from both improvements in the local construction market and favorable conditions in the agriculture sector, and (ix) the Company’s cash flow will remain sufficient to, in connection with its credit facilities, adequately finance its fleet needs.

Rocky’s actual results could differ materially from those anticipated in the FLS in this MD&A as a result of the risk factors set forth herein under the heading “Risks and Uncertainties” and the risk factors set forth in Rocky's AIF. Although the forward-looking statements contained in this MD&A are based upon what management of Rocky believes are reasonable assumptions, Rocky cannot assure investors that actual performance or results will be consistent with these forward-looking statements. These statements reflect current expectations regarding future events and operating performance and are based on information currently available to Rocky’s management. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. All forward-looking statements in this MD&A are qualified in their entirety by the cautionary statements herein and those set forth in Rocky's AIF available on SEDAR at www.sedar.com. These forward-looking statements and outlook are made as of the date of this document and, except as required by applicable law, Rocky assumes no obligation to update or revise them to reflect new events or circumstances.