ROCKY MOUNTAIN DEALERSHIPS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

This Management's Discussion and Analysis ("MD&A") was prepared as of August 7, 2018, and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three and six months ended June 30, 2018. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 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.

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 immaterial changes to our previously disclosed financial results. Refer to Note 14 of the condensed consolidated interim financial statements for the three and six months ended June 30, 2018 and 2017 for details on how these new standards and amendments have impacted previously disclosed financial results.

SELECTED FINANCIAL INFORMATION

	Three months ended June 30,				Six months ended June 30,			
$ thousands	**2018**	2017	Change	% Change	**2018**	2017	Change	% Change
Sales	**302,639**	236,890	65,749	27.8	**522,293**	446,830	75,463	16.9
Cost of sales	**264,539**	201,372	63,167	31.4	**457,230**	384,534	72,696	18.9
Gross profit	**38,100**	35,518	2,582	7.3	**65,063**	62,296	2,767	4.4
Gross profit as a % of sales	***12.6%***	*15.0%*	*(2.4%)*		***12.5%***	*13.9%*	*(1.4%)*	
Selling, general and administrative	**25,631**	24,566	1,065	4.3	**49,100**	47,669	1,431	3.0
Loss (gain) on derivative financial instruments	**829**	282	547	194.0	**2,255**	(139)	2,394	(1,722.3)
Impairment loss on vacant land	**-**	641	(641)	(100.0)	**-**	641	(641)	(100.0)
Earnings before finance costs and income taxes	**11,640**	10,029	1,611	16.1	**13,708**	14,125	(417)	(3.0)
Finance costs	**3,133**	3,026	107	3.5	**5,875**	6,017	(142)	(2.4)
Earnings before income taxes	**8,507**	7,003	1,504	21.5	**7,833**	8,108	(275)	(3.4)
Income taxes	**2,385**	2,092	293	14.0	**2,131**	2,316	(185)	(8.0)
Net earnings	**6,122**	4,911	1,211	24.7	**5,702**	5,792	(90)	(1.6)
Net earnings as a % of sales	***2.0%***	*2.1%*	*(0.1%)*		***1.1%***	*1.3%*	*(0.2%)*	
Earnings per share								
Basic	**0.31**	0.25	0.06	24.0	**0.29**	0.30	(0.01)	(3.3)
Diluted	**0.31**	0.25	0.06	24.0	**0.29**	0.30	(0.01)	(3.3)
Dividends per share	**0.115**	0.115	-	-	**0.23**	0.23	-	-
Book value / diluted share – June 30					**10.14**	9.25	0.89	9.6
Adjusted Diluted Earnings per Share[1]	**0.32**	0.29	0.03	10.3	**0.33**	0.33	-	-
Adjusted EBITDA[1]	**11,006**	10,118	888	8.8	**13,337**	13,467	(130)	(1.0)
Operating SG&A[1]	**24,348**	22,822	1,526	6.7	**46,656**	43,755	2,901	6.6
Operating SG&A[1] as a % of sales	***8.0%***	*9.6%*	*(1.6%)*		***8.9%***	*9.8%*	*(0.9%)*	
Operating Cash Flow before Changes in Floor Plan[1]	**(13,260)**	33,800	(47,060)	(139.2)	**(62,116)**	9,476	(71,592)	(755.5)

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

SUMMARY OF THE QUARTER ENDED JUNE 30, 2018

The second quarter saw continued strong demand for new and used equipment, with new equipment sales supported by pre-sale efforts throughout the winter months. Parts and service activity and revenues also increased year-over-year, with a significant portion of activity allocated to readying trade-ins for sale as part of Case-IH's certified pre-owned program. The reconditioning of trade-ins is a necessary precursor to used sales activity and we made some meaningful headway on this front during the quarter. Used equipment sales levels outpaced trade-ins, allowing RME to draw down used equipment inventory on a sequential basis despite the trade-in volume associated with record second quarter new equipment sales. Gross profit benefited from the strong sales activity; however, margins deteriorated for the reasons outlined below.

Sales and Margins

- Total sales increased 27.8% or $65.7 million to $302.6 million compared with $236.9 million for the same period in 2017 due to record second quarter new equipment sales, which increased 46.1% year-over-year. Used equipment and parts contributed increases of 18.1% and 4.4%, respectively.
- Gross profit increased by 7.3% or $2.6 million to $38.1 million compared with $35.5 million for the same period in 2017. This was the result of increased sales and Original Equipment Manufacturers ("OEMs") incentives offset by sales mix, pricing pressure and valuation adjustments. As a percentage of sales, gross margin amounted to 12.6%, down from 15.0% during the same period last year. Several factors contributed to this decline including:
  - new and used equipment sales growth, which further concentrated our overall sales mix within these comparatively lower-margin categories;
  - increased representation of high-value, core-products within our new equipment sales profile, which tend to generate below-average margins in percentage terms;
  - stronger price competition within certain key equipment categories; and
  - impairment charges associated with, among other products, aged seeding units and our phasing-down of an equipment category to limit our exposure to declining customer demand in this area.

Cost Structure and Earnings

As a percentage of sales, Operating SG&A(1) for the second quarter of 2018 decreased by 1.6% to 8.0% compared with 9.6% for the same period in 2017 due to an increase in sales, offset by a $1.5 million year-over-year increase in Operating SG&A.

Finance costs for the quarter ended June 30, 2018 increased 3.5% or $0.1 million to $3.1 million compared with the same period in 2017, due to an increase in the average level of interest-bearing debt.

- Adjusted EBITDA(1) increased by 8.8% or $0.9 million to $11.0 million for the second quarter of 2018 compared with $10.1 million for the same period in 2017; and
- Adjusted Diluted Earnings per Share(1) increased by 10.3% or $0.03 to $0.32 for the second quarter of 2018, compared with $0.29 for the same period of 2017.

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

Balance Sheet and Inventory

For the trailing twelve months ended June 30, 2018, inventory turns were 1.85 times, up from 1.81 times for fiscal 2017, and from 1.77 times for the same period a year ago.

Despite the trade-ins associated with new equipment sales in the quarter, our targeted sales, disciplined procurement and pre-sale orders allowed us to increase turns and reduce used equipment inventory on a sequential basis.

- Used equipment inventory was $348.3 million, representing increases of 22.8% or $64.6 million compared with the same period in 2017, and 10.6% or $33.3 million since the fourth quarter of 2017; and
- New equipment inventory was $125.9 million, representing increases of 12.6% or $14.1 million compared with the same period in 2017, and 8.6% or $9.9 million since the fourth quarter of 2017.

Since the end of 2017, equipment inventory levels increased $43.2 million, with the majority of this increase concentrated in the used category. The increase in inventory during the first half of 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.

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" 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.

Tariffs and Trade

The United States ("U.S.") has recently introduced a variety of import tariffs across a range of products and commodities. Many of the affected countries have responded by implementing retaliatory measures. While trade negotiations remain ongoing, current and future tariffs and other trade restrictions are likely to affect the pricing and supply of equipment in Canada and access to end markets for crops.

Tariffs on equipment input costs and the current exchange rate are beginning to manifest themselves in the price of new equipment. This may lead our Canadian customers to hold off on new purchases, or to consider used equipment as a more cost-effective alternative.

Due to the integrated nature of North America's market for agricultural products, barriers to end markets such as China to agricultural producers in the U.S. could have spill-over effects on Canadian product pricing. In any case, these barriers are likely to add increased strain to the industry, and temper purchasing activity in the U.S.

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.

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[1] CANSIM Table 002-0071.

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.

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 picking up and manufacturer delivery lead-times extending on certain products during peak demand times.

Crop Outlook

Despite a late start to seeding, favourable conditions throughout the spring and early summer have thus far supported crop development. While still early, customer sentiment across our trade area remains optimistic for the 2018 growing season.

Agriculture and Agri-Food Canada's ("AAFC") most recent forecast estimates total production of principal field crops in the upcoming 2018-2019 crop year to approximate last year's robust levels[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.

[2] Canada: Outlook for Principal Field Crops – July 19, 2018.

CAPITAL ALLOCATION STRATEGY AND GROWTH PLAN

Our success has enabled us to consider a variety of capital allocation strategies, including returning capital to shareholders, acquisitive growth and further debt reductions. With the improvements we have made to our operational model and integration capabilities, we are well-positioned to pursue, and are actively seeking, acquisitive growth opportunities. Meanwhile, RME anticipates continued stability or modest growth in its dividend through this process.

On May 30, 2018, RME launched its growth plan that aims to grow revenues to at least $1.5 billion in 2023. RME intends to do this through a combination of revenue sources including:

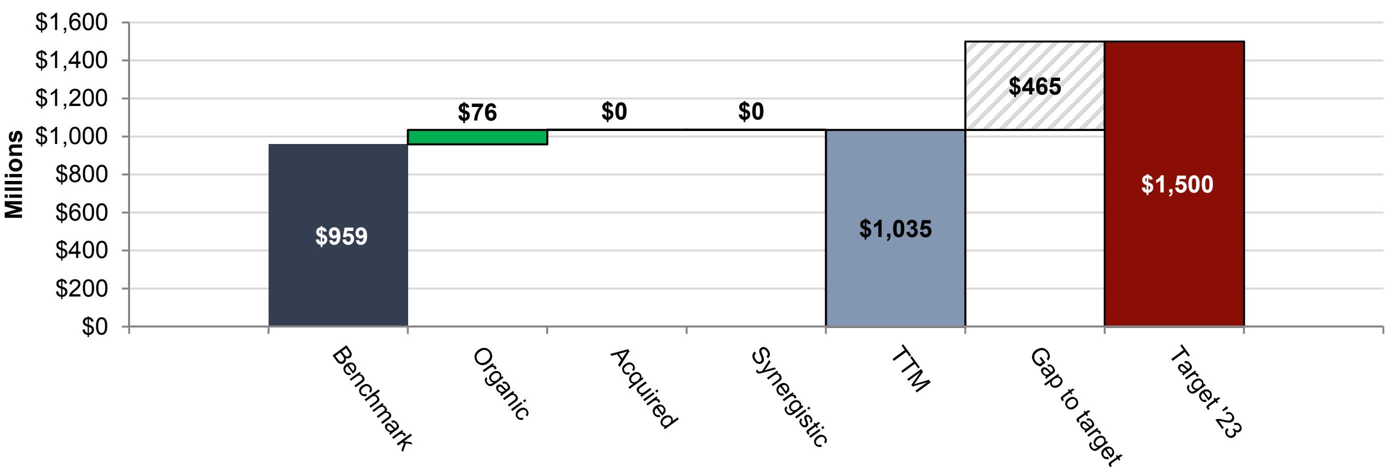
- $200 million in organic growth through RME's present geographic foot print;
- $200 million in acquired top-line revenue in Canada and/or the United States; and
- $100 million in revenue synergies on assets that are acquired through this plan.

As part of this plan, during fiscal 2023 RME is targeting Adjusted Earnings[3] of $33.8 million, an increase of $11.3 million relative to 2017. In addition, RME is also targeting Adjusted EBITDA of $60.0 million for 2023, a $19.8 million increase relative to 2017.

Please note that the adoption of IFRS 16, 'Leases' on January 1, 2019 is expected to impact Adjusted EBITDA. RME will recalibrate its Adjusted EBITDA target to reflect the new accounting standards once adopted and preserve the targeted $19.8 million improvement in this metric.

Our progress to-date with respect to the revenue growth initiative is summarized in the chart below. While encouraging, our growth in revenues has yet to translate into progress against our Adjusted Earnings and Adjusted EBITDA targets.

Trailing Twelve Month ("TTM") Revenue vs. Target



While not reflected in our trailing-twelve month sales figures, we are pleased to report that, on July 3, 2018, we acquired two New Holland agriculture dealership locations in Tisdale and Outlook, Saskatchewan. Furthermore, on August 7, 2018, we entered into an agreement to acquire certain business assets and assume the facility lease and sales territory of a New Holland agriculture equipment dealer in Olds, Alberta (the "Olds Acquisition"). Subject to the satisfaction or waiver of closing conditions, including OEM approval, we expect this transaction to close on or about August 17, 2018. In the near- to mid-term, we will continue to pursue acquisitive growth opportunities, committing much of our available capital to this endeavor.

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 U.S. U.S. 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

[3] Represented by the line item "Earnings used in the calculation of Adjusted Diluted Earnings per Share" within the calculation of Adjusted Diluted Earnings per Share, a Non-IFRS measure.

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 U.S. would be transformational.

RESULTS OF OPERATIONS

Sales

$ thousands	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Sales						
New equipment	**149,940**	102,603	47,337	**278,077**	204,353	73,724
Used equipment	**110,516**	93,565	16,951	**180,078**	177,177	2,901
Parts	**33,866**	32,441	1,425	**49,598**	50,251	(653)
Service	**8,317**	8,281	36	**14,540**	15,049	(509)
Total sales	**302,639**	236,890	65,749	**522,293**	446,830	75,463
Gross profit	**38,100**	35,518	2,582	**65,063**	62,296	2,767
Gross margin	***12.6%***	*15.0%*	*(2.4%)*	***12.5%***	*13.9%*	*(1.4%)*

Second Quarter "Q2" 2018 vs. Q2 2017

Total sales increased 27.8% or $65.7 million to $302.6 million compared with $236.9 million for the same period in 2017 due to record second quarter new equipment sales which increased 46.1% year-over-year. Used equipment and parts contributed increases of 18.1% and 4.4%, respectively.

Year-to-Date "YTD" 2018 vs. YTD 2017

Total sales increased $75.5 million or 16.9% to $522.3 million compared with $446.8 million for the same period in 2017 due to increased new equipment sales levels, with approximately half of this growth arising from out-of-season deliveries of harvest equipment.

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 June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Parts activity						
Total activity	**38,252**	35,565	2,687	**57,240**	56,080	1,160
Internal activity eliminated	**(4,386)**	(3,124)	(1,262)	**(7,642)**	(5,829)	(1,813)
Reported revenues	**33,866**	32,441	1,425	**49,598**	50,251	(653)
Service activity						
Total activity	**14,738**	13,556	1,182	**25,927**	24,268	1,659
Internal activity eliminated	**(6,421)**	(5,275)	(1,146)	**(11,387)**	(9,219)	(2,168)
Reported revenues	**8,317**	8,281	36	**14,540**	15,049	(509)
Total reported Product Support revenues	**42,183**	40,722	1,461	**64,138**	65,300	(1,162)

Q2 2018 vs. Q2 2017

Product Support activity levels increased during the second quarter of 2018 relative to the same period last year, driven by the commencement of seeding activity as well as the internal inspection and reconditioning work required to support the growth in equipment sales levels.

Internal activity consumed a larger portion of our Product Support resources during the second quarter of 2018 relative to the same period last year. So while total activity was up 7.9% for the quarter, external revenues generated experienced a more modest 3.6% increase.

YTD 2018 vs. YTD 2017

On a year-to-date basis, reported Product Support revenues declined by 1.8%. While overall Product Support activity levels exceeded the same period last year by 3.5%, the growth in internal demand outpaced external sales levels.

Gross Profit

Q2 2018 vs. Q2 2017

Gross profit increased by 7.3% or $2.6 million to $38.1 million compared with $35.5 million for the same period in 2017. This was the result of increased sales and OEM incentives.

As a percentage of sales, gross margin amounted to 12.6%, down from 15.0% during the same period last year. Several factors contributed to this decline including:

- new and used equipment sales growth, which further concentrated our overall sales mix within these comparatively lower-margin categories;
- increased representation of high-value, core-products within our new equipment sales profile, which tend to generate below-average margins in percentage terms;
- stronger price competition within certain key equipment categories; and
- impairment charges associated with, among other products, aged seeding units and our exit from an equipment category to limit our exposure to declining customer demand in this area.

YTD 2018 vs. YTD 2017

Gross profit increased by 4.4% or $2.8 million to $65.1 million compared with $62.3 million for the same period in 2017 as a result of year-over-year increases in sales and OEM incentives, partially offset by a shift in sales mix away from higher margin parts and service categories. As a percentage of sales, gross margin declined by 1.4%, to 12.5% from 13.9% during the same period last year. As discussed, mix, both within and across sales categories, competitive market forces and impairment charges all contributed to this year-over-year change.

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 June 30,			**Six months ended June 30,**		
$ thousands	**2018**	2017	Change	**2018**	2017	Change
Variable sales commissions	**3,952**	3,324	628	**6,639**	6,196	443
Other Operating SG&A	**20,396**	19,498	898	**40,017**	37,559	2,458
Operating SG&A	**24,348**	22,822	1,526	**46,656**	43,755	2,901
Operating SG&A as a % of sales	***8.0%***	*9.6%*	*(1.6%)*	***8.9%***	*9.8%*	*(0.9%)*

Q2 2018 vs. Q2 2017

Operating SG&A for the second quarter of 2018 increased 6.7% or $1.5 million to $24.3 million compared with $22.8 million for the same period in 2017. The variance in Operating SG&A year-over-year reflects increased sales commissions as well as investment in people, namely those whose interact directly with our customers and drive our operating results. As a percentage of sales, Q2 2018 Operating SG&A decreased 1.6% to 8.0% compared with 9.6% for the same period in 2017 and remains well below our annual target of less than 10% of sales.

YTD 2018 vs. YTD 2017

Operating SG&A increased 6.6% or $2.9 million to $46.7 million compared with $43.8 million for the same period in 2017. As discussed, we invested in customer-facing personnel in response to elevated activity levels in our end markets. The variance in Operating SG&A year-over-year also reflects additional investment in training during 2018 as well as a recovery of bad debt expense in the first quarter of 2017. As a percentage of sales, Operating SG&A decreased 0.9% to 8.9% compared with 9.8% for the same period in 2017 and remains well below our annual target of less than 10% of sales.

Finance Costs

Q2 2018 vs. Q2 2017

Finance costs for the quarter ended June 30, 2018 increased 3.5% or $0.1 million to $3.1 million compared with $3.0 million during the same period in 2017 due to an increase in the level of interest-bearing floor-plan, offset by a decrease in long-term debt.

YTD 2018 vs. YTD 2017

Finance costs decreased 2.4% or $0.1 million to $5.9 million compared with $6.0 million during the same period in 2017 due to lower average borrowings on interest-bearing facilities for the first half of the year.

Net Earnings

Q2 2018 vs. Q2 2017

Net earnings for the quarter increased 24.7% or $1.2 million to $6.1 million compared with $4.9 million for the same period in 2017 due to incremental sales activity, partially offset by growth in Operating SG&A.

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 June 30, 2018 increased 10.3% or $0.03 to $0.32 compared with $0.29 for the same period in 2017 on higher EBITDA. 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.

YTD 2018 vs. YTD 2017

Net earnings decreased 1.6% or $0.1 million to $5.7 million compared with $5.8 million for the same period in 2017. Additional gross profit during the period was offset by growth in Operating SG&A. Net earnings per share on a basic and diluted basis for the first half of 2018 decreased 3.3% or $0.01 to $0.29 compared with $0.30 for the same period in 2017.

Adjusted Diluted Earnings per Share were $0.33, unchanged with compared with the same period of 2017. 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.

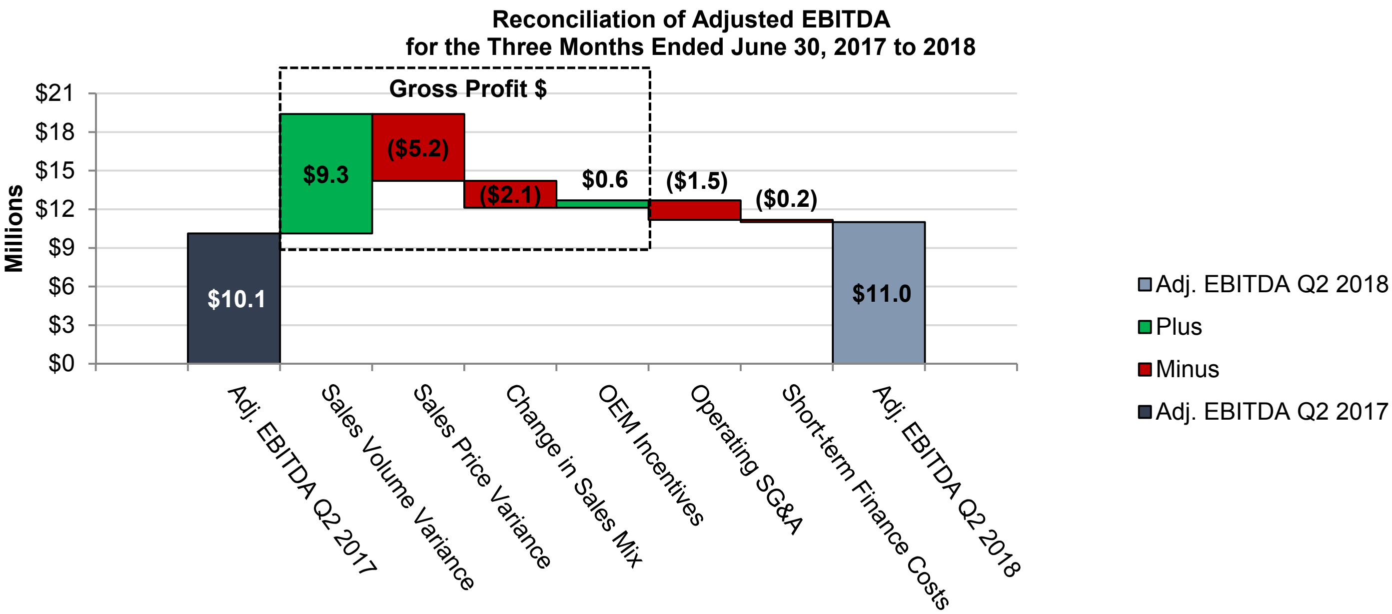
As part of our analysis of Adjusted EBITDA, RME deconstructs the period-over-period variance in gross profit dollars into the following components:

- 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.

Q2 2018 vs. Q2 2017

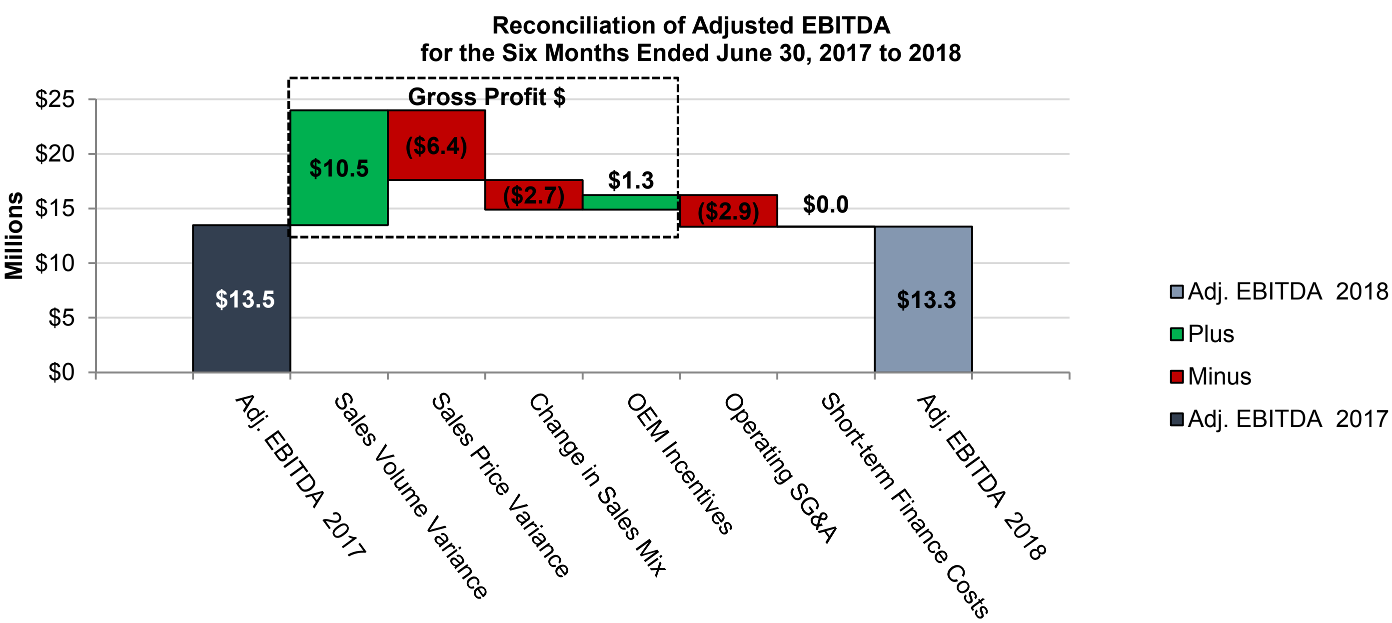
Adjusted EBITDA for the quarter ended June 30, 2018 increased 8.8% or $0.9 million to $11.0 million compared with $10.1 million for the same period in 2017. This was due to Operating SG&A escalating at a slower rate than gross profit. Gross profit improved due to increased sales and an increase in OEM incentives. Sales mix, both within and across sales categories, competitive market forces and impairment charges combined to largely offset this growth.

The change in second quarter Adjusted EBITDA from 2017 to 2018 can be reconciled as follows:



YTD 2018 vs. YTD 2017

Adjusted EBITDA decreased 1.0% or $0.1 million to $13.3 million compared with $13.5 million for the same period in 2017. This was due to Operating SG&A escalating at a faster rate than gross profit for the period. As discussed, sales mix within and across sales categories, competitive market forces and impairment charges weighed on margins during the first half of 2018 as compared to the same period last year. These factors combined to moderate the growth in gross profit.



SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts	**Q2 2018**	Q1 2018	Q4 2017(1)	Q3 2017(1)	Q2 2017(1)	Q1 2017(1)	Q4 2016	Q3 2016	Q2 2016
Sales	**302,639**	219,654	273,187	238,812	236,890	209,940	285,749	222,647	232,575
Gross profit	**38,100**	26,963	38,321	38,807	35,518	26,778	34,116	36,861	34,147
Gross margin	***12.6%***	*12.3%*	*14.0%*	*16.3%*	*15.0%*	*12.8%*	*11.9%*	*16.6%*	*14.7%*
SG&A	**25,631**	23,469	27,254	24,834	24,566	23,103	25,205	23,855	24,693
Other expense (income)	**829**	1,426	(3,131)	(1,308)	923	(421)	(605)	(236)	762
Finance costs	**3,133**	2,742	2,799	3,105	3,026	2,991	3,346	3,700	3,751
Income taxes	**2,385**	(254)	3,135	3,327	2,092	224	1,466	2,910	1,575
Net (loss) earnings	**6,122**	(420)	8,264	8,849	4,911	881	4,704	6,632	3,366
Diluted (loss) earnings per share	**0.31**	(0.02)	0.42	0.46	0.25	0.05	0.24	0.34	0.17

(1) – 2017 quarterly results have been restated for the adoption of IFRS 9 & 15.

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	**June 30, 2018**	December 31, 2017	June 30, 2017
Assets			
Inventory	**523,587**	469,540	442,288
Other current assets	**49,780**	64,112	40,515
Total current assets	**573,367**	533,652	482,803
Property and equipment	**42,342**	42,229	43,708
Deferred tax asset	**8**	-	697
Derivative financial assets	**2,997**	4,109	484
Intangible assets	**260**	343	425
Goodwill	**18,776**	18,776	18,776
Total assets	**637,750**	599,109	546,893
Liabilities and equity			
Floor plan payable	**366,825**	305,342	282,447
Other current liabilities	**40,778**	61,889	49,915
Total current liabilities	**407,603**	367,231	332,362
Long-term debt	**27,951**	30,919	34,059
Obligations under finance leases	**315**	75	297
Deferred tax liability	**-**	561	-
Derivative financial liabilities	**277**	464	809
Total liabilities	**436,146**	399,250	367,527
Shareholders' equity	**201,604**	199,859	179,366
Total liabilities and equity	**637,750**	599,109	546,893

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	**June 30, 2018**	December 31, 2017	June 30, 2017
Inventory expensed through cost of sales – trailing 12 months	**879,922**	806,498	807,956
Average total inventory – trailing 12 months (quarterly observations)	**475,001**	445,497	456,173
Inventory turns	**1.85**	1.81	1.77
Days in inventory	**197**	202	206

RME's equipment inventory as at June 30, 2018 increased as follows:

- Used equipment inventory was $348.3 million, representing increases of 22.8% or $64.6 million compared with the same period in 2017, and 10.6% or $33.3 million since the fourth quarter of 2017. These increases are the result of trades taken on elevated new equipment sales, particularly during the first half of 2018. With in-season demand taking hold during the second quarter, we did post an $8.3 million or 2.3% reduction in used equipment levels, during a quarter which saw new equipment sales grow by 46.1%; and
- New equipment inventory was $125.9 million, representing increases of 12.6% or $14.1 million compared with the same period in 2017, and 8.6% or $9.9 million since the fourth quarter of 2017.

Overall, total inventory turns improved during the trailing twelve-months ended June 30, 2018 as compared with both the same period a year ago as well as the fiscal year ended 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	**June 30, 2018**	December 31, 2017	June 30, 2017
New equipment	**125,862**	115,928	111,769
Used equipment	**348,280**	314,994	283,722
Total equipment inventory	**474,142**	430,922	395,491
Floor plan payable			
Interest-bearing	**212,882**	191,939	179,262
Non-interest-bearing	**153,943**	113,403	103,185
Total	**366,825**	305,342	282,447
Inventory leverage ratio	**77.4%**	70.9%	71.4%

Since the end of 2017, equipment inventory levels increased $43.2 million. The growth in our equipment profile corresponds with a proportionate increase in non-interest-bearing floor plan facilities, which are up $40.5 million or 93.8% of the increase in equipment inventory levels.

As at June 30, 2018, our inventory leverage ratio was 77.4%, up from 71.4% at June 30, 2017, and from 70.9% at December 31, 2017. The increase in the leverage ratio reflects the aforementioned growth in equipment inventory as well as draws to fund other working capital requirements during the first half of 2018.

Total non-current financial liabilities as at June 30, 2018 amounted to $28.5 million (December 31, 2017 – $31.5 million, June 30, 2017 – $35.2 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 June 30,			Six months ended June 30,		
$ thousands	**2018**	2017	Change	**2018**	2017	Change
Net earnings	**6,122**	4,911	1,211	**5,702**	5,792	(90)
Effect of non-cash items in net earnings and changes in working capital	**(11,182)**	(4,946)	(6,236)	**(6,335)**	(11,536)	5,201
Cash flows from operating activities	**(5,060)**	(35)	(5,025)	**(633)**	(5,744)	5,111
Cash flows from financing activities	**(3,800)**	(8,071)	4,271	**(7,683)**	(12,145)	4,462
Cash flows from investing activities	**(1,999)**	3,191	(5,190)	**(3,149)**	699	(3,848)
Net decrease in cash	**(10,859)**	(4,915)	(5,944)	**(11,465)**	(17,190)	5,725
Cash, beginning of period	**19,491**	16,267	3,224	**20,097**	28,542	(8,445)
Cash, end of period	**8,632**	11,352	(2,720)	**8,632**	11,352	(2,720)
Operating Cash Flow before Changes in Floor Plan (1)	**(13,260)**	33,800	(47,060)	**(62,116)**	9,476	(71,592)

(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.

Q2 2018 vs. Q2 2017

Operating Cash Flow before Changes in Floor Plan was an outflow of $13.3 million compared with an inflow of $33.8 million during the same period in 2017. The incremental outflow year-over-year is primarily attributable to outflows associated with changes in contract liabilities, inventory levels and accounts receivable.

Cash outflows from operating activities for the quarter ended June 30, 2018 increased by $5.0 million compared with the same period in 2017. During the second quarter of 2018, the various working capital requirements noted above were funded, in large part, by additional floor plan financing.

YTD 2018 vs. YTD 2017

Operating Cash Flow before Changes in Floor Plan was an outflow of $62.1 million compared with an inflow of $9.5 million during the same period in 2017. The incremental outflow year-over-year is primarily attributable to the growth in our inventory balance. The trades associated with elevated equipment sales have outpaced used equipment sales during the first half of 2018. As is typical, we expect to see 2018 used equipment demand peak during harvest, most often coinciding with our third quarter.

Cash flows from operating activities for the six months ended June 30, 2018 improved by $5.1 million compared with the same period in 2017. The improvement in cash flows from operating activities resulted from changes in working capital balances as well as $1.7 million in proceeds received on the unwinding of a portion of our total return swap position during the first quarter of 2018.

Cash Flows from Financing Activities

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

Q2 2018 vs. Q2 2017

During the quarter ended June 30, 2018, cash outflows from financing activities declined by $4.3 million to $3.8 million, down from $8.1 million in the same period in 2017 during which RME applied $4.0 million of proceeds received on the disposition of a parcel of vacant land to its outstanding debt obligation under the Term Facility.

YTD 2018 vs. YTD 2017

During the six months ended June 30, 2018, cash outflows from financing activities experienced a similar decline of $4.5 million to $7.7 million, down from $12.1 million in the same period in 2017, again, as a result of the aforementioned $4.0 million debt repayment.

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.

Q2 2018 vs. Q2 2017

Cash flows from investing activities declined during the quarter ended June 30, 2018 compared with the same period last year. During the second quarter of 2017, proceeds associated with the disposition of a piece of vacant land offset our maintenance capital spend.

YTD 2018 vs. YTD 2017

Similarly, cash flows from investing activities for the six months ended June 30, 2018, also declined relative to the same period last year due primarily to the impact of the land disposition.

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 recent operational performance and current financial position, 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 $8.6 million as at June 30, 2018, we have $292.3 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	**Available**
Operating Facility	60.0	-	**60.0**
Term Facility	75.0	34.1	**40.9**
Various floor plan facilities			
OEM floor plan facilities	205.0	178.7	**26.3**
Syndicated Flooring Facility	125.0	63.9	**61.1**
Other floor plan facilities	228.6	124.6	**104.0**
Total	693.6	401.3	**292.3**

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:

	June 30, 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**	**2.22** **1.58**	≥ 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**	**2.39** **2.19**	≤ 4.00 ≤ 5.00	2.21 1.83
Current ratio				
Assesses liquidity by expressing current assets as a ratio of current liabilities.	**≥ 1.20**	**1.43**	≥ 1.20	1.48

As at June 30, 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 June 30,		Six months ended June 30,	
$ thousands	**2018**	2017	**2018**	2017
Recognized in net earnings	**(829)**	(282)	**(2,255)**	139
Recognized in accumulated other comprehensive income – net of tax	**151**	984	**489**	1,091
Recognized in deferred tax position	**56**	364	**181**	404

<u>Interest Rate Swaps</u>

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:

			June 30, 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%**	**28,075**	3.5%	30,671
Total			**4.7%**	**138,075**	4.7%	140,671
Position at risk – floating-rate debt				**247,394**		229,754
Position hedged				**55.8%**		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 and six months ended June 30, 2018, we recognized in net earnings, mark-to-market gains of $18 thousand and $44 thousand, respectively, on our interest rate swaps (2017 – gains of $24 thousand and $0.1 million).

<u>Total Return Swaps</u>

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.

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 and six months ended June 30, 2018, we recognized unrealized losses of $0.8 million and $2.3 million, respectively (2017 – a loss of $0.3 million and a gain of $0.1 million, respectively). 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 realigned our hedged position with our position at risk.

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

	June 30, 2018		December 31, 2017	
In thousands of shares/units except per share amounts	**Weighted average price/share $**	**Shares/ units**	Weighted average price/share $	Shares/ units
Hedged position	**9.14**	**660**	9.34	1,170
Position at risk:				
DSUs		**73**		60
SARs		**573**		599
Total		**646**		659
Position hedged		**102.2%**		177.5%

Dividends

In accordance with RME's newly adopted dividend declaration schedule, the declaration and announcement of any dividend payable during the third quarter of 2018 will take place in early-September, with a mid-September record date, to be paid on the final business day of September.

SHARE CAPITAL – OUTSTANDING SHARES

Changes in the number of issued and outstanding common shares during the six month periods ended June 30, 2018 and 2017 are as follows:

$ thousands	**2018**	2017
Opening balance	**19,877**	19,384
Shares issued upon exercise of stock options	**11**	-
Closing balance	**19,888**	19,384

As at August 7, 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 June 30, 2018 are as follows:

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
March 13, 2014	139	139	11.52	0.7

As at August 7, 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 June 30, 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 June 30, 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	**28,905**	28,905	-	-	-
Floor plan payable	**377,488**	188,744	188,744	-	-
Long-term debt	**38,266**	3,717	14,308	13,378	6,863
Obligations under finance leases	**756**	285	319	152	-
Operating lease obligations	**32,611**	4,044	13,188	9,737	5,642
Derivative financial liabilities	**683**	240	443	-	-
Total contractual obligations	**478,709**	225,935	217,002	23,267	12,505

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for long-term debt outstanding as at June 30, 2018, would be $32.7 million in 2019-2020 and $0.1 million in all subsequent periods.

RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, RME entered into the following transactions with related parties:

	Three months ended June 30,		**Six months ended June 30,**	
$ thousands	**2018**	2017	**2018**	2017
Equipment and product support sales	**2,075**	113	**4,146**	1,838
Expenditures				
Rental payments on RME facilities	**1,452**	1,473	**2,905**	2,946
Equipment purchases	**1,593**	65	**3,146**	1,177
Vehicle purchases	**515**	-	**911**	-
Flight costs	**31**	-	**74**	55
Contributions[(1)]	**-**	25	**-**	25
Other expenses	**8**	23	**22**	42

(1) – Contributions are comprised of payments made to Ag for Life.

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	**June 30, 2018**	December 31, 2017
Due from related parties	**155**	27
Due to related parties	**-**	(1,087)

The amounts due from related parties are not secured and are to be settled in cash. As at June 30, 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 and six months ended June 30, 2018 and 2017, there have been no charges recognized on account of bad debt expenses with respect to related party transactions.

RME has contractual obligations to related parties in the form of facility leases. As at June 30, 2018, these contractual obligations and due dates, are as follows:

$ thousands	**Total**	2018	2019-2020	2021-2022	Thereafter
Operating lease obligations	**28,758**	2,872	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.

SUBSEQUENT EVENTS

On July 3, 2018, RME acquired all of the shares of John Bob Farm Equipment Ltd. ("JBFE"), a Saskatchewan-based dealer of New Holland agriculture equipment with locations in Outlook and Tisdale, for purchase consideration of $12.9 million plus an earn-out provision of up to $0.5 million. JBFE's assets acquired include real estate assets valued at $5.4 million. RME is in the process of calculating the purchase price allocation.

On August 7, 2018, RME entered into a definitive agreement to acquire certain business assets and assume the facility lease and sales territory of a New Holland agriculture equipment dealer in Olds, Alberta. Subject to the satisfaction or waiver of closing conditions, including OEM approval, this transaction is expected to close on or about August 17, 2018.

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, expenses pertaining to the acquisition and integration of JBFE and losses recognized on the disposition of vacant land have been identified as non-recurring.

- **"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, expenses pertaining to the acquisition and integration of JBFE and losses recognized on the disposition of vacant land have been identified as non-recurring.

- **"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, expenses pertaining to the acquisition and integration of JBFE have been identified as non-recurring. 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

$ thousands	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Earnings used in the calculation of diluted earnings per share	**6,122**	4,911	**5,702**	5,792
Loss (gain) on derivative financial instruments	**829**	282	**2,255**	(139)
(Gain) loss on DSUs	**(76)**	8	**(166)**	34
SAR (recovery) expense	**(729)**	(156)	**(1,259)**	121
Acquisition and integration costs	**299**	-	**299**	-
Non-deductible loss on sale of vacant land	**-**	641	**-**	641
Tax effect of adjustments (27%)	**(87)**	(36)	**(305)**	(4)
Earnings used in the calculation of Adjusted Diluted Earnings per Share	**6,358**	5,650	**6,526**	6,445
Weighted average diluted shares used in the calculation of diluted earnings per share (in thousands)	**19,882**	19,384	**19,890**	19,384
Adjusted Diluted Earnings per Share	**0.32**	0.29	**0.33**	0.33

Adjusted EBITDA

$ thousands	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net earnings	**6,122**	4,911	**5,702**	5,792
Finance costs associated with long-term debt	**387**	448	**805**	943
Depreciation and amortization expense	**1,789**	1,892	**3,570**	3,759
Income taxes	**2,385**	2,092	**2,131**	2,316
EBITDA	**10,683**	9,343	**12,208**	12,810
Loss (gain) on derivative financial instruments	**829**	282	**2,255**	(139)
(Gain) loss on DSUs	**(76)**	8	**(166)**	34
SAR (recovery) expense	**(729)**	(156)	**(1,259)**	121
Acquisition and integration costs	**299**	-	**299**	-
Loss on sale of vacant land	**-**	641	**-**	641
Adjusted EBITDA	**11,006**	10,118	**13,337**	13,467

Operating SG&A

$ thousands	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
SG&A	**25,631**	24,566	**49,100**	47,669
Depreciation and amortization expense	**(1,789)**	(1,892)	**(3,570)**	(3,759)
Gain (loss) on DSUs	**76**	(8)	**166**	(34)
SAR recovery (expense)	**729**	156	**1,259**	(121)
Acquisition and integration costs	**(299)**	-	**(299)**	-
Operating SG&A	**24,348**	22,822	**46,656**	43,755
Operating SG&A as a % of sales	***8.0%***	*9.6%*	***8.9%***	*9.8%*

Operating Cash Flow before Changes in Floor Plan

$ thousands	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash flow from operating activities	**(5,060)**	(35)	**(633)**	(5,744)
Net (increase) decrease in floor plan payable(1)	**(8,200)**	33,835	**(61,483)**	15,220
Floor plan assumed pursuant to business combinations	**-**	-	**-**	-
Operating Cash Flow before Changes in Floor Plan	**(13,260)**	33,800	**(62,116)**	9,476

(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 June 30, 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.

During the quarter ended June 30, 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 and Growth Plan", including all discussion regarding RME's growth plan announced on May 30, 2018 and RME’s acquisition plans, prospects and activities; (iv) statements pertaining to the anticipated crop outlook in Western Canada; (v) statements regarding the disparity between the Canadian and U.S. dollars and the impact such currency disparity and any new import tariffs may have on RME's business and new equipment pricing in Canada; (vi) any discussion regarding RME's anticipated inventory balance and profile; (vii) 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; (viii) statements regarding customer buying patterns, including the extent to which we are able to convert new equipment customers to used equipment customers; (ix) 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; (x) statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs; (xi) discussion around Operating SG&A expenses, including the seasonal variances and expectations in Operating SG&A and RME’s targeted annual Operating SG&A; (xii) discussion that the first quarter is generally the weakest financial quarter and that the fourth quarter is generally the strongest quarter financially; (xiii) 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; (xiv) 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; (xv) statements concerning RME's ongoing compliance with, or potential breaches of, its covenants under its credit facilities, including the Syndicated Facility; (xvi) statements concerning RME’s expected undiscounted cash flows as at June 30, 2018; (xvii) statements that imply any future earnings, profitability, economic benefit or other financial results arising from the Olds Acquisition; and, (xviii) statements regarding the anticipated closing date of the Olds Acquisition.

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; (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; (xiv) expectations that opportunities to acquire suitable assets in connection with RME's growth plan will arise on terms and conditions satisfactory to RME; and, (xv) the ability to satisfy or waive, in a timely manner, the conditions necessary to complete the Olds Acquisition.

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.

Condensed Consolidated Interim Financial Statements and Notes

Three and Six Month Periods Ended June 30, 2018 and 2017 (unaudited)

Condensed Consolidated Interim Statements of Financial Position
Expressed in thousands of Canadian dollars (unaudited)

	Note	**June 30, 2018 $**	December 31, 2017 $ (Note 14)	June 30, 2017 $ (Note 14)
Assets				
Current				
Cash		**8,632**	20,097	11,352
Trade receivables and other		**32,702**	32,685	20,627
Inventory	**7**	**523,587**	469,540	442,288
Contract assets		**3,061**	2,199	3,407
Income taxes receivable		**1,567**	-	375
Prepaid expenses		**3,388**	6,210	4,118
Current portion of derivative financial assets	**13**	**430**	2,921	636
Total current assets		**573,367**	533,652	482,803
Non-current				
Property and equipment		**42,342**	42,229	43,708
Deferred tax asset	**11.2**	**8**	-	697
Derivative financial assets	**13**	**2,997**	4,109	484
Intangible assets		**260**	343	425
Goodwill		**18,776**	18,776	18,776
Total non-current assets		**64,383**	65,457	64,090
Total assets		**637,750**	599,109	546,893
Liabilities				
Current				
Trade payables, accruals and other		**28,905**	28,009	29,881
Floor plan payable		**366,825**	305,342	282,447
Contract liabilities		**4,938**	25,719	12,328
Income taxes payable		**-**	1,079	-
Current portion of long-term debt		**6,164**	6,104	6,131
Current portion of obligations under finance leases		**386**	445	446
Current portion of derivative financial liabilities	**13**	**385**	533	1,129
Total current liabilities		**407,603**	367,231	332,362
Non-current				
Long-term debt		**27,951**	30,919	34,059
Obligations under finance leases		**315**	75	297
Deferred tax liability	**11.2**	**-**	561	-
Derivative financial liabilities	**13**	**277**	464	809
Total non-current liabilities		**28,543**	32,019	35,165
Total liabilities		**436,146**	399,250	367,527
Shareholders' Equity				
Common shares		**95,624**	95,477	87,709
Contributed surplus		**4,380**	4,400	6,080
Accumulated other comprehensive income (loss)		**970**	481	(1,280)
Retained earnings		**100,630**	99,501	86,857
Total shareholders' equity		**201,604**	199,859	179,366
Total liabilities and shareholders' equity		**637,750**	599,109	546,893

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

ROCKY MOUNTAIN DEALERSHIPS

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

	Note	**Three Months Ended June 30, 2018 $**	Three Months Ended June 30, 2017 (Note 14) $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 (Note 14) $
Sales	**8**	**302,639**	236,890	**522,293**	446,830
Cost of sales	**7**	**264,539**	201,372	**457,230**	384,534
Gross profit		**38,100**	35,518	**65,063**	62,296
Selling, general and administrative	**9**	**25,631**	24,566	**49,100**	47,669
Loss (gain) on derivative financial instruments	**13**	**829**	282	**2,255**	(139)
Loss on sale of vacant land		**-**	641	**-**	641
Earnings before finance costs and income taxes		**11,640**	10,029	**13,708**	14,125
Finance costs	**10**	**3,133**	3,026	**5,875**	6,017
Earnings before income taxes		**8,507**	7,003	**7,833**	8,108
Income taxes	**11.1**	**2,385**	2,092	**2,131**	2,316
Net earnings		**6,122**	4,911	**5,702**	5,792
Earnings per share					
Basic		**0.31**	0.25	**0.29**	0.30
Diluted		**0.31**	0.25	**0.29**	0.30

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

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

	Note	**Three Months Ended June 30, 2018 $**	Three Months Ended June 30, 2017 (Note 14) $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 (Note 14) $
Net earnings		**6,122**	4,911	**5,702**	5,792
Other comprehensive income					
Items which will subsequently be reclassified to net earnings:					
Unrealized gain on derivative financial instruments, net of tax	**13**	**151**	984	**489**	1,091
Total other comprehensive income for the period, net of tax		**151**	984	**489**	1,091
Comprehensive income		**6,273**	5,895	**6,191**	6,883

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)

		Common shares					
	Note	**Number of shares**	**Amount $**	**Contributed surplus $**	**Accumulated other comprehensive income $**	**Retained earnings (Note 14) $**	**Total equity $**
Balance, December 31, 2017		**19,877**	**95,477**	**4,400**	**481**	**99,501**	**199,859**
Shares issued upon exercise of stock options		**11**	**147**	**(20)**	**-**	**-**	**127**
Net earnings		**-**	**-**	**-**	**-**	**5,702**	**5,702**
Other comprehensive income	**13**	**-**	**-**	**-**	**489**	**-**	**489**
Dividends paid		**-**	**-**	**-**	**-**	**(4,573)**	**(4,573)**
Balance, June 30, 2018		**19,888**	**95,624**	**4,380**	**970**	**100,630**	**201,604**

		Common shares					
	Note	Number of shares	Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (Note 14) $	Total equity $
Balance, December 31, 2016		19,384	87,709	6,065	(2,371)	85,523	176,926
Equity-settled share-based payment expense	9	-	-	15	-	-	15
Net earnings		-	-	-	-	5,792	5,792
Other comprehensive income	13	-	-	-	1,091	-	1,091
Dividends paid		-	-	-	-	(4,458)	(4,458)
Balance, June 30, 2017		19,384	87,709	6,080	(1,280)	86,857	179,366

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

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

	Note	**Three Months Ended June 30, 2018 $**	Three Months Ended June 30, 2017 (Note 14) $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 Note 14 $
Operating activities					
Net earnings		**6,122**	4,911	**5,702**	5,792
Adjustments for:					
Depreciation and amortization expense	**9**	**1,789**	1,892	**3,570**	3,759
Deferred tax (recovery) expense	**11.1**	**-**	240	**(750)**	203
Equity-settled share-based payment expense	**9**	**-**	-	**-**	15
Loss (gain) on disposal of property and equipment		**13**	530	**(16)**	502
Loss (gain) on derivative financial instruments	**13**	**829**	282	**2,255**	(139)
Cash received on settlement of total return swaps	**13**	**-**	-	**1,683**	-
Amortization of deferred debt issuance costs		**38**	28	**75**	56
Changes in non-cash working capital		**(13,851)**	(7,918)	**(13,152)**	(15,932)
Total cash used from operating activities		**(5,060)**	(35)	**(633)**	(5,744)
Financing activities					
Repayment of long-term debt		**(1,574)**	(5,733)	**(3,134)**	(7,469)
Proceeds from long-term debt		**151**	-	**151**	-
Repayment of obligations under finance leases		**(143)**	(109)	**(254)**	(218)
Dividends paid		**(2,286)**	(2,229)	**(4,573)**	(4,458)
Proceeds from issuance of common shares		**52**	-	**127**	-
Total cash used from financing activities		**(3,800)**	(8,071)	**(7,683)**	(12,145)
Investing activities					
Purchase of property and equipment		**(2,441)**	(1,124)	**(3,839)**	(3,746)
Disposal of property and equipment		**442**	4,315	**690**	4,445
Total cash (used) generated from investing activities		**(1,999)**	3,191	**(3,149)**	699
Net decrease in cash		**(10,859)**	(4,915)	**(11,465)**	(17,190)
Cash, beginning of period		**19,491**	16,267	**20,097**	28,542
Cash, end of period		**8,632**	11,352	**8,632**	11,352
Taxes paid		**2,048**	2,001	**5,527**	2,001
Interest paid		**3,002**	2,926	**5,612**	5,818

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 August 7, 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.

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 14 for the impact 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 Note14 for the impact 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. RME 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.

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

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 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.

6. 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.

7. Inventory

	June 30, 2018 $	December 31, 2017 $	June 30, 2017 $
New equipment	**125,862**	115,928	111,769
Used equipment	**348,280**	314,994	283,722
Parts	**49,445**	38,618	46,797
	523,587	469,540	442,288

For the three and six months ended June 30, 2018, inventory recognized as an expense amounted to $261,430 and $452,102, respectively (2017 – $197,936 and $378,678, respectively), which is included in cost of sales in the condensed consolidated statement of net earnings.

For the three and six months ended June 30, 2018, there were net write downs of inventory to net realizable value of $3,542 and $5,180, respectively (2017 – $2,052 and $3,271, respectively) 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 three and six months ended June 30, 2018, there were reversals of write downs of inventory to net realizable value of $Nil and $Nil, respectively (2017 – $Nil and $Nil, respectively). RME's inventory has been pledged as security for its floor plan payable and long-term debt.

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8. 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:

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 (Note 14) $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 (Note 14 $
New equipment sales	**149,940**	102,603	**278,077**	204,353
Used equipment sales	**110,516**	93,565	**180,078**	177,177
Parts sales	**33,866**	32,441	**49,598**	50,251
Sale of goods	**294,322**	228,609	**507,753**	431,781
Service sales	**8,317**	8,281	**14,540**	15,049
Total sales	**302,639**	236,890	**522,293**	446,830

9. Selling, general and administrative

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

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 (Note 14) $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 Note 14 $
Compensation and related expenses	**16,533**	15,804	**30,673**	30,542
Administrative expenses	**5,912**	5,082	**11,248**	9,309
Rent and other facility expenses	**3,263**	3,166	**6,971**	6,473
Depreciation and amortization expense	**1,789**	1,892	**3,570**	3,759
Equity-settled share-based payment expense	**-**	-	**-**	15
Total SG&A before overhead	**27,497**	25,944	**52,462**	50,098
Product support overhead	**(1,866)**	(1,378)	**(3,362)**	(2,429)
Total SG&A	**25,631**	24,566	**49,100**	47,669

Included in compensation and related expenses for the three and six months ended June 30, 2018 are variable sales commissions of $3,952 and $6,639, respectively (2017 – $3,324 and $6,196, respectively).

Depreciation and amortization expense for the three and six months ended June 30, 2018 is comprised of depreciation of property and equipment of $1,748 and $3,487, respectively (2017 - $1,851 and $3,677, respectively) and amortization of intangible assets of $41 and $83, respectively (2017 - $41 and $82, respectively).

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

Product support overhead represents the allocation of overhead expenses to equipment inventory pursuant to internal work performed to prepare these units for sale.

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10. 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 and six months ended June 30, are comprised of:

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 $
Finance costs associated with short-term debt	**2,746**	2,578	**5,070**	5,074
Finance costs associated with long-term debt	**387**	448	**805**	943
Finance costs	**3,133**	3,026	**5,875**	6,017

11. Income taxes

11.1. Income tax recognized in net earnings

Income tax expense is comprised of current and deferred tax expense (recovery) for the three and six months ended June 30, as follows:

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 (Note 14) $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 (Note 14) $
Current	**2,385**	1,852	**2,881**	2,113
Deferred	**-**	240	**(750)**	203
Income tax expense	**2,385**	2,092	**2,131**	2,316

Total taxes recognized in net earnings were different than the amount computed by applying the combined statutory Canadian and Provincial tax rates to income before taxes. The difference resulted from the following:

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 (Note 14) $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 (Note 14) $
Earnings before income taxes	**8,507**	7,003	**7,833**	8,108
Computed tax at statutory tax rate of 27% (2017 – 27%)	**2,297**	1,892	**2,115**	2,190
Non-deductible expenses	**31**	24	**58**	51
Adjustment from prior year income tax filings	**(47)**	4	**(47)**	4
Income tax credit	**18**	-	**(84)**	(101)
Unrecognized deferred tax asset on capital loss	**-**	172	**-**	172
Other	**86**	-	**89**	-
Income tax expense	**2,385**	2,092	**2,131**	2,316

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

11.2. 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 earnings	**23**	**(13)**	**98**	**21**	**(359)**	**1,064**	**7**	**(91)**	**750**
Recognized in equity	**-**	**-**	**-**	**-**	**-**	**(181)**	**-**	**-**	**(181)**
June 30, 2018	**71**	**47**	**193**	**(71)**	**545**	**(746)**	**(31)**	**-**	**8**

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible asset $	DSUs & SARs $	Derivatives $	Tax credits $	Prov-ision $	Total $
December 31, 2016	27	87	175	(137)	396	662	-	94	1,304
Recognized in net earnings	19	(14)	(90)	22	(16)	(37)	(38)	(49)	(203)
Recognized in equity	-	-	-	-	-	(404)	-	-	(404)
June 30, 2017	46	73	85	(115)	380	221	(38)	45	697

12. Related party transactions

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

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 $
Equipment and product support sales	**2,075**	113	**4,146**	1,838
Expenditures				
Rental payment on Company facilities	**1,452**	1,473	**2,905**	2,946
Equipment purchases	**1,593**	65	**3,146**	1,177
Vehicle purchases	**515**	-	**911**	-
Flight costs	**31**	-	**74**	55
Contributions[(1)]	**-**	25	**-**	25
Other Expenses	**8**	23	**22**	42

(1) – Contributions are comprised of payments made to Ag for Life

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.

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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:

	June 30, 2018 $	December 31, 2017 $	June 30, 2017 $
Due from related parties	**155**	27	101
Due to related parties	**-**	(1,087)	(507)

The amounts due from related parties are not secured and are to be settled in cash. As at June 30, 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 and six months ended June 30, 2018, $Nil and $Nil has been recognized in bad debt expenses with respect to related party transactions (2017 – $Nil and $Nil).

RME has contractual obligations to related parties in the form of facility leases. As at June 30, 2018, these contractual obligations and due dates, are as follows:

	Total $	2018 $	2019-2020 $	2021-2022 $	Thereafter $
Operating lease obligations	**28,758**	2,872	11,011	9,320	5,555

13. 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.

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 June 30, 2018 are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Notional amount	**$139,373**	$ 140,671	$ 143,268
Effective fixed interest rate	**4.7%**	4.7%	4.7%
Effective floating interest rate	**4.3%**	4.0%	3.6%
Maturity dates	**Aug. 2018 – Apr. 2023**	Aug. 2018 – Apr. 2023	Aug. 2018 – Apr. 2023

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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 these derivatives to market are recognized in earnings in the period in which they arise.

Derivative financial assets consist of:

	June 30, 2018 $	December 31, 2017 $	June 30, 2017 $
Total return swaps	**1,362**	5,343	936
Interest rate swaps	**2,065**	1,687	184
	3,427	7,030	1,120
Current portion	**430**	2,921	636
Long-term portion	**2,997**	4,109	484

Derivative financial liabilities consist of:

	June 30, 2018 $	December 31, 2017 $	June 30, 2017 $
Interest rate swaps	**662**	997	1,938
Current portion	**385**	533	1,129
Long-term portion	**277**	464	809

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

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 $	**Six Months Ended June 30, 2018 $**	Six Months Ended June 30, 2017 $
Opening net derivative financial (asset) liability	**(3,387)**	1,884	**(6,033)**	2,452
Loss (gain) recognized in net earnings	**829**	282	**2,255**	(139)
Gain recognized in other comprehensive income – net of tax	**(151)**	(984)	**(489)**	(1,091)
Tax on gain recognized in other comprehensive income	**(56)**	(364)	**(181)**	(404)
Cash received on settlement of total return swaps	**-**	-	**1,683**	-
Ending net derivative financial (asset) liability	**(2,765)**	818	**(2,765)**	818

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 periods 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.

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14. Impacts of new accounting standards on the financial statements

The impact on the RME's opening balance sheet as at January 1, 2017 is disclosed in the unaudited condensed consolidated interim Q1, 2018 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 periods 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	**(iii)**	32,931	-	(246)	32,685
Inventory	**(ii)**	471,573	(2,033)	-	469,540
Contract assets	**(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	**(ii)**	46,748	(18,739)	-	28,009
Floor plan payable		305,342	-	-	305,342
Deferred revenue	**(ii)**	6,724	(6,724)	-	-
Contract liabilities	**(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

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Statement of Financial Positon	Note	June 30, 2017 As Originally Presented $	IFRS 15 Adjustments & Reclassifications $	IFRS 9 Adjustments $	June 30, 2017 Restated $
Assets					
Current					
Cash		11,352	-	-	11,352
Trade receivables and other	**(iii)**	20,623	-	4	20,627
Inventory	**(ii)**	445,374	(3,086)	-	442,288
Contract assets	**(i),(ii)**	-	3,407	-	3,407
Income taxes receivable		375	-	-	375
Prepaid expenses		4,118	-	-	4,118
Current portion of derivative financial assets		636	-	-	636
Total current assets		482,478	321	4	482,803
Non-current					
Property and equipment		43,708	-	-	43,708
Deferred tax asset		652	47	(2)	697
Derivative financial assets		484	-	-	484
Intangible assets		425	-	-	425
Goodwill		18,776	-	-	18,776
Total non-current assets		64,045	47	(2)	64,090
Total assets		546,523	368	2	546,893
Liabilities					
Current					
Trade payables, accruals and other	**(ii)**	38,320	(8,439)	-	29,881
Floor plan payable		282,447	-	-	282,447
Deferred revenue	**(ii)**	3,395	(3,395)	-	-
Contract liabilities	**(i),(ii)**	-	12,328	-	12,328
Current portion of long-term debt		6,131	-	-	6,131
Current portion of obligations under finance leases		446	-	-	446
Current portion of derivative financial liabilities		1,129	-	-	1,129
Total current liabilities		331,868	494	-	332,362
Non-current					
Long-term debt		34,059	-	-	34,059
Obligations under finance leases		297	-	-	297
Derivative financial liabilities		809	-	-	809
Total non-current liabilities		35,165	-	-	35,165
Total liabilities		367,033	494	-	367,527
Shareholders' Equity					
Common shares		87,709	-	-	87,709
Contributed surplus		6,080	-	-	6,080
Accumulated other comprehensive loss		(1,280)	-	-	(1,280)
Retained earnings		86,981	(126)	2	86,857
Total shareholders' equity		179,490	(126)	2	179,366
Total liabilities and shareholders' equity		546,523	368	2	546,893

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Statement of Net Earnings	**Note**	**Three Months Ended June 30, 2017 As Originally Presented $**	**IFRS 15 Adjustments $**	**IFRS 9 Adjustments $**	**Three Months Ended June 30, 2017 Restated $**
Sales	**(i)**	237,156	(266)	-	236,890
Cost of sales	**(i)**	201,545	(173)	-	201,372
Gross profit		35,611	(93)	-	35,518
Selling, general and administrative	**(iii)**	24,743	-	(177)	24,566
Loss on derivative financial instruments		282	-	-	282
Loss on sale of vacant land		641	-	-	641
Earnings before finance costs and income taxes		9,945	(93)	177	10,029
Finance costs		3,026	-	-	3,026
Earnings before income taxes		6,919	(93)	177	7,003
Income taxes		2,069	(25)	48	2,092
Net earnings		4,850	(68)	129	4,911
Earnings per share					
Basic		0.25	0.00	0.00	0.25
Diluted		0.25	0.00	0.00	0.25

Statement of Net Earnings	**Note**	**Six Months Ended June 30, 2017 As Originally Presented $**	**IFRS 15 Adjustments $**	**IFRS 9 Adjustments $**	**Six Months Ended June 30, 2017 Restated $**
Sales	**(i)**	447,082	(252)	-	446,830
Cost of sales	**(i)**	384,698	(164)	-	384,534
Gross profit		62,384	(88)	-	62,296
Selling, general and administrative	**(iii)**	47,937	-	(268)	47,669
Gain on derivative financial instruments		(139)	-	-	(139)
Loss on sale of vacant land		641	-	-	641
Earnings before finance costs and income taxes		13,945	(88)	268	14,125
Finance costs		6,017	-	-	6,017
Earnings before income taxes		7,928	(88)	268	8,108
Income taxes		2,267	(24)	73	2,316
Net earnings		5,661	(64)	195	5,792
Earnings per share					
Basic		0.29	0.00	0.01	0.30
Diluted		0.29	0.00	0.01	0.30

(i) IFRS 15 adjustment – 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. 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. 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) IFRS 15 reclassification – 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.
- Contract liabilities in relation to deferred revenue were previously presented as deferred revenue.
- Contract liabilities in relation to equipment deposits of used trade-ins previously presented within trade payables, accruals and other.

(iii) IFRS 9 adjustment – impairment of financial assets

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 revised its impairment methodology under IFRS 9 for each class of assets.

15. Subsequent Events

On July 3, 2018, RME acquired all of the shares of John Bob Farm Equipment Ltd. ("JBFE"), a Saskatchewan-based dealer of New Holland agriculture equipment with locations in Outlook and Tisdale, for purchase consideration of $12,900 plus an earn-out provision of up to $500. JBFE's assets acquired include real estate assets valued at $5,400.

On August 7, 2018, RME entered into a definitive agreement to acquire certain business assets and assume the facility lease and sales territory of a New Holland agriculture equipment dealer in Olds, Alberta. Subject to the satisfaction or waiver of closing conditions, including OEM approval, this transaction is expected to close on or about August 17, 2018.