ROCKY MOUNTAIN DEALERSHIPS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

This Management's Discussion and Analysis ("MD&A") was prepared as of May 8, 2018, and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three months ended March 31, 2018. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three month periods ended March 31, 2018 and 2017, and the audited consolidated financial statements for the years ended December 31, 2017 and 2016 together with the notes thereto and the auditor's report thereon. The results reported herein have been derived from consolidated financial statements 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 "RME", "we", "us", or "our" means Rocky Mountain Dealerships Inc. and its wholly-owned subsidiaries including Rocky Mountain Equipment Canada Ltd. ("RME Canada") and Rocky Mountain Dealer Acquisition Corp. ("RMDAC").

RME's common shares trade on the Toronto Stock Exchange under the symbol 'RME'. Additional information relating to RME, including RME's Annual Information Form, dated March 13, 2018 ("AIF"), is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

This MD&A contains forward-looking information and statements (collectively, "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.

Unless otherwise indicated, changes in financial results for the three months ended March 31, 2018, have been calculated using the same period in the prior year as comparative figures. Changes in our financial position as at March 31, 2018, are calculated using December 31, 2017 as the comparative.

ADOPTION OF NEW ACCOUNTING STANDARDS AND PRIOR PERIOD RESULTS

The retrospective adoption of IFRS 15 and 9 as well as the amendments to IFRS 7, effective for fiscal years commencing on or after January 1, 2018, has resulted in changes to our previously disclosed financial results. Refer to Note 6 of the condensed consolidated interim financial statements for the three month periods ended March 31, 2018 and 2017 for details on how these new standards and amendments have impacted previously disclosed financial results.

SELECTED FINANCIAL INFORMATION

	Three months ended March 31,			
$ thousands	**2018**	2017	Change	% Change
Sales	**219,654**	209,940	9,714	4.6
Cost of sales	**192,691**	183,162	9,529	5.2
Gross profit	**26,963**	26,778	185	0.7
Gross profit as a % of sales	***12.3%***	*12.8%*	*(0.5%)*	
Selling, general and administrative	**23,469**	23,103	366	1.6
Loss (gain) on derivative financial instruments	**1,426**	(421)	1,847	(438.7)
Earnings before finance costs and income taxes	**2,068**	4,096	(2,028)	(49.5)
Finance costs	**2,742**	2,991	(249)	(8.3)
(Loss) earnings before income taxes	**(674)**	1,105	(1,779)	(161.0)
Income taxes	**(254)**	224	(478)	(213.4)
Net (loss) earnings	**(420)**	881	(1,301)	(147.7)
Net (loss) earnings as a % of sales	***(0.2%)***	*0.4%*	*(0.6%)*	
(Loss) earnings per share				
Basic	**(0.02)**	0.05	(0.07)	(140.0)
Diluted	**(0.02)**	0.05	(0.07)	(140.0)
Dividends per share	**0.115**	0.115	-	-
Book value / diluted share – March 31	**9.93**	9.06	0.87	9.6
Adjusted Diluted Earnings per Share(1)	**0.01**	0.04	(0.03)	(75.0)
Adjusted EBITDA(1)	**2,331**	3,349	(1,018)	(30.4)
Operating SG&A(1)	**22,308**	20,933	1,375	6.6
Operating SG&A(1) as a % of sales	***10.2%***	*10.0%*	*0.2%*	
Operating Cash Flow before Changes in Floor Plan(1)	**(48,856)**	(24,324)	(24,532)	100.9

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

SUMMARY OF THE QUARTER ENDED MARCH 31, 2018

Record first quarter new equipment sales reflect not only strong pre-sale efforts by our team through 2017, but also the health of our market. That said, the late spring meant that used equipment, parts and service sales were down year-over-year. This specifically impacted margins by lowering sales in higher margin categories, and by shifting the composition of used equipment sold to lower margin products. The combination of reduced used equipment sales as well as trades taken on new equipment sales during the first quarter of 2018 drove up used equipment inventory levels. As spring finally takes hold and farmers are able to get back into their fields we expect in-season demand to pick-up.

Sales and Margins

- Total sales increased 4.6% or $9.7 million to $219.7 million compared with $209.9 million for the same period in 2017 due to a $26.4 million increase in new equipment sales year-over-year. This was achieved through strong pre-sale efforts and a healthy market. The increase in new equipment sales was offset by decreases in used equipment, parts, and service revenues due to the extremely late spring season. Used equipment, parts and service sales activity, are driven by in-season demand which can be heavily influenced by weather.
- Gross profit increased by 0.7% or $0.2 million to $27.0 million compared with $26.8 million for the same period in 2017. This was predicated on year-over-year increases in sales and incentives from our original equipment manufacturers ("OEMs"). These increases were partially offset by a shift in sales mix away from higher margin parts and service categories as a result of decreased in-season demand as well as weaker average margins on used equipment. In the weeks leading up to seeding and harvest activity, our general practice has been to liquidate aged, seasonal-use equipment, ensuring that we do not have to carry such units on our books for another calendar year. Given the comparatively later start to spring, these units were disproportionately represented in our Q1 2018 used sales profile relative to the same period last year, diluting average used equipment margins as a consequence.

Cost Structure and Earnings

As a percentage of sales, Operating SG&A(1) for the first quarter of 2018 was similar to last year, increasing by 0.2% to 10.2% compared with 10.0% for the same period in 2017. Operating SG&A(1) as a percentage of sales is seasonally higher in the first quarter.

Finance costs for the quarter ended March 31, 2018 decreased 8.3% or $0.2 million to $2.7 million compared with the same period in 2017, due to a reduction in the average level of interest-bearing debt. Of the $53.3 million increase in floor plan payable since Q4 2017, $42.9 million of this increase is non-interest-bearing.

Despite lower finance costs and relatively stable Operating SG&A(1) as a percentage of sales, the prolonged winter conditions reduced sales in higher margin categories which meant:

- Adjusted EBITDA(1) decreased by 30.4% or $1.0 million to $2.3 million for the first quarter of 2018 compared with $3.3 million for the same period in 2017; and
- Adjusted Diluted Earnings per Share(1) decreased by 75% or $0.03 to $0.01 for the first quarter of 2018, compared with $0.04 for the same period of 2017.

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

Reported diluted loss per share for the quarter was $0.02, down from earnings per share of $0.05 during the same period a year ago, attributable in large part to a negative variance associated with our derivative financial instruments.

Balance Sheet and Inventory

For the trailing twelve months ended March 31, 2018, inventory turns were 1.76 times, down from 1.81 times for the trailing twelve months ended December 31, 2017, and up compared with 1.72 times for the same period a year ago.

We continue to work towards improved inventory turns through targeted sales, disciplined procurement and pre-sale orders. With winter weather conditions persisting into the second quarter of 2018, demand for used equipment was much lower this year than it was last year at the same time. Combined with the trade-ins associated with new equipment sales in the quarter, RME's equipment inventory as at March 31, 2018 increased as follows:

- Used equipment inventory was $356.6 million, representing increases of 20.4% or $60.4 million compared with the same period in 2017, and 13.2% or $41.6 million since the fourth quarter of 2017. As snow packs melt and agriculture activity commences, we anticipate seasonal demand for used equipment to materialize; and
- New equipment inventory was $127.2 million, representing increases of 3.1% or $3.8 million compared with the same period in 2017, and 9.7% or $11.3 million since the fourth quarter of 2017.

Since the end of 2017, equipment inventory levels increased $52.9 million, with the majority of this increase concentrated in the used category. The increase in inventory during Q1 2018 was fully funded by draws on our various floor plan facilities. Much of the equipment taken on trade during the quarter was eligible for interest-free terms. Of the $53.3 million increase in floor plan payable since Q4 2017, $42.9 million of this increase is non-interest-bearing.

COMPANY OVERVIEW

Headquartered in Calgary, Alberta, RME is Canada's largest agriculture equipment dealer with a network of full-service equipment stores across the Canadian Prairie Provinces.

RME is Canada's largest retail dealer of CNH equipment, which includes Case IH, New Holland, and Case Construction. We are also a major independent dealer of equipment from a number of other "short-line" agriculture and industrial manufacturers.

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 or arrange other ancillary offerings such as GPS signal subscriptions and geomatics services.

RME's operations in Alberta, Saskatchewan and Manitoba are conducted through RME Canada under the name Rocky Mountain Equipment.

MARKET FUNDAMENTALS AND OUTLOOK

RME is primarily engaged in the business of selling agriculture equipment to grain, oilseed and pulse crop farmers in Alberta, Saskatchewan and Manitoba.

In addition to equipment price, demand for agriculture equipment is supported by farming incomes which, in turn, are a function of commodity prices, quantity and quality of the crop, as well as input costs. Many of these factors are influenced by weather conditions on both a local and, to an extent, on a global basis. Changes in these demand drivers can cause our customers' buying patterns to shift. The agriculture sector exhibits cyclical surges in demand and profitability driven by these macroeconomic factors, as well as other factors that can impact our industry.

Equipment utilization rates, by contrast, are less volatile as agricultural equipment tends to incur hours in the field regardless of weather or economic conditions. The business of farming requires producers to work their fields each year. Circumstances may exist, however, that cause farmers to opt for used equipment in lieu of new equipment, or they may elect to maintain rather than replace their fleets. Our broad range of product and service offerings enables us to respond to these shifts in buying patterns and provide a measure of stability within our financial results.

Competitive Landscape

Our distribution contracts grant us the right to sell new equipment and parts as well as provide warranty service for some of the world's leading equipment brands across Canada's Prairie Provinces. Significant barriers to entry exist in this market, which help us maintain our position as an exclusive supplier of these brands. Our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow.

Our Customers

The fundamentals underlying the Western Canadian farming industry continue to support profitability and create value for our customer base. Elevated production levels and healthy commodity prices for key Western Canadian crops drove steady improvements in farm net worth between 2011 and 2015 (2015 being the most recent year for which data is available from Statistics Canada[1]). Farmer net worth speaks to our customers' capacity to invest in their equipment fleets and other services offered by RME.

Supply

In recent years, the number of new agriculture units delivered to Canadian farmers trailed historical levels as the market digested an elevated equipment population as well as price increases associated with new technology and a depreciating Canadian dollar.

In response, agriculture equipment manufacturers curtailed production and focused on moving existing inventory levels through the supply chain. After having absorbed this supply, demand for new equipment remained relatively satiated for a period of time where new unit deliveries declined.

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[1] CANSIM Table 002-0071.

In recent quarters, we have begun to see signs that Western Canada's agriculture equipment profile is reverting to a more typical composition, with customer demand for new equipment beginning to pick up. With supply and demand now largely realigned, we have also begun to see manufacturer delivery lead-times grow on certain products during peak demand times.

Crop Outlook

Agriculture and Agri-Food Canada ("AAFC") expects total production of principal field crops to be 93.1 million tons for the 2017-2018 crop year. While this represents a decline of 1.2% compared with the 2016-2017 crop year, this level of production would still be at the high end of historic norms.

AAFC's forecast for total production of principal field crops in the upcoming 2018-2019 crop year remains robust. Notwithstanding the late spring in many parts of Western and Central Canada, AAFC is forecasting a slight 0.1% increase in production over the prior crop year[2].

The combination of solid production and healthy commodity prices for key Western Canadian crops continues to reinforce the already strong balance sheets of our customer base.

CAPITAL ALLOCATION STRATEGY

Our success has enabled us to consider a variety of capital allocation options such as returning capital to shareholders, accretive acquisitions and further debt reductions. With the improvements we have made to our operational model and integration capabilities, growth through acquisition is viewed as the primary option. Since inception, RME has grown by acquiring 19 dealerships throughout the Canadian Prairies. However, while we are continuously evaluating potential transactions to drive accretive growth, we are just as satisfied to be patient for the right opportunities.

Acquisition Strategy

We typically target dealership operations in areas with similar farm demographics and crop profiles to our existing operations. This means that Case IH and New Holland agriculture equipment dealers in the Canadian Prairies continue to be of interest to us. We view acquisitions in the Canadian Prairies as scale acquisitions, where acquired dealerships are fully integrated into our network. One immediate source of accretion in an acquisition is our ability to redistribute inventory throughout a broader network of dealerships, enabling us to better scale our investment in inventory.

Another area of interest to us is the area south of our current operations in the United States ("US"). US regions with crops similar to the crop mix of the Canadian Prairies currently benefit from good economics and the balance sheets of farming operations in these regions are supportive of ongoing equipment purchases. While we would require manufacturer approval prior to doing so, an acquisition in these regions of the US would be transformational.

Dividend and Debt

For the immediate future, RME will maintain its current dividend, continue to pay down debt, and keep its balance sheet ready in the event a transaction can be consummated. The Board of Directors regularly reviews RME's capital allocation strategy and, in the absence of an accretive use of capital, may rebalance how capital is allocated.

[2] Canada: Outlook for Principal Field Crops – April 23, 2018

RESULTS OF OPERATIONS

Sales

$ thousands	Three months ended March 31, 2018	2017	Change
Sales			
New equipment	**128,137**	101,750	26,387
Used equipment	**69,562**	83,612	(14,050)
Parts	**15,732**	17,810	(2,078)
Service	**6,223**	6,768	(545)
Total sales	**219,654**	209,940	9,714
Gross profit	**26,963**	26,778	185
Gross margin	***12.3%***	*12.8%*	*(0.5%)*

Total sales increased 4.6% or $9.7 million to $219.7 million compared with $209.9 million for the same period in 2017 due to a $26.4 million increase in new equipment sales. Pre-sold new harvest equipment contributed the majority of this increase. Pre-sold units are ordered months in advance and delivery to the end customer may not necessarily coincide with the seasonal use of the equipment (harvest equipment delivered in the spring for example). Therefore, the amount of revenue generated from such sales is not necessarily indicative of in-season demand.

Revenues from used equipment, parts and service, by contrast, are largely driven by in-season demand. With winter weather continuing to linger across the Canadian Prairies, we had yet to see the usual spring uptick in demand for these products and services during the first quarter of 2018. On a year-over-year basis, the decline in used equipment sales related predominantly to high-horsepower tractors.

Parts and Service Activity

Parts and service activity (collectively "Product Support") is, in some cases, performed for the benefit of other departments within RME. This activity is excluded from reported parts and service revenues. Management assesses overall Product Support activity to ensure that the resources deployed are appropriate in light of total activity. Total Product Support is reconciled to our reported revenues for the respective departments as follows:

$ thousands	Three months ended March 31 2018	2017	Change
Parts activity			
Total activity	**18,988**	20,515	(1,527)
Internal activity eliminated	**(3,256)**	(2,705)	(551)
Reported revenues	**15,732**	17,810	(2,078)
Service activity			
Total activity	**11,189**	10,712	477
Internal activity eliminated	**(4,966)**	(3,944)	(1,022)
Reported revenues	**6,223**	6,768	(545)
Total reported Product Support revenues	**21,955**	24,578	(2,623)

Product Support revenues for the quarter decreased by 10.7% or $2.6 million to $22.0 million compared with $24.6 million in the same period of 2017 due to the impact of prolonged winter conditions on demand. That said, customer acceptance of off-season inspection and preventative maintenance offerings produced healthy service sales, given the circumstances.

In order to ensure our customers receive the best care possible, we need to have the technicians and the parts available when our customers need them. From a parts perspective, this means we generally increase our inventory levels in advance of seasonal demand.

Gross Profit

Gross profit increased by 0.7% or $0.2 million to $27.0 million compared with $26.8 million for the same period in 2017. This was predicated on year-over-year increases in sales and OEM incentives. These increases were partially offset by a shift in sales mix away from higher margin parts and service categories as a result of decreased in-season demand as well as weaker average margins on used equipment. In the weeks leading up to seeding and harvest activity, our general practice has been to liquidate aged, seasonal-use equipment, ensuring that we do not have to carry such units on our books for another calendar year. Given the comparatively later start to spring, these units were disproportionately represented in our Q1 2018 used sales profile relative to the same period last year, diluting average used equipment margins as a consequence.

Selling, General and Administrative

RME assesses its 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 is comprised of facility, administrative and compensation related expenditures, the majority of which are fixed in the short-term. The largest variable component of RME's Operating SG&A is commission associated with the sale of equipment inventory.

RME targets Operating SG&A of less than 10% of sales on an annual basis.

	Three months ended March 31,		
$ thousands	**2018**	2017	Change
Variable sales commissions	**2,687**	2,872	(185)
Other Operating SG&A	**19,621**	18,061	1,560
Operating SG&A	**22,308**	20,933	1,375
Operating SG&A as a % of sales	***10.2%***	*10.0%*	*0.2%*

Operating SG&A for the first quarter of 2018 increased 6.6% or $1.4 million to $22.3 million compared with $20.9 million for the same period in 2017. The variance in Operating SG&A year-over-year reflects additional investment in training in 2018 as well as a recovery of bad debt expense in the first quarter of 2017. As a percentage of sales, Q1 2018 Operating SG&A increased slightly over last year by 0.2% to 10.2%. Operating SG&A as a percentage of sales is typically highest in the first quarter when sales levels are lightest due to the lack of agriculture activity throughout the winter months.

SG&A for Q1 2018 increased 1.6% or $0.4 million to $23.5 million compared with $23.1 million for Q1 2017. In addition to the factors driving the variance in Operating SG&A, we experienced a $0.9 million favourable variance associated with our Director Share Units ("DSUs") and Share Appreciation Rights ("SARs").

Finance Costs

Finance costs for the quarter ended March 31, 2018 decreased 8.3% or $0.2 million to $2.7 million compared with the same period in 2017. While overall floor plan levels increased year-over-year, much of the increase is non-interest-bearing. The average amount drawn on RME's interest-bearing credit facilities during the first quarter of 2018 declined compared with the same period last year, accounting for the year-over-year decrease in finance costs.

Net Earnings

RME reported a net loss for quarter ended March 31, 2018 of $0.4 million compared with net earnings of $0.9 million for the same period in 2017, primarily due to a $1.8 million negative variance associated with RME's derivative financial instruments, partially offset by lower finance costs on a year-over-year basis. Net loss per share on a basic and diluted basis for the first quarter of 2018 was $0.02 compared with earnings per share of $0.05 for the same period in 2017.

The impact on net earnings of RME's derivative financial instruments and other unusual or non-recurring items can be significant. Management uses Adjusted Diluted Earnings per Share, a non-IFRS measure, to evaluate earnings excluding such items. Adjusted Diluted Earnings per Share for the quarter ended March 31, 2018 decreased 75.0% or $0.03 to $0.01 compared with $0.04 for the same period in 2017 as a result of the aforementioned increase in Operating SG&A. Refer to the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below for the definition and reconciliation of Adjusted Diluted Earnings per Share.

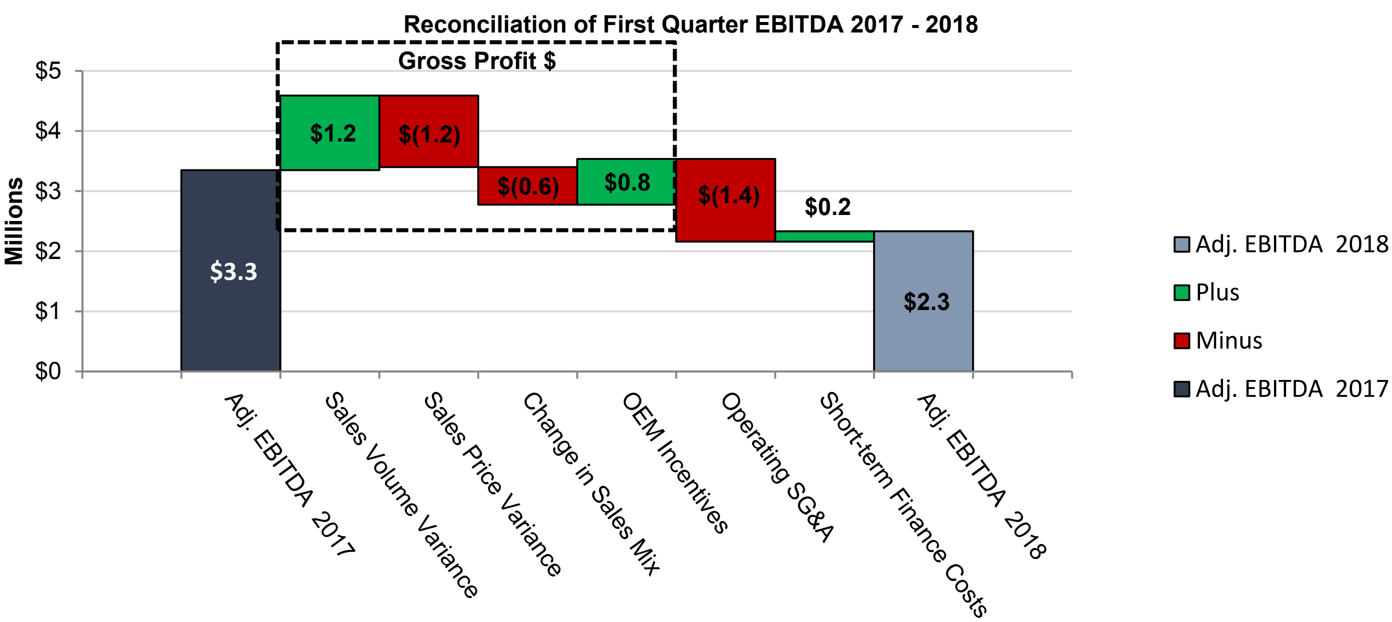
Adjusted EBITDA

RME analyzes its Adjusted EBITDA in order to consistently compare periods by removing the impact of fluctuations in tax rates, long-term assets, financing costs related to our capital structure and our share price. See the definition and reconciliation of Adjusted EBITDA in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

As part of our analysis of Adjusted EBITDA, RME deconstructs the period-over-period variance in gross profit dollars into the following components:

- Sales volume variance – quantifies the impact on gross profit dollars arising from the change in consolidated sales volume for the period, holding overall gross margin flat.
- Sales price variance – quantifies the impact on gross profit of period-over-period changes in gross margin percentages. RME quantifies this impact at a revenue stream level with our revenue streams consisting of sales of new equipment, used equipment, parts and service. The sum of these variances constitutes our sales price variance. RME notes that the impact of the period-over-period change in OEM incentives is presented separately (see below) and is therefore excluded from sales price variance.
- Change in sales mix – our revenue streams generate differing profit margins, with Product Support activities generating comparatively higher margins than equipment sales. The change in sales mix quantifies the impact of shifts in the relative contributions of our various revenue streams to our overall reported sales for a period. RME notes that this metric captures only shifts *between* revenue streams and does not capture the impact of mix *within* a revenue stream.
- OEM incentives recognized – quantifies the impact on gross profit dollars of the period-over-period change in OEM incentives recognized.

Adjusted EBITDA for the quarter ended March 31, 2018 decreased 30.4% or $1.0 million to $2.3 million compared with $3.3 million for the same period in 2017. This was due to Operating SG&A escalating in proportion to sales while gross profit dollars were relatively flat. The improvement in gross profit dollars associated with heightened sales activity and incremental OEM incentives were offset by a shift in sales mix away from higher margin parts and service categories as a result of decreased in-season demand and a negative sales price variance, primarily on used equipment. In the weeks leading up to seeding and harvest activity, our general practice has been to liquidate aged, seasonal-use equipment, ensuring that we do not have to carry such units on our books for another calendar year. Given the comparatively later start to spring, these units were disproportionately represented in our Q1 2018 used sales profile relative to the same period last year, contributing to the negative sales price variance. The change in first quarter Adjusted EBITDA from 2017 to 2018 can be reconciled as follows:



SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts	Restated for adoption of IFRS 9 & 15					Not restated			
	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Sales	**219,654**	273,187	238,812	236,890	209,940	285,749	222,647	232,575	189,464
Gross profit	**26,963**	38,321	38,807	35,518	26,778	34,116	36,861	34,147	28,283
Gross margin	***12.3%***	*14.0%*	*16.3%*	*15.0%*	*12.8%*	*11.9%*	*16.6%*	*14.7%*	*14.9%*
SG&A	**23,469**	27,254	24,834	24,566	23,103	25,205	23,855	24,693	24,217
Other expense (income)	**1,426**	(3,131)	(1,308)	923	(421)	(605)	(236)	762	252
Finance costs	**2,742**	2,799	3,105	3,026	2,991	3,346	3,700	3,751	3,546
Income taxes	**(254)**	3,135	3,327	2,092	224	1,466	2,910	1,575	4
Net (loss) earnings	**(420)**	8,264	8,849	4,911	881	4,704	6,632	3,366	264
Diluted (loss) earnings per share	**(0.02)**	0.42	0.46	0.25	0.05	0.24	0.34	0.17	0.01

Seasonal revenue cycles are common in the agriculture industry as a result of weather conditions, the timing of crop receipts and farming cycles and the timing of equipment deliveries from manufacturers. Consequently, our financial results may vary between quarters. The first quarter is generally the weakest due to the lack of agriculture activity and winter shutdowns. Seeding activity typically commences between the latter part of the first quarter and the beginning of the second quarter. Harvest generally begins towards the middle of the third quarter, and continues through into the fourth quarter. Fourth quarter sales activity also includes post-harvest purchases that are typical in the agriculture sector.

Weather conditions including a prolonged winter, excess moisture or drought, may shift the timing of farming activities between fiscal periods, impacting sales activity and profitability as a consequence. While weather continues to have a significant influence on overall demand, advances made in farming practices, seed technology and application techniques, have helped to mitigate this exposure to some extent and reinforce the agriculture industry fundamentals.

STATEMENT OF FINANCIAL POSITION – SUMMARY

$ thousands	**March 31, 2018**	December 31, 2017	March 31, 2017
Assets			
Inventory	**527,577**	469,540	462,860
Other current assets	**58,646**	64,112	53,549
Total current assets	**586,223**	533,652	516,409
Property and equipment	**41,669**	42,229	49,280
Deferred tax asset	**64**	-	1,301
Derivative financial assets	**3,483**	4,109	1,002
Intangible assets	**301**	343	466
Goodwill	**18,776**	18,776	18,776
Total assets	**650,516**	599,109	587,234
Liabilities and equity			
Floor plan payable	**358,625**	305,342	316,282
Other current liabilities	**64,572**	61,889	54,047
Total current liabilities	**423,197**	367,231	370,329
Long-term debt	**29,382**	30,919	39,070
Obligations under finance leases	**12**	75	409
Deferred tax liability	**-**	561	-
Derivative financial liabilities	**360**	464	1,726
Total liabilities	**452,951**	399,250	411,534
Shareholders' equity	**197,565**	199,859	175,700
Total liabilities and equity	**650,516**	599,109	587,234

RME's primary investment is in inventory, which is comprised predominantly of new and used agriculture equipment. We have a diverse customer base for our equipment and strive to carry an appropriate mix of both new and used equipment to best serve our customers. We manage our inventory levels and composition through our sales and procurement functions with the intention of growing our equipment revenues while improving the efficiency of our investment in inventory as measured by turns.

In measuring inventory turns, RME calculates average inventory as a simple average of five quarterly observations including opening and ending balances for the period as well as the three intervening quarter-end balances. Inventory turns and days in inventory for the trailing twelve-month periods, are as follows:

$ thousands	**March 31, 2018**	December 31, 2017	March 31, 2017
Inventory expensed through cost of sales – trailing 12 months	**816,379**	806,498	804,892
Average total inventory – trailing 12 months (quarterly observations)	**462,856**	445,497	469,172
Inventory turns	**1.76**	1.81	1.72
Days in inventory	**207**	202	213

Inventory turns improved modestly during the trailing 12 months ended March 31, 2018 as compared with the same period a year ago, but declined slightly as compared with the fiscal year ended 2017. With winter weather conditions persisting into the second quarter of 2018, in-season spring demand for used equipment had yet to take hold. The combination of reduced used equipment sales as well as trades taken on strong pre-sale volumes during the first quarter of 2018 were the primary drivers for the increases in used equipment levels both sequentially and on a year-over-year basis.

RME's equipment inventory as at March 31, 2018 increased as follows:

- Used equipment inventory was $356.6 million, representing increases of 20.4% or $60.4 million compared with the same period in 2017, and 13.2% or $41.6 million since the fourth quarter of 2017. We need warmer weather and farmers in the fields to begin working used equipment inventory down; and
- New equipment inventory was $127.2 million, representing increases of 3.1% or $3.8 million compared with the same period in 2017, and 9.7% or $11.3 million since the fourth quarter of 2017.

RME finances its investment in inventory through various floor plan facilities. RME is under no obligation to finance any of its equipment inventory and can typically pay-down and redraw on these facilities to generate or make use of available cash.

The composition of RME's equipment inventory and associated floor plan payables can be summarized as follows:

$ thousands	**March 31, 2018**	December 31, 2017	March 31, 2017
New equipment	**127,220**	115,928	123,375
Used equipment	**356,577**	314,994	296,188
Total equipment inventory	**483,797**	430,922	419,563
Floor plan payable			
Interest-bearing	**202,354**	191,939	195,597
Non-interest-bearing	**156,271**	113,403	120,685
Total	**358,625**	305,342	316,282
Inventory leverage ratio	**74.1%**	70.9%	75.4%

Since the end of 2017, equipment inventory levels increased $52.9 million, with the majority of this increase concentrated in the used category. This heightened level of used equipment, while in part due to seasonality, also reflects trades taken on strong new equipment sales during the first quarter of 2018. Given the impact of extended winter conditions, we had yet to see the typical in-season demand for used equipment take hold during the first quarter of 2018. We expect this activity to pick-up as spring seeding activity commences.

The increase in inventory during Q1 2018 was fully funded by draws on our various floor plan facilities. Much of the equipment taken on trade during the quarter was eligible for interest-free terms. Of the $53.3 million increase in floor plan payable since Q4 2017, $42.9 million of this increase is non-interest-bearing.

As at March 31, 2018, our inventory leverage ratio was 74.1%, down from 75.4% at March 31, 2017, but up from 70.9% as at December 31, 2017.

Total non-current financial liabilities as at March 31, 2018 amounted to $29.8 million (December 31, 2017 – $31.5 million, March 31, 2017 – $41.2 million).

LIQUIDITY AND CAPITAL RESOURCES

We assess liquidity in terms of our ability to generate sufficient cash flow, 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, the levels of accounts receivable, inventory, accounts payable and floor plan payable;
- Financing activities, including bank credit facilities, long-term debt, distributions to shareholders and other capital market activities; and,
- Investing activities, including capital expenditures, dispositions of fixed assets and acquisitions of complementary businesses.

Summary of Cash Inflows (Outflows)

	Three months ended March 31,		
$ thousands	**2018**	2017	Change
Net earnings	**(420)**	881	(1,301)
Effect of non-cash items in net earnings and changes in working capital	**4,847**	(6,590)	11,437
Cash flows from operating activities	**4,427**	(5,709)	10,136
Cash flows from financing activities	**(3,883)**	(4,074)	191
Cash flows from investing activities	**(1,150)**	(2,492)	1,342
Net decrease in cash	**(606)**	(12,275)	11,669
Cash, beginning of period	**20,097**	28,542	(8,445)
Cash, end of period	**19,491**	16,267	3,224
Operating Cash Flow before Changes in Floor Plan (1)	**(48,856)**	(24,324)	(24,532)

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

Cash Flows from Operating Activities

RME assesses its Operating Cash Flow before Changes in Floor Plan in analyzing its cash flows from operating activities. See the definition and reconciliation of Operating Cash Flow before Changes in Floor Plan in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

RME is eligible to finance its equipment inventory using its various floor plan facilities. Floor plan facilities are asset-backed lending arrangements whereby each draw is associated with a specific piece of equipment. RME is under no obligation to finance any of its equipment inventory and, as a general rule, financed units can be paid out for a period of time and refinanced at a later date. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze cash flows from operating activities, prior to any sources or uses of cash associated with equipment financing decisions.

Operating Cash Flow before Changes in Floor Plan for the quarter ended March 31, 2018 was an outflow of $48.9 million compared with an outflow of $24.3 million during the same period in 2017. This change is primarily a result of trades taken on new equipment deliveries during the first quarter of 2018. Again, used equipment sales demand typically peaks in-season when agriculture activity is underway. With winter weather persisting into the second quarter of 2018, we had yet to see this in-season demand materialize during the first quarter and the associated inventory remained on our balance sheet at March 31, 2018.

Cash flows from operating activities for the quarter ended March 31, 2018 improved by $10.1 million compared with the same period in 2017. The aforementioned increase in inventory during Q1 2018 was fully funded by draws on our various floor plan facilities, negating any impact on our cash position. The improvement in cash flows from operating activities reflects changes in other working capital balances as well as $1.7 million in proceeds received on the unwinding of a portion of our total return swap position.

Cash Flows from Financing Activities

Cash outflows from financing activities pertain primarily to debt and dividend payments, net of any proceeds received from the issuance of debt or equity.

During the quarter ended March 31, 2018, cash outflows from financing activities were relatively flat at $3.9 million as compared with $4.1 million in the same period in 2017.

Cash Flows from Investing Activities

Cash flows from investing activities is comprised of maintenance capital spend, facility construction expenditures and consideration paid for the acquisition of complementary businesses, offset by any proceeds received on the disposition of such assets.

Cash outflows from investing activities declined during the quarter ended March 31, 2018 compared with the same period last year due to reduced maintenance capital spend. Limited product availability has delayed the usual rotation of our fleet of vehicles.

ADEQUACY OF CAPITAL RESOURCES

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

Finance Facilities

RME has a credit facility with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility is a revolving facility which matures on September 24, 2020, and is secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lenders' prime rate or the U.S. base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. RME pays standby fees of between 0.4% – 0.7% per annum on any undrawn portion of the Syndicated Facility. The standby fees and premiums on base interest rates within the respective ranges are determined based on RME's ratio of debt to tangible net worth.

The Syndicated Facility consists of:

- The "Operating Facility" – which may be utilized to advance up to the lesser of the established borrowing base and $60.0 million. The borrowing base is supported by otherwise unencumbered assets including certain accounts receivable, inventory and items of property and equipment, less priority payables. This facility may be used to finance general corporate operating requirements.
- The "Flooring Facility" – which may be utilized to finance up to 75% of the value of eligible equipment inventory to a maximum of $125.0 million. Draws against the Flooring Facility are repayable over a term of 28 months, however, they become due in full upon the sale of the associated equipment.
- The "Term Facility" – which may be utilized to finance up to 60% of the cost of acquisitions and 75% of the cost of real estate assets to a maximum of $75.0 million. Draws are repayable in quarterly installments with acquisition and real estate related draws amortized over periods of 7 and 15 years, respectively.

Including the syndicated Flooring Facility, we have total floor plan facilities of approximately $558.6 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing equipment inventory. These facilities are made available to RME by the equipment manufacturers' captive finance companies or divisions (such as CNH Industrial Capital Canada Ltd.), as well as by banks and specialty lenders.

In addition to our available cash balance of $19.5 million as at March 31, 2018, we have $298.7 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	**Available**
Operating Facility	60.0	-	**60.0**
Term Facility	75.0	35.7	**39.3**
Various floor plan facilities			
OEM floor plan facilities	205.0	156.5	**48.5**
Syndicated Flooring Facility	125.0	63.5	**61.5**
Other floor plan facilities	228.6	139.2	**89.4**
Total	693.6	394.9	**298.7**

In addition to the facility limits, the availability of funds under these credit facilities is limited or otherwise constrained by the adequacy of the underlying assets available to securitize a proposed draw and by customary negative covenants. These restrictions are not expected to affect RME's access to required capital in the foreseeable future. The existing credit facilities are considered sufficient and appropriate for RME's capital requirements.

Financial Covenants

Pursuant to agreements with lenders, RME is required to monitor and report compliance with certain financial ratios on a quarterly basis. Each lender defines its own calculation of these measures. Detailed descriptions of covenant calculations are available within RME's various material credit agreements filed on SEDAR at www.sedar.com. These financial covenants are summarized as follows:

	March 31, 2018		December 31, 2017	
	Threshold	**Result**	Threshold	Result
Fixed charge coverage ratio Assesses the ability to cover fixed charges by expressing free-cash flows generated as a ratio of committed obligations on a trailing 12-month basis.	**≥ 1.15** **≥ 1.20**	**2.16** **1.50**	≥ 1.15 ≥ 1.20	2.21 1.67
Debt to tangible net worth Assesses solvency by expressing debt as a ratio of tangible net assets.	**≤ 4.00** **≤ 5.00**	**2.54** **2.14**	≤ 4.00 ≤ 5.00	2.21 1.83
Current ratio Assesses liquidity by expressing current assets as a ratio of current liabilities.	**≥ 1.20**	**1.41**	≥ 1.20	1.48

As at March 31, 2018 and December 31, 2017, RME was in compliance with all externally imposed capital requirements.

RME's continued compliance with its financial covenants is dependent on various factors which influence our financial results including, but not limited to, overall demand for our products and services and the timing of that demand influenced by weather and other factors. In the event that our financial results or position deteriorate, there is a risk that we may fail to comply with our financial covenants, most notably, our fixed charge coverage ratios.

Failing to meet these covenants would constitute a default event which may result in, among other restrictions and remedies, the associated debt becoming due and restrictions being placed on RME's ability to draw on its facilities or make distributions to shareholders.

Derivative Financial Instruments

RME utilizes derivative financial instruments to hedge its exposure to changes in interest rates and fluctuations in the valuation of its common shares. We do not use derivatives to speculate, but rather as a risk management tool. RME's portfolio of derivative financial instruments consists of interest rate and total return swaps.

(Losses) gains recognized on derivative financial instruments are as follows:

	Three months ended March 31,	
$ thousands	**2018**	2017
Recognized in net (loss) earnings	**(1,426)**	421
Recognized in accumulated other comprehensive income – net of tax	**338**	107
Recognized in deferred tax position	**125**	40

Interest Rate Swaps

RME has several interest rate swaps related to portions of its Term Facility and various floor plan facilities (collectively, the "Hedged Facilities").

The Hedged Facilities each bear interest at a floating rate based on the prevailing BA rate. The interest rate swaps hedge our exposure to fluctuations in the BA rate. RME's hedged and at risk positions are summarized as follows:

			March 31, 2018		December 31, 2017	
	Maturity	Type	**Effective rate**	**Amount ($ thousands)**	Effective Rate	Amount ($ thousands)
Hedged position						
Current debt						
Floor plan facility #1	August, 2018	Non-amortizing	**4.2%**	**25,000**	4.2%	25,000
Floor plan facility #2	September, 2020	Non-amortizing	**5.1%**	**35,000**	5.1%	35,000
Floor plan facility #3	September, 2022	Non-amortizing	**5.4%**	**50,000**	5.4%	50,000
			5.0%	**110,000**	5.0%	110,000
Long-term debt						
Term Facility	April, 2023	Amortizing	**3.5%**	**29,373**	3.5%	30,671
Total			**4.7%**	**139,373**	4.7%	140,671
Position at risk – floating-rate debt				**238,518**		229,754
Position hedged				**58.4%**		61.2%

The interest rate swaps are accounted for using hedge accounting. If we sell or terminate a hedged item, or it matures before the related hedging instrument is terminated, we recognize in income any unrealized gain or loss on the derivative instrument. In accounting for these cash flow hedges, changes in fair value of the 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. To the extent that changes in the fair value of these derivatives are not completely offset by changes in the fair value of the hedged items, the ineffective portions of the hedging relationships are recorded immediately in net earnings.

For the three months ended March 31, 2018, we recognized in net earnings, a mark-to-market gain of $26.1 thousand on our interest rate swaps (2017 – gain of $48.6 thousand).

Total Return Swaps

RME has several total return swap arrangements to hedge the exposure associated with increases in its share price on its outstanding DSUs and SARs. If not renewed or unwound by RME, these arrangements mature between July 2018 and April 2019. It is RME's intention to maintain a hedged position which approximately matches the quantity of, and terms associated with, the DSUs and SARs. The hedging relationship with the SARs is ineffective to the extent that RME's share price falls below the strike price of the SARs.

During the vesting period, the accounting treatment of the SARs creates an inherent discrepancy from the total return swaps in terms of the timing of the impact on net earnings. Changes in RME's share price are factored into the Black-Scholes option pricing model to determine the estimated fair value of the SARs at each reporting date. Each period, an expense (recovery) is recognized in net earnings such that the life-to-date expense associated with the SARs reflects the proportion of the estimated fair value earned by the holder between issuance and the reporting date. The value of the SARs is deemed earned by the holder evenly throughout the vesting period and is considered fully earned upon vesting. Once vested, the SARs will also be marked-to-market at each reporting date, eliminating the timing discrepancy.

RME does not apply hedge accounting to these relationships and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise. For the three months ended March 31, 2018, we recognized a mark-to-market loss of $1.5 million (2017 – gain of $0.4 million). During the first quarter of 2018, RME also unwound its hedged position by 510 thousand shares for cash proceeds of $1.7 million. This unwinding realigns our hedged position with our position at risk.

RME's hedged and at risk positions are summarized as follows:

In thousands of shares/units except per share amounts	March 31, 2018 Weighted average price/share $	March 31, 2018 Shares/ units	December 31, 2017 Weighted average price/share $	December 31, 2017 Shares/ units
Hedged position	**9.14**	**660**	9.34	1,170
Position at risk:				
DSUs		**67**		60
SARs		**577**		599
Total		**644**		659
Position hedged		**102.5%**		177.5%

Dividends

On May 8, 2018, RME's Board of Directors (the "Board") approved a quarterly dividend of $0.115 per common share on its outstanding common shares. The common share dividend is payable on June 29, 2018, to shareholders of record at the close of business on May 31, 2018.

This dividend is designated by RME to be an "eligible dividend" for the purposes of the Income Tax Act (Canada) and any similar provincial or territorial legislation. An enhanced dividend tax credit applies to "eligible dividends" paid to Canadian residents. Please consult with your own tax advisor for advice with respect to the income tax consequences to you from RME designating its dividends as "eligible dividends." Investors are cautioned that quarterly dividends remain subject to approval by RME's Board, and that the Board may, at any time, increase, decrease or suspend payment of the dividend.

SHARE CAPITAL – OUTSTANDING SHARES

Changes in the number of issued and outstanding common shares during the three month periods ended March 31, 2018 and 2017 are as follows:

$ thousands	2018	2017
Opening balance	**19,877**	19,384
Shares issued upon exercise of stock options	**7**	-
Closing balance	**19,884**	19,384

As at May 8, 2018, there were 19,888,086 common shares outstanding.

RME has a stock option plan under which the Board may grant options to directors, officers, and employees of RME at an exercise price equal to the market price of RME's common shares at the time of the grant. The plan limits the number of options issuable to a maximum of 10% of the issued and outstanding common shares from time to time. 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 five years and a vesting period of three years with one-third of the grant vesting on each of the first three anniversary dates following the date of grant.

Options outstanding at March 31, 2018 are as follows:

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
March 13, 2014	143	143	11.52	1.0

As at May 8, 2018, there were 138,500 options outstanding.

CONTRACTUAL OBLIGATIONS

RME's contractual obligations consist primarily of its floor plan payable used to finance the purchase of new, and to a lesser extent, used equipment. RME 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 accounts for the majority of RME's contractual obligations which will be discharged within the next 12 months. In addition to certain curtailment requirements, draws on our floor plan facilities become due upon the sale of the underlying piece of equipment inventory.

Other significant contractual obligations outstanding as at March 31, 2018, include trade payables, accruals and other, long-term debt consisting predominantly of the Term Facility and operating lease commitments which relate primarily to RME's facilities. Lease terms are between one and eleven years and most building leases contain renewal options for periods ranging from three to five years.

RME assesses its liquidity based on the period in which cash flows are expected to occur. The following table summarizes RME's expected undiscounted cash flows for obligations existing at March 31, 2018, assuming the Syndicated Facility is renewed prior to maturity on September 24, 2020. The analysis is based on foreign exchange rates and interest rates in effect at the date of the consolidated statement of financial position, and includes both principal and interest cash flows.

$ thousands	**Total**	2018	2019-2020	2021-2022	Thereafter
Trade payables, accruals and other	**31,551**	31,551	-	-	-
Floor plan payable	**368,767**	276,575	92,192	-	-
Long-term debt	**39,983**	5,570	14,224	13,325	6,864
Obligations under finance leases	**414**	338	76	-	-
Operating lease obligations	**33,727**	6,005	12,756	9,389	5,577
Derivative financial liabilities	**839**	380	459	-	-
Total contractual obligations	**475,281**	320,419	119,707	22,714	12,441

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for long-term debt outstanding as at March 31, 2018, would be $32.6 million in 2019-2020 and $Nil in all subsequent periods.

RELATED PARTY TRANSACTIONS

During the three month periods ended March 31, RME entered into the following transactions with related parties:

	Three months ended March 31,	
$ thousands	**2018**	2017
Equipment and product support sales	**2,071**	1,725
Expenditures		
Rental payments on RME facilities	**1,453**	1,473
Equipment purchases	**1,949**	1,112
Flight costs	**43**	55
Other expenses	**14**	19

All related parties are either directly or indirectly owned by a member of senior management or director of RME 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.

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

$ thousands	**March 31, 2018**	December 31, 2017
Due from related parties	**77**	27
Due to related parties	**(176)**	(1,087)

The amounts due from related parties are not secured and are to be settled in cash. As at March 31, 2018 and December 31, 2017, the amounts due from related parties are considered collectible and, therefore, have not been provided for in the loss allowance provision. During the three month period ended March 31, 2018, $Nil has been recognized in bad debt expenses with respect to related party transactions (2017 – $Nil).

RME has contractual obligations to related parties in the form of facility leases. As at March 31, 2018, these contractual obligations and due dates, are as follows:

$ thousands	Total	2018	2019-2020	2021-2022	Thereafter
Operating lease obligations	**30,210**	4,324	11,011	9,320	5,555

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases. These leases relate to RME's buildings and certain operating assets with lease terms of up to 11 years. Most building leases contain renewal options for periods of 3 to 5 years. We have paid monthly amounts under these operating leases of up to $67.7 thousand. In some instances, the counterparty to RME's operating lease obligations is a related party. Refer to the "Related Party Transactions" section of this MD&A for a discussion of the terms and amounts of such arrangements. The range of expiry dates on the current operating leases extend until July 2027.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated 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 consolidated financial statements may change as future events unfold, additional information is acquired or RME's operating environment changes.

Our critical accounting estimates are consistent with those disclosed in our annual MD&A for the year ended December 31, 2017 available on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

New Standards and Amendments in Effect on January 1, 2018

<u>IFRS 15 'Revenue from Contracts with Customers'</u>

Effective January 1, 2018, the Company adopted IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 replaces IAS 11 'Construction Contracts', IAS '18 Revenue', IFRS 13 'Customer Loyalty Programs', as well as various other interpretations regarding revenue. IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. Refer to Note 6 of the condensed consolidated interim financial statements for the three month periods ended March 31, 2018 and 2017 for details on the impacts of this new accounting standard.

<u>IFRS 9 'Financial Instruments'</u>

Effective January 1, 2018, the Company adopted IFRS 9 'Financial Instruments'. IFRS 9 introduces new requirements for: (i) the classification and measurement of financial assets and financial liabilities and (ii) the recognition and measurement of impairment for financial assets. IFRS 9 introduces a simplified hedge accounting model that aligns more closely with risk management. Refer to Note 6 of the condensed consolidated interim financial statements for the three month periods ended March 31, 2018 and 2017 for details on the impacts of this new accounting standard.

<u>IFRS 7 'Financial Instruments: Disclosures'</u>

Effective January 1, 2018, the Company adopted the amendments to IFRS 7 'Financial Instruments: Disclosures'. In conjunction with the transition from IAS 39 'Financial Instruments: Recognition and Measurement' to IFRS 9 'Financial Instruments', IFRS 7 was amended to require additional disclosure in the year of transition.

New Standards and Amendments not yet in Effect

<u>IFRS 16 'Leases'</u>

IFRS 16 'Leases' replaces IAS 17 'Leases' and requires most leases to be recognized as assets and liabilities on the statement of financial position. This standard includes an optional exemption for certain short-term leases and leases of low-value assets and is effective for fiscal periods beginning on or after January 1, 2019. Management is currently in the process of assessing this standard and its impact on the consolidated financial statements. This standard will affect primarily the accounting for RME's operating lease commitments.

RISKS AND UNCERTAINTIES

Risk factors faced by RME are listed in RME's AIF under the heading "Risk Factors" and can be found on SEDAR. These risk factors include industry risks associated with agriculture and industrial equipment dealerships and others, including but not limited to: (i) economic conditions; (ii) weather and climate conditions; (iii) commodity prices; (iv) inventory risk; (v) reliance on key manufacturers; (vi) seasonality and cyclicality; (vii) import product restrictions and foreign trade risks; (viii) information systems and cybersecurity; (ix) interest rates; (x) government regulation; (xi) health, safety and environmental laws and regulation; (xii) nature of dealership agreements; (xiii) foreign exchange exposure; (xiv) competition; (xv) restrictions on and impediments to acquisitions; (xvi) industry oversupply; (xvii) labour relations; (xviii) credit facilities; (xix) consolidation within the equipment manufacturing industry; (xx) customer credit risks; (xxi) available floor plan financing; (xxii) unfavorable conditions in key geographic markets; (xxiii) non-exclusive nature of key geographic markets; (xxiv) continued ability to pay dividend; (xxv) indemnification and insurance; (xxvi) branch leases; (xxvii) key personnel; (xxviii) labour costs and shortages; (xxix) changes in common share value; (xxx) product liability risks; (xxxi) issuance of additional common shares; (xxxii) freight costs; (xxxiii) aviation risks; (xxxiv) future warranty claims; (xxxv) growth risks; (xxxvi) integration of acquisitions; and, (xxxvii) forward-looking information may prove inaccurate.

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.

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:

- **"Adjusted Diluted Earnings per Share"** is calculated by eliminating from net earnings, the after-tax impact of the losses (gains) arising from RME's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise primarily from changes in RME's share price as well as fluctuations in interest rates and are not reflective of RME's core operations.

  RME also adjusts for any non-recurring charges (recoveries) recognized in net earnings. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that RME incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze diluted earnings per share from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.

- **"Adjusted EBITDA"** is derived by eliminating the following items from net earnings: finance costs associated with long-term debt; income taxes; depreciation and amortization; the impact of the losses (gains) arising from derivative financial instruments and DSUs; and the expense (recovery) associated with SARs. Adjusting net earnings for these items allows management to consistently compare periods by removing the impact of fluctuations in tax rates, long-term assets, financing costs related to RME's capital structure and RME's share price.

  RME also adjusts for any non-recurring charges (recoveries) recognized in Adjusted EBITDA. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that RME incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze EBITDA from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.

- **"Operating SG&A"** is calculated by eliminating from SG&A, depreciation and amortization expense as well as the impact of the losses (gains) arising from RME's DSUs and the expense (recovery) associated with its SARs. These items arise primarily from changes in RME's share price and are not reflective of RME's core operations.

  RME also adjusts for any non-recurring charges (recoveries) recognized in SG&A. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that RME incurs outside of its common day-to-day operations. For the periods presented, no non-recurring charges (recoveries) have been identified. The assessment of Operating SG&A facilitates the evaluation of discretionary expenses from ongoing operations. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.

- **"Operating Cash Flow before Changes in Floor Plan"** is calculated by eliminating the impact of the change in floor plan payable (excluding floor plan assumed pursuant to business combinations) from cash flows from operating activities. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze operating cash flows during a period, prior to any sources or uses of cash associated with equipment financing decisions.

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

Adjusted Diluted Earnings per Share

	Three months ended March 31,	
$ thousands	**2018**	2017
(Loss) earnings used in the calculation of diluted (loss) earnings per share	**(420)**	881
Loss (gain) on derivative financial instruments	**1,426**	(421)
(Gain) loss on DSUs	**(90)**	26
SAR (recovery) expense	**(530)**	277
Tax effect of adjustments (27%)	**(218)**	32
Earnings used in the calculation of Adjusted Diluted Earnings per Share	**168**	795
Weighted average diluted shares used in the calculation of diluted earnings per share (in thousands)	**19,896**	19,384
Adjusted Diluted Earnings per Share	**0.01**	0.04

Adjusted EBITDA

	Three months ended March 31,	
$ thousands	**2018**	2017
Net (loss) earnings	**(420)**	881
Finance costs associated with long-term debt	**418**	495
Depreciation and amortization expense	**1,781**	1,867
Income taxes	**(254)**	224
EBITDA	**1,525**	3,467
Loss (gain) on derivative financial instruments	**1,426**	(421)
(Gain) loss on DSUs	**(90)**	26
SAR (recovery) expense	**(530)**	277
Adjusted EBITDA	**2,331**	3,349

Operating SG&A

	Three months ended March 31,	
$ thousands	**2018**	2017
SG&A	**23,469**	23,103
Depreciation and amortization expense	**(1,781)**	(1,867)
Gain (loss) on DSUs	**90**	(26)
SAR recovery (expense)	**530**	(277)
Operating SG&A	**22,308**	20,933
Operating SG&A as a % of sales	***10.2%***	*10.0%*

Operating Cash Flow before Changes in Floor Plan

	Three months ended March 31,	
$ thousands	**2018**	2017
Cash flow from operating activities	**4,427**	(5,709)
Net increase in floor plan payable(1)	**(53,283)**	(18,615)
Floor plan assumed pursuant to business combinations	**-**	-
Operating Cash Flow before Changes in Floor Plan	**(48,856)**	(24,324)

(1) – Includes change in floor plan payable classified as liabilities associated with assets held for sale.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have, as at March 31, 2018, designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to RME is made known to them by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by RME 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 period specified in securities legislation.

The CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of RME's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. RME's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design RME's ICFR.

As at March 31, 2018, the CEO and CFO have evaluated the design and operation of RME's DC&P and ICFR and concluded that they were effective. During the quarter ended March 31, 2018, there were no changes in RME's ICFR that have materially affected, or are reasonably likely to materially affect RME's ICFR.

It should be noted that a control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

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 RME 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", "predict" 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 RME, 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, the following: (i) disclosure under the heading "Market Fundamentals and Outlook"; (ii) continuing demand for RME's products and services, and the cyclical nature of agriculture equipment demand and any revenue or inventory statements or forecasts attributed thereto; (iii) disclosure under the heading "Capital Allocation Strategy – Acquisition Strategy", including discussion regarding RME's acquisition plans, prospects and activities; (iv) disclosure under the heading "Capital Allocation Strategy – Dividend and Debt", including any discussion regarding RME's plans to maintain its current dividend, continue to pay down debt and keep RME's balance sheet ready for a potential transaction; (v) statements pertaining to the anticipated crop outlook in Western Canada; (vi) statements regarding the disparity between the Canadian and U.S. dollars and the impact such disparity may have on RME's business and new equipment pricing in Canada; (vii) any discussion regarding RME's anticipated inventory balance and profile; (viii) discussion on the fundamentals of RME's business, including discussion regarding growth in GDP, farmers' crop receipts and profitability, field crop outlook and the future demand for agriculture equipment and commodities; (ix) statements regarding customer buying patterns, including the extent to which we are able to convert new equipment customers to used equipment customers; (x) any statements or discussions regarding RME's inventory management and any expected increases or decreases in RME's inventory levels, and the timing and delivery thereof; (xi) statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs; (xii) discussion around Operating SG&A expenses, including the seasonal variances and expectations in Operating SG&A and RME's targeted annual Operating SG&A; (xiii) discussion that the first quarter is generally the weakest financial quarter and that the fourth quarter is generally the strongest quarter financially; (xiv) statements that our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow; (xv) statements that weather conditions may impact sales activity for any given period, including statements regarding anticipated increased in-season demand for used equipment as spring seeding commences; (xvi) statements concerning RME's ongoing compliance with, or potential breaches of, its covenants under its credit facilities, including the Syndicated Facility; (xvii) statements concerning RME's expected undiscounted cash flows as at March 31, 2018, and (xviii) statements regarding any anticipated losses recognized as a result of the unwinding of RME's equity hedge position.

With respect to the FLS listed above and contained in this MD&A, RME has made assumptions regarding, among other things: (i) expectations that commodity prices will continue to remain above historical levels; (ii) increasing food demand, as well as increasing crop land dedicated to bio-fuel production, will cause producers to improve their productivity, and as a result invest in new equipment, (iii) expectations that increases in farmer liquidity would generally correlate to farmers making capital re-investments in their business, so as to increase their productivity and lower their input costs, which investments may include RME's products and services, (iv) inventory levels will fluctuate during a year, both positively and negatively, based on timing of equipment deliveries, and volume of whole-good sales involving a unit taken in on trade, (v) the general GDP growth and/or relative economic stability in the markets we operate in, (vi) the trend towards larger farms in the agriculture sector will continue to benefit further farm equipment sales as larger farm operations tend to replace their equipment more frequently, (vii) RME's cash flow will remain sufficient to, in connection with its credit facilities, adequately finance its capital needs, (viii) as stores are consolidated, certain functions can be centralized thereby reducing SG&A costs as a result, (ix) the anticipated improvement in ongoing revenue and cash-flow, including parts and service revenue, as our installed base increases, (x) expectations that no material change will happen to our OEM relationships; (xi) expectations that customers who purchase their equipment from RME will, generally, return to RME for their product support needs; (xii) our realigned investment in inventory is consistent with current market demand; and, (xiii) RME will remain in compliance with all of its debt covenants under the terms of the Syndicated Facility and will be able to renew its Syndicated Facility prior to maturity on September 24, 2020.

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

RME

ROCKY MOUNTAIN DEALERSHIPS

Condensed Consolidated Interim Financial Statements and Notes

Three Month Periods Ended March 31, 2018 and 2017 (unaudited)

Condensed Consolidated Interim Statements of Financial Position

Expressed in thousands of Canadian dollars (unaudited)

	Note	March 31, 2018 $	December 31, 2017 $	March 31, 2017 $	January 1, 2017 $
Assets			(Note 6)	(Note 6)	(Note 6)
Current					
Cash		**19,491**	20,097	16,267	28,542
Trade receivables and other		**27,190**	32,685	28,552	27,240
Inventory	**9**	**527,577**	469,540	462,860	440,783
Contract assets	**10.2**	**2,766**	2,199	2,560	2,116
Income taxes receivable		**1,904**	-	225	487
Prepaid expenses		**6,581**	6,210	5,704	6,208
Current portion of derivative financial assets	**15**	**714**	2,921	241	290
Assets held for sale		**-**	-	-	2,501
Total current assets		**586,223**	533,652	516,409	508,167
Non-current					
Property and equipment		**41,669**	42,229	49,280	48,586
Deferred tax asset	**13.2**	**64**	-	1,301	1,304
Derivative financial assets	**15**	**3,483**	4,109	1,002	578
Intangible assets		**301**	343	466	507
Goodwill		**18,776**	18,776	18,776	18,776
Total non-current assets		**64,293**	65,457	70,825	69,751
Total assets		**650,516**	599,109	587,234	577,918
Liabilities					
Current					
Trade payables, accruals and other		**31,551**	28,009	32,427	36,653
Floor plan payable		**358,625**	305,342	316,282	296,061
Contract liabilities	**10.2**	**26,056**	25,719	12,951	14,788
Income taxes payable		**-**	1,079	-	-
Current portion of long-term debt		**6,118**	6,104	6,825	6,825
Current portion of obligations under finance leases		**397**	445	443	440
Current portion of derivative financial liabilities	**15**	**450**	533	1,401	1,449
Liabilities associated with assets held for sale		**-**	-	-	1,606
Total current liabilities		**423,197**	367,231	370,329	357,822
Non-current					
Long-term debt		**29,382**	30,919	39,070	40,778
Obligations under finance leases		**12**	75	409	521
Deferred tax liability	**13.2**	**-**	561	-	-
Derivative financial liabilities	**15**	**360**	464	1,726	1,871
Total non-current liabilities		**29,754**	32,019	41,205	43,170
Total liabilities		**452,951**	399,250	411,534	400,992
Shareholders' Equity					
Common shares		**95,564**	95,477	87,709	87,709
Contributed surplus		**4,388**	4,400	6,080	6,065
Accumulated other comprehensive income (loss)		**819**	481	(2,264)	(2,371)
Retained earnings		**96,794**	99,501	84,175	85,523
Total shareholders' equity		**197,565**	199,859	175,700	176,926
Total liabilities and shareholders' equity		**650,516**	599,109	587,234	577,918

APPROVED BY THE BOARD

"Signed" Robert Herdman
Robert Herdman, Director

"Signed" Matthew Campbell
Matthew Campbell, Director

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

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

	Note	March 31, 2018 $	March 31, 2017 (Note 6) $
Sales	**10.1**	**219,654**	209,940
Cost of sales	**9**	**192,691**	183,162
Gross profit		**26,963**	26,778
Selling, general and administrative	**11**	**23,469**	23,103
Loss (gain) on derivative financial instruments	**15**	**1,426**	(421)
Earnings before finance costs and income taxes		**2,068**	4,096
Finance costs	**12**	**2,742**	2,991
(Loss) earnings before income taxes		**(674)**	1,105
Income taxes	**13.1**	**(254)**	224
Net (loss) earnings		**(420)**	881
(Loss) earnings per share			
Basic		**(0.02)**	0.05
Diluted		**(0.02)**	0.05

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

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income
For the three month periods ended
Expressed in thousands of Canadian dollars (unaudited)

	Note	**March 31, 2018 $**	March 31, 2017 (Note 6) $
Net (loss) earnings		**(420)**	881
Other comprehensive income			
Items which will subsequently be reclassified to net (loss) earnings:			
Unrealized gain on derivative financial instruments, net of tax	**15**	**338**	107
Total other comprehensive income for the period, net of tax		**338**	107
Comprehensive (loss) income		**(82)**	988

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

Condensed Consolidated Interim Statements of Changes in Equity
Expressed in thousands of Canadian dollars and thousands of common shares (unaudited)

	Note	Common shares Number of shares	Common shares Amount $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings (Note 6) $	Total equity $
Balance, December 31, 2017		**19,877**	**95,477**	**4,400**	**481**	**99,501**	**199,859**
Shares issued upon exercise of stock options		**7**	**87**	**(12)**	**-**	**-**	**75**
Net loss		**-**	**-**	**-**	**-**	**(420)**	**(420)**
Other comprehensive income	**15**	**-**	**-**	**-**	**338**	**-**	**338**
Dividends paid		**-**	**-**	**-**	**-**	**(2,287)**	**(2,287)**
Balance, March 31, 2018		**19,884**	**95,564**	**4,388**	**819**	**96,794**	**197,565**

	Note	Common shares Number of shares	Common shares Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (Note 6) $	Total equity $
Balance, December 31, 2016		19,384	87,709	6,065	(2,371)	85,523	176,926
Equity-settled share-based payment expense	11	-	-	15	-	-	15
Net earnings		-	-	-	-	881	881
Other comprehensive income	15	-	-	-	107	-	107
Dividends paid		-	-	-	-	(2,229)	(2,229)
Balance, March 31, 2017		19,384	87,709	6,080	(2,264)	84,175	175,700

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

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

	Note	**March 31, 2018 $**	March 31, 2017 (Note 6) $
Operating activities			
Net (loss) earnings		**(420)**	881
Adjustments for:			
Depreciation and amortization expense	**11**	**1,781**	1,867
Deferred tax recovery	**13.2**	**(750)**	(37)
Equity-settled share-based payment expense	**11**	**-**	15
Gain on disposal of property and equipment		**(29)**	(28)
Loss (gain) on derivative financial instruments	**15**	**1,426**	(421)
Cash received on settlement of total return swaps	**15**	**1,683**	-
Amortization of deferred debt issuance costs		**37**	28
Changes in non-cash working capital		**699**	(8,014)
Total cash generated (used) from operating activities		**4,427**	(5,709)
Financing activities			
Repayment of long-term debt		**(1,560)**	(1,736)
Repayment of obligations under finance leases		**(111)**	(109)
Dividends paid		**(2,287)**	(2,229)
Proceeds from issuance of common shares		**75**	-
Total cash used from financing activities		**(3,883)**	(4,074)
Investing activities			
Purchase of property and equipment		**(1,398)**	(2,622)
Disposal of property and equipment		**248**	130
Total cash used from investing activities		**(1,150)**	(2,492)
Net decrease in cash		**(606)**	(12,275)
Cash, beginning of period		**20,097**	28,542
Cash, end of period		**19,491**	16,267
Taxes paid		**3,479**	-
Interest paid		**2,610**	2,892

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

1. General information

Rocky Mountain Dealerships Inc. ("RME") is incorporated under the *Business Corporations Act (Alberta)*. Through its wholly-owned subsidiaries, RME sells, leases and provides product and warranty support for a wide variety of agriculture equipment in Western Canada. All of RME's operating subsidiaries are incorporated in Alberta, Canada and all of the equipment dealership locations operate under the name "Rocky Mountain Equipment".

The head office and principal address of RME is located at Suite 301, 3345 8th Street S.E., Calgary, Alberta, T2G 3A4. The registered and records office of RME is located at 1500, 850 2nd Street S.W., Calgary, Alberta, T2P 0R8.

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, 2017, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements were approved by the Board of Directors of RME on May 8, 2018.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2017 except for new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2018 and taxes on income in the interim periods which are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

4. Adoption of new and revised standards and interpretations

Effective January 1, 2018, RME adopted IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRS 13 'Customer Loyalty Programs', as well as various other interpretations regarding revenue. IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. See Note 6 for the details on the impacts of this new accounting standard.

Effective January 1, 2018, RME adopted IFRS 9 'Financial Instruments'. IFRS 9 introduces new requirements for: (i) the classification and measurement of financial assets and financial liabilities and (ii) the recognition and measurement of impairment for financial assets. IFRS 9 also introduces a simplified hedge accounting model that aligns more closely with risk management. See Note 6 for the details on the impacts of this new accounting standard.

Effective January 1, 2018, RME adopted the amendments to IFRS 7 'Financial Instruments: Disclosures'. In conjunction with the transition from IAS 39 to IFRS 9, IFRS 7 was amended to require additional disclosure in the year of transition.

At the date of authorization of these condensed consolidated interim financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods. RME has not early adopted these standards, amendments or interpretations, however RME is currently assessing what impact the application of these standards or amendments will have on the condensed consolidated financial statements.

IFRS 16 'Leases' replaces IAS 17 'Leases' and requires most leases to be recognized as assets and liabilities on the statement of financial position. This standard includes an optional exemption for certain short-term leases and leases of low-value assets and is effective for fiscal periods beginning on or after January 1, 2019. Management is currently in the process of assessing this standard and its impact on the consolidated financial statements. This standard will affect primarily the accounting for RME's operating lease commitments.

5. 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 methodology employed for preparing key estimates and judgements made by management in applying RME's accounting policies were the same as those applied to the annual consolidated financial statements for the year ended December 31, 2017.

Notes to the Condensed Consolidated Interim Financial Statements
For the three month periods ended March 31, 2018 and 2017
Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

6. Impacts of new accounting standards

6.1. Impact on the financial statements

In accordance with the transition provisions in IFRS 15 and IFRS 9, the new rules have been adopted retrospectively and comparatives for the 2017 financial year have been restated as follows:

Statement of Financial Positon	**Note**	**December 31, 2017 As Originally Presented $**	**IFRS 15 Adjustments & Reclassifications $**	**IFRS 9 Adjustments $**	**December 31, 2017 Restated $**
Assets					
Current					
Cash		20,097	-	-	20,097
Trade receivables and other	**6.3.2**	32,931	-	(246)	32,685
Inventory	**6.2(ii)**	471,573	(2,033)	-	469,540
Contract assets	**6.2(i),(ii)**	-	2,199	-	2,199
Prepaid expenses		6,210	-	-	6,210
Current portion of derivative financial assets		2,921	-	-	2,921
Total current assets		533,732	166	(246)	533,652
Non-current					
Property and equipment		42,229	-	-	42,229
Derivative financial assets		4,109	-	-	4,109
Intangible assets		343	-	-	343
Goodwill		18,776	-	-	18,776
Total non-current assets		65,457	-	-	65,457
Total assets		599,189	166	(246)	599,109
Liabilities					
Current					
Trade payables, accruals and other	**6.2(ii)**	46,748	(18,739)	-	28,009
Floor plan payable		305,342	-	-	305,342
Deferred revenue	**6.2(ii)**	6,724	(6,724)	-	-
Contract liabilities	**6.2(i),(ii)**	-	25,719	-	25,719
Income taxes payable		1,079	-	-	1,079
Current portion of long-term debt		6,104	-	-	6,104
Current portion of obligations under finance leases		445	-	-	445
Current portion of derivative financial liabilities		533	-	-	533
Total current liabilities		366,975	256	-	367,231
Non-current					
Long-term debt		30,919	-	-	30,919
Obligations under finance leases		75	-	-	75
Deferred tax liability		652	(25)	(66)	561
Derivative financial liabilities		464	-	-	464
Total non-current liabilities		32,110	(25)	(66)	32,019
Total liabilities		399,085	231	(66)	399,250
Shareholders' Equity					
Common shares		95,477	-	-	95,477
Contributed surplus		4,400	-	-	4,400
Accumulated other comprehensive income		481	-	-	481
Retained earnings		99,746	(65)	(180)	99,501
Total shareholders' equity		200,104	(65)	(180)	199,859
Total liabilities and shareholders' equity		599,189	166	(246)	599,109

Notes to the Condensed Consolidated Interim Financial Statements
For the three month periods ended March 31, 2018 and 2017
Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

Statement of Financial Positon	Note	March 31, 2017 As Originally Presented $	IFRS 15 Adjustments & Reclassifications $	IFRS 9 Adjustments $	March 31, 2017 Restated $
Assets					
Current					
Cash		16,267	-	-	16,267
Trade receivables and other	**6.3.2**	28,725	-	(173)	28,552
Inventory	**6.2.(ii)**	465,272	(2,412)	-	462,860
Contract assets	**6.2.(i),(ii)**	-	2,560	-	2,560
Income taxes receivable		225	-	-	225
Prepaid expenses		5,704	-	-	5,704
Current portion of derivative financial assets		241	-	-	241
Total current assets		516,434	148	(173)	516,409
Non-current					
Property and equipment		49,280	-	-	49,280
Deferred tax asset		1,233	22	46	1,301
Derivative financial assets		1,002	-	-	1,002
Intangible assets		466	-	-	466
Goodwill		18,776	-	-	18,776
Total non-current assets		70,757	22	46	70,825
Total assets		587,191	170	(127)	587,234
Liabilities					
Current					
Trade payables, accruals and other	**6.2.(ii)**	40,796	(8,369)	-	32,427
Floor plan payable		316,282	-	-	316,282
Deferred revenue	**6.2.(ii)**	4,354	(4,354)	-	-
Contract liabilities	**6.2.(i),(ii)**	-	12,951	-	12,951
Current portion of long-term debt		6,825	-	-	6,825
Current portion of obligations under finance leases		443	-	-	443
Current portion of derivative financial liabilities		1,401	-	-	1,401
Total current liabilities		370,101	228	-	370,329
Non-current					
Long-term debt		39,070	-	-	39,070
Obligations under finance leases		409	-	-	409
Derivative financial liabilities		1,726	-	-	1,726
Total non-current liabilities		41,205	-	-	41,205
Total liabilities		411,306	228	-	411,534
Shareholders' Equity					
Common shares		87,709	-	-	87,709
Contributed surplus		6,080	-	-	6,080
Accumulated other comprehensive loss		(2,264)	-	-	(2,264)
Retained earnings		84,360	(58)	(127)	84,175
Total shareholders' equity		175,885	(58)	(127)	175,700
Total liabilities and shareholders' equity		587,191	170	(127)	587,234

Notes to the Condensed Consolidated Interim Financial Statements
For the three month periods ended March 31, 2018 and 2017
Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

Statement of Financial Positon	Note	December 31, 2016 As Originally Presented $	IFRS 15 Adjustments & Reclassifications $	IFRS 9 Adjustments $	January 1, 2017 Restated $
Assets					
Current					
Cash		28,542	-	-	28,542
Trade receivables and other	**6.3.2**	27,504	-	(264)	27,240
Inventory	**6.2.(ii)**	442,742	(1,959)	-	440,783
Contract assets	**6.2.(i),(ii)**	-	2,116	-	2,116
Income taxes receivable		487	-	-	487
Prepaid expenses		6,208	-	-	6,208
Current portion of derivative financial assets		290	-	-	290
Assets held for sale		2,501			2,501
Total current assets		508,274	157	(264)	508,167
Non-current					
Property and equipment		48,586	-	-	48,586
Deferred tax asset		1,210	23	71	1,304
Derivative financial assets		578	-	-	578
Intangible assets		507	-	-	507
Goodwill		18,776	-	-	18,776
Total non-current assets		69,657	23	71	69,751
Total assets		577,931	180	(193)	577,918
Liabilities					
Current					
Trade payables, accruals and other	**6.2.(ii)**	47,995	(11,342)	-	36,653
Floor plan payable		296,061	-	-	296,061
Deferred revenue	**6.2.(ii)**	3,204	(3,204)	-	-
Contract liabilities	**6.2.(i),(ii)**	-	14,788	-	14,788
Current portion of long-term debt		6,825	-	-	6,825
Current portion of obligations under finance leases		440	-	-	440
Current portion of derivative financial liabilities		1,449	-	-	1,449
Liabilities associated with assets held for sale		1,606			1,606
Total current liabilities		357,580	242	-	357,822
Non-current					
Long-term debt		40,778	-	-	40,778
Obligations under finance leases		521	-	-	521
Derivative financial liabilities		1,871	-	-	1,871
Total non-current liabilities		43,170	-	-	43,170
Total liabilities		400,750	242	-	400,992
Shareholders' Equity					
Common shares		87,709	-	-	87,709
Contributed surplus		6,065	-	-	6,065
Accumulated other comprehensive loss		(2,371)	-	-	(2,371)
Retained earnings		85,778	(62)	(193)	85,523
Total shareholders' equity		177,181	(62)	(193)	176,926
Total liabilities and shareholders' equity		577,931	180	(193)	577,918

Notes to the Condensed Consolidated Interim Financial Statements
For the three month periods ended March 31, 2018 and 2017
Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

Statement of Net Earnings	**Note**	**March 31, 2017 As Originally Presented $**	**IFRS 15 Adjustments $**	**IFRS 9 Adjustments $**	**March 31, 2017 Restated $**
Sales	**6.2.(i)**	209,926	14	-	209,940
Cost of sales	**6.2.(i)**	183,153	9	-	183,162
Gross profit		26,773	5	-	26,778
Selling, general and administrative	**6.3.2**	23,194	-	(91)	23,103
Gain on derivative financial instruments		(421)	-	-	(421)
Earnings before finance costs and income taxes		4,000	5	91	4,096
Finance costs		2,991	-	-	2,991
Earnings before income taxes		1,009	5	91	1,105
Income taxes		198	1	25	224
Net earnings		811	4	66	881
Earnings per share					
Basic		0.04	0.00	0.00	0.05
Diluted		0.04	0.00	0.00	0.05

6.2. IFRS 15 Revenue from Contracts with Customers

The IFRS 15 adjustments shown in Note 6.1 are the result of the following:

(i) Accounting for the refund of returned parts
RME previously recognized parts returns at the point in time that the return occurred. When the customer has the right to return parts within a given period, RME will refund the purchase price. Under IFRS 15, a contract liability (refund liability) for expected refunds to customers is recognized as an adjustment to revenue (December 31, 2017 - $256, March 31, 2017 - $228 and, January 1, 2017 - $242). At the same time, RME has a right to recover the parts from the customer where the customer exercises their right of return and has recognized a contract asset and the corresponding adjustment to the cost of sales (December 31, 2017 - $166, March 31, 2017 - $148, and January 1, 2017 - $157). The asset is measured by reference to the former carrying amount of the product. The costs to recover the parts are not material because the customer usually returns the product in a salable condition at the store. To reflect this change in policy, RME has recognized a contract liability and a contract asset.

(ii) Presentation of contract assets and contract liabilities
RME has voluntarily changed the presentation of certain amounts in the statement of financial position to reflect the terminology of IFRS 15:

- Contract assets recognized in relation to work-in-progress on our service contracts were previously presented as inventory (December 31 2017 - $2,033, March 31, 2017 - $2,412, and January 1, 2017 - $1,959).
- Contract liabilities in relation to deferred revenue were previously presented as deferred revenue (December 31 2017 - $6,724, March 31, 2017 - $4,354, and January 1, 2017 - $3,204).
- Contract liabilities in relation to equipment deposits of used trade-ins previously presented within trade payables, accruals and other (December 31, 2017 - $18,739, March 31, 2017 - $8,369, and January 1, 2017 - $11,342).

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

6.3. IFRS 9 Financial Instruments

6.3.1. Classification and measurement of financial instruments

RME has classified its financial instruments into the appropriate IFRS 9 categories. There was no impact from this reclassification. The change in the carrying amount is due to the IFRS 15 adjustments and an impairment of financial assets under IFRS 9. RME's existing financial instruments as at January 1, 2017 were reviewed and assessed as follows:

Financial Instruments	Classifications		Carrying Amount $	
	Previous – IAS 39	New – IFRS 9	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost	28,542	28,542
Trade receivables and other			27,504	27,240
Derivative financial assets	Financial instruments at fair value through profit and loss	Fair value through profit or loss (“FVTPL”)	868	868
Derivative financial liabilities			3,320	3,320
Trade payables, accruals and others(1)	Financial liabilities measured at amortized cost	Amortized cost	46,528	35,186
Floor plan payable			296,061	296,061
Long-term debt			47,603	47,603
Obligations under finance leases			961	961
Liabilities associated with assets held for sale			1,606	1,606

(1) Trade payables, accruals and other excludes DSUs and SARs which are not financial instruments.

6.3.2. Impairment of financial assets

The adjustments for IFRS 9 were made to the loss allowance provision recorded within trade receivables and other on the statement of financial position.

RME has two types of financial assets that are subject to IFRS`s new expected credit loss model including trade receivables and other receivables. RME was required to revise its impairment methodology under IFRS 9 for each class of assets. The impact of the change in impairment methodology on RME’s retained earnings and equity is disclosed below. While cash and derivative financial assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

RME applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at March 31, 2018, December 31, 2017 and March 31, 2017 is determined as follows; the expected credit loss rates below also incorporate forward looking information.

	Current	31-60 days	61-90 days	91-120 days	120+ days
Expected loss rate	0.5%	2.0%	5.0%	9.0%	75.0%

March 31, 2018	**Current**	**31-60 days**	**61-90 days**	**91-120 days**	**120+ days**	**Total**
Gross carrying amount	**7,705**	**1,569**	**658**	**160**	**1,084**	**11,176**
Loss allowance provision	**(39)**	**(31)**	**(33)**	**(14)**	**(813)**	**(930)**

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

December 31, 2017	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Gross carrying amount	11,139	1,678	789	494	1,040	15,140
Loss allowance provision	(56)	(34)	(39)	(44)	(780)	(953)

March 31, 2017	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Gross carrying amount	8,367	1,375	1,014	606	1,491	12,853
Loss allowance provision	(42)	(28)	(51)	(55)	(1,118)	(1,294)

Other receivables

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	March 31, 2018 $	December 31, 2017 $	March 31, 2017 $
Contracts in transit			
Counterparties with external credit ratings (Moody's)			
A3-Aaa	**1,063**	540	1,564
B3-Baa	**14,867**	16,359	13,131
	15,930	16,899	14,695
*Counterparties without external credit ratings***	**534**	1,289	1,225
Total contracts in transit	**16,464**	18,188	15,920
Warranty receivables			
Counterparties with external credit ratings (Moody's)			
B3-Baa	**481**	325	834
	481	325	834
*Counterparties without external credit ratings***	**112**	126	342
Total warranty receivables	**593**	451	1,176
Loss allowance provision	**(113)**	(141)	(103)

** Counterparties with existing relationships (more than 12 months) with no defaults in the past.

Cash and derivative financial assets

	March 31, 2018 $	December 31, 2017 $	March 31, 2017 $
Cash			
A3-Aaa	**19,491**	20,097	16,267
Derivative financial assets			
A3-Aaa	**4,197**	7,030	1,243

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

The aggregate loss allowance provision for trade receivables and other receivables as at March 31, 2018 reconciles to the opening loss allowance for that provision as follows:

	$
At January 1, 2017 – calculated under IAS 39	1,206
Amounts restated through opening retained earnings	264
Opening loss allowance as at January 1, 2017 – calculated under IFRS 9	**1,470**
Net recovery provision	(23)
Written-off during the period	(50)
March 31, 2017 – calculated under IFRS 9	**1,397**
Net recovery provision	(41)
Written-off during the period	(262)
December 31, 2017 – calculated under IFRS 9	**1,094**
Net provision	7
Written-off during the period	(58)
March 31, 2018 – calculated under IFRS 9	**1,043**

6.3.3. Hedging

The adoption of IFRS 9 had no impact to our designated hedging arrangements.

7. Seasonality

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

8. Prior year comparative disclosures

Certain prior period information in Note 11 has been revised to conform to the current period presentation. The revisions had no impact on net earnings, cash flows or the financial position of RME.

9. Inventory

	March 31, 2018 $	December 31, 2017 (Note 6) $	March 31, 2017 (Note 6) $
New equipment	**127,220**	115,928	123,375
Used equipment	**356,577**	314,994	296,188
Parts	**43,780**	38,618	43,297
	527,577	469,540	462,860

For the three months ended March 31, 2018, inventory recognized as an expense amounted to $190,672 (2017 – $180,742), which is included in cost of sales in the condensed consolidated statement of net earnings.

For the three months ended March 31, 2018, there were net write downs of inventory to net realizable value of $1,638 (2017 – $1,219) in cost of sales in the condensed consolidated statement of net earnings. Circumstances that give rise to the write down of primarily used inventory include fluctuations in market price, profile and age in inventory. For the period ended March 31, 2018, there were reversals of write downs of inventory to net realizable value of $Nil (2017 – $Nil). RME's inventory has been pledged as security for its floor plan payable and long-term debt.

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

10. Revenue

10.1 Disaggregation of revenue from contracts with customer

RME derives revenue from the transfer of goods and services at a point in time in the following major product lines:

	March 31, 2018 $	March 31, 2017 (Note 6) $
New equipment sales	**128,137**	101,750
Used equipment sales	**69,562**	83,612
Parts sales	**15,732**	17,810
Sale of goods	**213,431**	203,172
Service sales	**6,223**	6,768
Total sales	**219,654**	209,940

Sale of goods

RME sells goods which include new and used equipment and parts. Revenue is recognized when control of the goods has transferred to the customer. Control has been transferred at the point in time when the following conditions have been met: RME has transferred to the customer the significant risks and rewards of ownership of the goods; the goods have been delivered; RME has a present right to payment; the customer has legal title; and the customer has accepted the asset.

Payment of the parts transaction price is due when the customer receives the part. It is RME's policy to sell parts to the end customer with the right of return and we estimate the expected returns based on an analysis of historical results. Therefore, a contract liability (refund liability) and a right to return good (contract asset) are recognized for the parts expected to be returned. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Payment of the parts transaction price is due immediately when the customer purchases the part or by the terms of the customer's established credit.

Sale of goods – Bill and hold arrangement

RME sells new and used equipment where RME retains physical possession of the equipment until it is transferred to the customer in the future. For a bill and hold arrangement, control has been transferred at a point in time when the following conditions have been met: the equipment is currently ready for physical transfer to the customer; the customer has made the decision to put the equipment in a bill and hold arrangement; RME does not have the ability to use the equipment or to direct it to another customer; and the equipment is identified separately as belonging to the customer.

Consideration of the transaction price is due when the equipment lands at one of RME's locations. Any consideration received before that point in time is recorded on the Condensed Consolidated Statements of Financial Position under contract liabilities as an equipment or cash deposit.

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

Rendering of service

Revenue derived from the rendering of services is recognized upon completion of the service when the following has occurred: the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to RME; and the stage of completion of the transaction at the end of the reporting period can be measured reliably.

Payment of the transaction price is due when the service is completed. Labour hours and parts used from rendering of a service that is not complete is considered a cost incurred to fulfill a contract and is disclosed on the Condensed Consolidated Statements of Financial Position under contract asset.

Financing component

RME does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, RME does not adjust any of the transaction prices for the time value of money.

10.2. Contract assets and liabilities

	March 31, 2018 $	December 31, 2017 $	March 31, 2017 $
Contract assets related to parts refunds	**135**	166	148
Asset recognized for costs incurred to fulfill service contracts(1)	**2,631**	2,033	2,412
Total contract assets	**2,766**	2,199	2,560
Contract liabilities – expected parts refunds	**207**	256	228
Contract liabilities – customer deposits - equipment	**18,501**	18,739	8,369
Contract liabilities – customer deposits - cash	**7,348**	6,724	4,354
Total contract liabilities	**26,056**	25,719	12,951

(1) Costs to fulfil service contract are non-amortizing and have no impairment losses

10.2.1. Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior period.

	March 31, 2018 $	March 31, 2017 $
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Parts refunds	**256**	242
Customer deposits - equipment	**10,208**	7,529
Customer deposits - cash	**3,416**	2,125

There were no performance obligations satisfied in the previous periods.

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

11. Selling, general and administrative

RME's selling, general and administrative ("SG&A") expenses consist of the following for the respective years ended:

	March 31, 2018 $	March 31, 2017 $ (Notes 6 & 8)
Compensation and related expenses	**14,140**	14,738
Administrative expenses	**5,336**	4,227
Rent and other facility expenses	**3,708**	3,307
Depreciation and amortization expense	**1,781**	1,867
Equity-settled share-based payment expense	**-**	15
Total SG&A before overhead	**24,965**	24,154
Product support overhead	**(1,496)**	(1,051)
Total SG&A	**23,469**	23,103

Included in compensation and related expenses for the three months ended March 31, 2018 are variable sales commissions of $2,687 (2017 – $2,872).

Depreciation and amortization expense for the three months ended March 31, 2018 is comprised of depreciation of property and equipment of $1,739 (2017 - $1,826) and amortization of intangible assets of $42 (2017 - $41).

Administrative expenses consist of marketing, training, insurance, travel, professional fees and other miscellaneous expenses.

12. Finance costs

Finance costs include interest and other finance-related charges, including amortization of deferred finance costs. RME's finance costs associated with its short- and long-term debt facilities for the three months ended March 31, are comprised of:

	March 31, 2018 $	March 31, 2017 $
Finance costs associated with short-term debt	**2,324**	2,496
Finance costs associated with long-term debt	**418**	495
Finance costs	**2,742**	2,991

13. Income taxes

13.1. Income tax recognized in net (loss) earnings

Income tax expense is comprised of current and deferred tax expense (recovery) for the three months ended March 31, as follows:

	March 31, 2018 $	March 31, 2017 (Note 6) $
Current	**496**	261
Deferred	**(750)**	(37)
Income tax (recovery) expense	**(254)**	224

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

Total taxes recognized in net (loss) 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:

	March 31, 2018 $	March 31, 2017 (Note 6) $
Earnings before income taxes	**(674)**	1,105
Computed tax at statutory tax rate of 27% (2017 – 27%)	**(182)**	298
Non-deductible expenses	**27**	27
Income tax credits	**(102)**	(101)
Other	**3**	-
Income tax (recovery) expense	**(254)**	224

13.2. Deferred tax asset (liability)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible asset $	DSUs & SARs $	Derivatives $	Tax credits $	Prov-ision $	Total $
December 31, 2017	48	60	95	(92)	904	(1,629)	(38)	91	(561)
Recognized in net loss	12	(6)	50	11	(156)	839	-	-	750
Recognized in equity	-	-	-	-	-	(125)	-	-	(125)
March 31, 2018	**60**	**54**	**145**	**(81)**	**748**	**(915)**	**(38)**	**91**	**64**

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible asset $	DSUs & SARs $	Derivatives $	Prov-ision $	Total $
December 31, 2016	27	87	175	(137)	396	662	94	1,304
Recognized in net earnings	10	(7)	63	11	100	(114)	(26)	37
Recognized in equity	-	-	-	-	-	(40)	-	(40)
March 31, 2017	37	80	238	(126)	496	508	68	1,301

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

14. Related party transactions

RME entered into the following transactions with related parties for the respective quarters ended:

	March 31, 2018 $	March 31, 2017 $
Equipment and product support sales	**2,071**	1,725
Expenditures		
Rental payment on Company facilities	**1,453**	1,473
Equipment purchases	**1,949**	1,112
Flight costs	**43**	55
Other expenses	**14**	19

All related parties are either directly or indirectly owned by a member of board and senior management of RME 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.

Amounts due from (to) related parties are included in the condensed consolidated interim statements of financial position under trade receivables and other (trade payables, accruals and other) and are as follows:

	March 31, 2018 $	December 31, 2017 $	March 31, 2017 $
Due from related parties	**77**	27	26
Due to related parties	**(176)**	(1,087)	(1,215)

The amounts due from related parties are not secured and are to be settled in cash. As at March 31, 2018 and 2017, the amounts due from related parties are considered collectible and therefore have not been provided for in the loss allowance provision. During the three months ended March 31, 2018, $Nil has been recognized in bad debt expenses with respect to related party transactions (2017 – $Nil).

RME has contractual obligations to related parties in the form of facility leases. As at March 31, 2018, these contractual obligations and due dates, inclusive of the aforementioned vacated facility are as follows:

	Total $	2018 $	2019-2020 $	2021-2022 $	Thereafter $
Operating lease obligations	**30,210**	4,324	11,011	9,320	5,555

15. Derivative financial instruments and hedges

RME has long and short-term debt raised at floating interest rates based on the prevailing Bankers' Acceptance rate and hedges a portion of this risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, RME hedges interest rate risk by exchanging, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swaps hedge RME's exposure to interest rate fluctuations on portions of the Term and Flooring Facilities. Interest rate swaps are initially recognized on the date the derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized within net earnings. Amounts in accumulated other comprehensive income are reclassified to net earnings in the periods when the hedged item affects profit or loss.

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

Gains and losses on interest rate swaps not designated as hedging instruments are recognized in income in the period in which they arise.

Interest rate swaps outstanding at March 31, 2018 are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Notional amount	**$139,373**	$ 140,671	$ 128,375
Effective fixed interest rate	**4.7%**	4.7%	4.9%
Effective floating interest rate	**4.2%**	4.0%	3.6%
Maturity dates	**Aug. 2018 – Apr. 2023**	Aug. 2018 – Apr. 2023	Apr. 2017 – Sep. 2022

RME has several total return swaps to hedge the exposure associated with increases in its share value on its outstanding Director Share Units (DSUs) and Share Appreciation Rights (SARs). RME does not apply hedge accounting to these relationships and as such, gains and losses arising from marking the derivatives to market are recognized in earnings in the period in which they arise.

Derivative financial assets consist of:

	March 31, 2018 $	December 31, 2017 $	March 31, 2017 $
Total return swaps	**2,208**	5,343	1,243
Interest rate swaps	**1,989**	1,687	-
	4,197	7,030	1,243
Current portion	**714**	2,921	241
Long-term portion	**3,483**	4,109	1,002

Derivative financial liabilities consist of:

	March 31, 2018 $	December 31, 2017 $	March 31, 2017 $
Interest rate swaps	**810**	997	3,127
Current portion	**450**	533	1,401
Long-term portion	**360**	464	1,726

Expressed in thousands of Canadian dollars except per share and per option amounts (unaudited)

(Gains) losses on derivative financial instruments are as follows:

	March 31, 2018 $	March 31 2017 $
Opening net derivative financial (asset) liability	**(6,033)**	2,452
Loss (gain) recognized in net (loss) earnings	**1,426**	(421)
Gain recognized in other comprehensive (loss) income– net of tax	**(338)**	(107)
Tax on gain recognized in other comprehensive (loss) income	**(125)**	(40)
Cash received on settlement of total return swaps	**1,683**	-
Ending net derivative financial (asset) liability	**(3,387)**	1,884

The balance in accumulated other comprehensive income relates to changes in the value of RME's various interest rate swaps. These accumulated amounts will be continuously released to the consolidated statement of net earnings within finance costs and (gain) loss on derivative financial instruments until full repayment of the underlying debt.

During the years presented and cumulatively to date, changes in counterparty credit risk have not significantly contributed to the overall changes in the fair value of these derivative financial instruments