MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

ROCKY MOUNTAIN DEALERSHIPS INC.

Rocky Mountain Dealerships Inc. ("**RMDI**" or the "**Company**") is a public reporting issuer whose shares are listed on the Toronto Stock Exchange. RMDI is Canada's largest network of dealerships representing Case IH Agriculture Equipment, New Holland Agriculture Equipment and Case Construction Equipment, all of which are divisions of CNH Global N.V. ("**CNH**"). The Company is a major independent dealer of CNH equipment and also distributes equipment from a number of other manufacturers, including but not limited to, Terex, Dynapac, Takeuchi, Leeboy, Bourgault, Claas and Kuhn-Knight.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("**MD&A**") of the financial results of the Company is prepared as of March 9, 2010 and should be read in conjunction with the consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**") and are presented in Canadian dollars. This discussion focuses on key information from the audited consolidated financial statements for the year ended December 31, 2009. Additional information related to the Company is available at www.sedar.com, and pertains to known risks and uncertainties in the construction and agricultural equipment dealership industry.

We caution readers that statements contained in this MD&A may be considered forward-looking and refer to the section titled "Forward-Looking Information".

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EXECUTIVE SUMMARY

Business overview

The Company operates through 25 dealership branches located across the Canadian Prairies with 17 branches in Alberta, one in Saskatchewan and seven in Manitoba. These dealerships sell and rent new and used construction and agriculture equipment as well as provide product support to customers by selling parts and providing in-branch and on-site repair and maintenance services. The Company supports its sales and leasing departments by providing third party financing and insurance services.

In addition, the Company provides other ancillary services such as equipment transportation and global positioning satellite (GPS) signal subscriptions. The Company's right to sell, rent and support the various brands carried extends, depending on the particular brand, throughout Alberta, eastern British Columbia, Saskatchewan, Manitoba, Northwest Territories and Nunavut.

General Overview

Our business is focused on two main industries; agricultural equipment, where we represent the Case IH and New Holland brands, and mobile construction equipment where our primary brands are Case Construction, Terex and Dynapac.

Over the course of 2009 the global economic crisis continued to adversely affect new equipment sales in the construction industry. In North America, the construction equipment industry market as a whole was down between 47% and 49% for 2009. Our construction equipment sales were down 37% for the same period. Capital spending reductions in the private sector caused most of the reduction which was somewhat offset by the public sector's initiatives to add infrastructure investment. The Company supplies products through Terex and Dynapac, primarily in paving and aggregate production, which helped results for 2009. An increased effect of infrastructure stimulus investment is expected in 2010 which will help our brands. Construction sales overall are expected to improve in 2010 as government and private sector capital projects begin creating additional work for our customers.

The North American agricultural industry varied in 2009 from 2008 with tractor sales down 21% while combine sales were up 15%. Our market, which is focused on small grain and oilseed farming, continued to show strength in 2009 with a 15% increase in combine sales and a 5% increase in tractors over 140 horsepower. In addition, market share gains resulted in a 21% increase in volume in our legacy agricultural equipment locations. Stabilized commodity prices and favorable weather conditions for harvesting in western Canada resulted in strong crop receipts for farmers in 2009. The Company anticipates that commodity prices will continue to be favorable throughout 2010 and in combination with lower input costs and new technology in our equipment will drive new equipment sales.

The Company continued to execute on its growth strategy through acquisitions of three dealerships in 2009. The initial acquisition was Heartland Equipment of Drumheller, Alberta in April 2009. The two most recent acquisitions, Enns Agri and Mayor Equipment in Manitoba, came late in the year and did not contribute significantly to our 2009 results. These dealerships have complemented our existing branches, located throughout Alberta and Manitoba, as they create larger contiguous footprints.

The Company showed strength through the financial crisis by securing new lending and credit facilities. The additional financing is seen by management as confidence in the Company from its lenders, in what has been an exceptionally rare credit crisis.

Acquisitions

On March 1, 2010, the Company acquired all of the issued and outstanding shares of Roydale New Holland Inc. (“**Roydale NH**” or the “**Roydale NH Acquisition**”). There were 148,572 shares issued, at a price of $8.75 per share, pursuant to the Roydale NH Acquisition. In the most recent fiscal year ended November 30, 2009, Roydale NH reported revenues of approximately $22 million. Roydale NH is located in Red Deer, Alberta and represents the first New Holland Agriculture dealership for RMDI. The Roydale NH Acquisition will be the cornerstone for New Holland expansion with the young, energetic management of Roydale NH continuing on with RMDI. The integration of the business system has been completed for this location.

In the fourth quarter of 2009, the Company announced two acquisitions of dealerships in Manitoba, firstly Enns Agri (“**Enns**” or “**Enns Acquisition**”) in Winkler, Manitoba, followed by Mayor Equipment (“**Mayor**”) in Neepawa, Manitoba. These two acquisitions were completed as of November 1, 2009 and are contiguous to existing locations in Manitoba. All of the integration with respect to these acquisitions has been completed.

On April 1, 2009, the Company acquired all of the issued and outstanding shares of Heartland Equipment Limited and its subsidiaries (“**Heartland**” or the “**Heartland Acquisition**”). There were 636,943 shares issued, at a price of $4.30 per share, pursuant to the Heartland Acquisition. In the most recent fiscal year ended October 31, 2008, Heartland reported revenues of approximately $28.1 million. Heartland’s dealership location is contiguous to the Company’s Balzac store in Alberta. All of the integration with respect to the Heartland Acquisition has been completed.

STRATEGY

RMDI’s strategy is to grow revenue and enhance profitability through organic growth and acquisitions. The existing branch network creates opportunity to increase sales and profits organically as the installed base of the equipment ages, which in turn drives the higher margin revenue streams such as parts, service, finance and insurance. The profitability can also be enhanced through the management and monitoring of the direct and indirect costs of operating.

The Company’s strategy for expansion is the heavy equipment market on the east side of the rocky mountain corridor. Essentially, this represents Alberta, Saskatchewan and Manitoba, right through to the Gulf of Mexico. The growth to date has been in the Canadian prairies. There are numerous opportunities in the Canadian market and with the recent partnership with New Holland, the Company is able to focus on the opportunities available within its own backyard. When the right opportunity presents itself, the Company may decide to move into the United States.

The Company is able to achieve growth and profitability because of its people. Management is continually assessing the needs of its team members. In 2010, the Company initiated an employee share ownership plan (“ESOP”) which allows employees to save for retirement while encouraging them to share in and contribute to the success of RMDI.

Management believes the Company is well capitalized and has the management system and people in place to achieve significant growth without additional administration. We operate as three wholly owned divisions; Hi-Way Service, Hammer Equipment and Miller Equipment. Each division has experienced teams in place, that can provide exceptional results with little assistance from corporate management. This provides an extremely scalable model for growth with minimal overhead. In all acquisitions thus far, we have retained the owners and employees of the dealerships we have purchased to provide continuity for our customers and add management depth to the Company.

KEY PERFORMACE DRIVERS

This MD&A contains discussions referring to overhead absorption ("**Overhead Absorption**") and earnings before long-term interest, income taxes, depreciation and amortization ("**EBITDA**"). These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and it is therefore unlikely that these measures are comparable to similar measures presented by other issuers.

The Overhead Absorption, which is regularly monitored by management, is a commonly used metric in the equipment dealership industry, at the branch and organization level. The Overhead Absorption is calculated by dividing the gross margin from product support revenue, by total overhead expenses, including interest, less variable equipment selling expenses, intangible amortization or impairment, and stock-based compensation. It is management's belief that Overhead Absorption is a useful measurement tool because it indicates an equipment dealership's ability to maintain profitable operations particularly during periods of reduced equipment sales. Management's target for Overhead Absorption for the 2009 fiscal year was between 80% and 84% compared to the 2008 result of 79%. This metric suggests that the Company could cover 80% to 84% of the total expenses from the gross margin of product support if the market experienced a period of reduced equipment sales.

EBITDA is another commonly used metric in the dealership industry. This metric is calculated by adding the long-term interest, income taxes, depreciation and amortization to the net income. Adding back non-operating expenses allows management to consistently compare periods as the metric removes changes in tax rates, long-term assets and financing costs.

SELECTED FINANCIAL INFORMATION

IN THOUSANDS (other than per share amounts)

	3 months ended December 31, 2009 (unaudited) $		3 months ended December 31, 2008 (unaudited) $	
Revenue:				
New equipment sales	92,878	62.9%	90,513	61.6%
Used equipment sales	32,526	22.0%	32,758	22.3%
Product support	21,203	14.4%	22,013	15.0%
Finance and insurance (F&I)	644	0.4%	432	0.3%
Rental and leasing	422	0.3%	1,190	0.8%
Total Revenue	147,673	100.0%	146,906	100.0%
Cost of Sales	123,150	83.4%	122,296	83.2%
Gross Profit	24,523	16.6%	24,610	16.8%
Expenses:				
Selling and administrative	13,903	9.4%	14,780	10.1%
Interest on short-term debt	1,541	0.9%	1,259	0.9%
Interest on long-term debt	240	0.2%	344	0.2%
Amortization of PPE	898	0.6%	680	0.5%
Earnings from Operations	7,941	5.5%	7,547	5.1%
Amortization of intangible assets	-	0.0%	758	0.5%
Goodwill impairment	-	0.0%	84,837	57.7%
Impairment of intangible assets	-	0.0%	17,950	12.2%
Income taxes	2,217	1.5%	(2,543)	(1.7%)
Net Earnings	5,724	4.0%	(93,455)	(63.6%)
Net Earnings Per Share				
Basic	$0.35		($7.34)	
Diluted	$0.35		($7.33)	

	12 months ended December 31, 2009 (unaudited) $		12 months ended December 31, 2008 (unaudited) $		12 days ended December 31, 2007 (unaudited) $	
Revenue:						
New equipment sales	300,924	54.1%	240,363	59.5%	8,721	73.0%
Used equipment sales	156,648	28.2%	79,908	19.8%	1,176	9.8%
Product support	93,748	16.9%	75,726	18.7%	1,631	13.7%
Finance and insurance (F&I)	2,047	0.4%	2,404	0.6%	144	1.2%
Rental and leasing	2,388	0.4%	5,711	1.4%	275	2.3%
Total Revenue	555,755	100.0%	404,112	100.0%	11,947	100.0%
Cost of Sales	471,067	84.8%	332,539	82.3%	9,831	82.3%
Gross Profit	84,688	15.2%	71,573	17.7%	2,116	17.7%
Expenses:						
Selling and administrative	52,224	9.4%	45,272	11.2%	1,199	10.0%
Interest on short-term debt	6,127	1.1%	4,441	1.1%	232	1.9%
Interest on long-term debt	1,024	0.2%	1,389	0.3%	57	0.5%
Amortization of PPE	3,068	0.6%	2,045	0.5%	36	0.3%
Earnings from Operations	22,245	3.9%	18,426	4.6%	592	5.0%
Amortization of intangible assets	-	0.0%	3,032	0.8%	98	0.8%
Goodwill impairment	-	0.0%	84,837	21.0%	-	0.0%
Impairment of intangible assets	-	0.0%	17,950	4.4%	-	0.0%
Income taxes	7,023	1.3%	301	0.1%	167	1.4%
Net Earnings	15,222	2.6%	(87,694)	(21.7%)	327	2.8%
Net Earnings Per Share						
Basic	$1.03		($6.88)		$0.03	
Diluted	$1.02		($6.88)		$0.03	

RECONCILIATION OF NET EARNINGS (LOSS) TO EBITDA

IN THOUSANDS

	3 months ended December 31, 2009 (unaudited) $	3 months ended December 31, 2008 (unaudited) $	12 months ended December 31, 2009 (unaudited) $	12 months ended December 31, 2008 (unaudited) $
Net earnings (loss)	5,724	(93,456)	15,222	(87,694)
Long-term interest	240	344	1,024	1,389
Depreciation	898	681	3,068	2,045
Amortization of intangible assets	-	758	-	3,032
Goodwill impairment	-	84,837	-	84,836
Impairment of intangible assets	-	17,950	-	17,950
Income taxes	2,217	(2,542)	7,023	301
Rental depreciation	173	466	949	2,347
Lease depreciation	36	341	396	2,016
EBITDA	9,288	9,379	27,682	26,222
Overhead Absorption	67%	81%	84%	79%

RESULTS OF OPERATIONS (UNAUDITED)
IN THOUSANDS (other than per share amounts)

	2009				
	3 months ended				
	December 31	September 30	June 30	March 31	Total
	$	$	$	$	$
Revenue	147,673	145,805	155,127	107,150	555,755
Net earnings before impairment	5,724	4,941	3,829	728	15,522
Impairment	-	-	-	-	-
Net earnings	5,724	4,941	3,829	728	15,222
EPS - Basic	0.35	0.34	0.28	0.06	1.03
EPS - Diluted	0.35	0.34	0.28	0.05	1.02
EBITDA	9,288	8,584	7,169	2,641	27,682
Overhead Absorption	67%	114%	89%	74%	84%

	2008				
	3 months ended				
	December 31	September 30	June 30	March 31	Total
	$	$	$	$	$
Revenue	146,906	93,242	94,250	69,714	404,112
Net earnings before impairment	9,332	2,491	2,682	588	15,093
Impairment	102,787	-	-	-	102,787
Net earnings	(93,455)	2,491	2,682	588	(87,694)
EPS - Basic	(7.34)	0.19	0.22	0.05	(6.88)
EPS - Diluted	(7.33)	0.19	0.21	0.05	(6.88)
EBITDA	9,379	6,744	6,590	3,510	26,223
Overhead Absorption	81%	87%	78%	65%	79%

The results of operations discussed below are for the three and twelve months ended December 31, 2009 and are compared to the three and twelve months ended December 31, 2008.

The first calendar quarter is typically the weakest due to winter shutdowns while the fourth quarter is the strongest due to conversions of equipment on rent with purchase options and the post-harvest buying that is typical in the agricultural sector. The conversion of equipment on rent, which is primarily a construction equipment buying pattern, was insignificant in the fourth quarter of 2009.

The global reduction in the construction equipment market has affected the results of the Company primarily in new construction equipment sales, used construction equipment sales, rental income, and lower finance and insurance income. In addition, the decrease in rental income and therefore decrease in the depreciation from the rental assets has negatively impacted EBITDA. Financial stimulus packages in Canada and the USA are expected to help the recovery of the construction equipment market and we expect these funds will flow through to the construction equipment customers of the Company in late 2010. This would have a positive effect on the Company's sales of construction equipment.

During the three and twelve months ended December 31, 2009, the agricultural market continued to show strength particularly in the 4WD and combine markets. The Company's trade areas have completed a successful harvest and we expect, at current commodity prices, the farm community to prosper. Although we saw a late harvest in most of western Canada, the weather cooperated in late October and November to allow the farmers to get the crops in their bins.

New and used equipment sales increased from approximately $123.3 million to $125.4 million and from $320.3 million to $457.6 million, in the three and twelve month periods ended December 31, 2009, respectively, compared to the same period in 2008. During the last quarter of 2009, the Company did not have the same revenue growth that was demonstrated in the first three quarters of 2009 because the significant acquisition of Miller Equipment was integrated in both periods. In addition, the late harvest and lack of rent to own conversions in the construction equipment stores affected fourth quarter buying patterns. For the year, the Company achieved an increase of sales of approximately 43% when comparing the 2008 annual sales. This revenue growth came from acquisitions made over the past two years combined with the strong agriculture market and improvements in market share. The Company was able to demonstrate strong revenue growth notwithstanding a significant decline in the construction equipment market.

Over the past 12 months the Company has focused its efforts on the reduction of existing construction inventory. In the most recent quarter there has been increased activity in the light side of the construction business, particularly skid steers and loader backhoes, resulting in additional sales of those products. The heavy side of the construction equipment market has continued to struggle and therefore meaningful increases in sales volumes in this sector have not materialized.

Product support revenues decreased from approximately $22.0 million to $21.2 million and increased from $75.7 million to $93.7 million, in the three and twelve month periods ended December 31, 2009, respectively, compared to the same period in 2008. The decrease in product support revenues in the quarter resulted from the late harvest throughout the Company's trade areas. A large number of the farmers were in the fields later than in previous years and consequently the traditional year-end repair work did not materialize. As a percentage of total sales the product support revenue has decreased from 15.0% to 14.4% from the fourth quarter of 2008 to the same period of 2009 because of the increase in new and used agricultural equipment sales. The year over year increase is due to the larger installed equipment base and the six acquisitions completed over the past two years. As a percentage of total sales, product support has decreased from 18.7% to 16.9% as a result of the additional acquired businesses, which typically demonstrate a lower percentage of sales arising from product support. Increased new and used sales have adversely affected the relative amount of product and support sales as the Company strives to increase the installed base in the its trade area

Finance and insurance revenues increased from $0.4 million to $0.6 million and decreased from $2.4 million to $2.0 million, in the three and twelve month periods ended December 31, 2009, respectively, compared to the same periods in 2008. The overall decrease is due to the reduction in construction equipment sales which provide more opportunity for finance and insurance revenue. Agricultural equipment sales typically do not require the same level of finance and insurance sales as the majority of the financing of these transactions are done through the manufacturer because of subsidized rates.

Rental and leasing decreased from $1.2 million to $0.4 million and decreased from $5.7 million to $2.4 million, in the three and twelve month periods ended December 31, 2008, respectively, compared to the same periods in 2009. This is as a result of management's commitment to reducing this portion of the business in favour of using third party vendors to free up capital. This reduction in rental and lease revenue has also impacted EBITDA for the same periods by reducing amortization by approximately $0.6 and $3.0 million, respectively.

During the fourth quarter the Company realized a decrease in the gross margin percentage from 16.8% in the fourth quarter of 2008 to 16.6% in the fourth quarter of 2009. The decrease is attributed to low margin sales required to be competitive in the construction equipment side of the business and the temporarily lower gross margins typically recognized with newly acquired branches. The gross margin percentage has increased throughout the year from 14.0% in the first quarter to the 16.6% in the fourth quarter. The increase demonstrates the strength of the Company's model once it can be applied to the acquired stores. This also involves the transition to a common business system as well as sharing the expertise and best practices of the Company.

The $0.1 million decrease and $13.1 million increase in gross profit for the three and twelve month periods ended December 31, 2009, respectively, resulted from improved new and used equipment sales. The margin of gross profit to total revenue, expressed as a percentage, has decreased from 17.7% in the twelve months of 2008 to 15.2% in the twelve months of 2009. The acquired agricultural stores initially have lower gross profit than the existing locations and with the transition to a common business system; management expects to see a continued positive impact on margins in future quarters. In addition, the Company took a charge against inventory of approximately $1.0 million to ensure valuation of the inventory remains consistent with market conditions.

The Company decreased the selling, general and administrative ("**SG&A**") expenses as a percentage of sales from 10.1% to 9.4%, and 11.2% to 9.4%, respectively, in the three and twelve months ended December 31, 2009. These reductions in the SG&A expenses are attributable to synergies obtained through system integration and cost cutting measures in the construction equipment locations due to the current market conditions. During the third quarter the Company converted the majority of its US denominated floor plan into Canadian dollars which resulted in approximately a $1.0 million foreign exchange gain which reduced SG&A expenses.

The decrease in SG&A from approximately $14.8 million to $13.9 million and increase from $45.2 million to $52.2 million, in the three and twelve month periods ended December 31, 2009 compared to the same periods of 2008, resulted primarily from increased sales of new and used equipment, which increased variable selling expenses, and additional expenses due to the acquisition of new branch locations over the same period in the previous year. All of the acquired locations have been integrated onto the same business system which enables the Company to leverage its administrative functions to control costs.

The increase in short-term interest expense from approximately $1.3 million to $1.5 million and from $4.4 million to $6.1 million, in the three and twelve month periods ended December 31, 2009 compared to the same period in 2008, is mainly attributable to the acquisitions made in 2008 and 2009, as well as increased spreads on interest rates being charged by the various financial institutions. This increase in the interest rate spreads has been partially offset by decreasing prime rates. The Company expects this trend to stabilize throughout the upcoming year as financial markets return to "normal". As a result of the higher rates, the Company continues to pay for certain inventory with cash so as not to incur higher interest costs.

The decrease in long-term interest expense from approximately $0.3 million to $0.2 million, and from $1.4 million to $1.0 million, for the three and twelve month period ended December 31, 2009 compared to 2008, is attributable to the reduced size of the rental and lease fleets for the respective periods.

The Overhead Absorption for the year ended December 31, 2009 was 84% (December 31, 2008 – 79%). This would suggest that approximately 84% of the Company's expenses would be covered if there were no new or used equipment sales. The Overhead Absorption for the year reached the top end of management's expectations of 80% - 84%. The increase in product support sales combined with the Company's expense control through the integration of the business system and cost cutting measures has improved the Overhead Absorption.

CASH FLOW

During the three and twelve months ended December 31, 2009, the Company's operating activities generated $1.2 million and $0.7 million of cash, respectively. RMDI's operating cash inflows were generated by net earnings of $5.7 million and $15.2 million, respectively with non-cash items adding $1.5 million and $5.1 million. Cash was utilized through working capital in the amounts of $6.0 million and $19.6 million for the three and twelve months ended December 31, 2009.

The cash generated in operating activities was offset by repayment of the related party payable, as related to acquisitions of $Nil and $3.7 million respectively, a net decrease in long-term debt and obligations under capital lease of $0.9 million and $1.4 million, and dividends of $0.8 million and $2.6 million, respectively. The Company generated cash from an equity issuance of $22.8 million in September 2009, with 3.9 million shares being issued at $6.20 per share. The shares were issued on a "bought deal basis" through a consortium of dealers led by RBC Capital Markets.

The investing activities consist of a net decrease (increase) of fixed assets totaling $0.9 million and ($0.2) million, respectively in the three and twelve month period ended December 31, 2009. For the three and twelve month periods ended December 31, 2009, $4.6 million and $7.6 million were utilized in the acquisitions of Enns, Mayor and Heartland.

The net effect of the activities from operations, financing and investing was a decrease to cash in the amount of $6.0 million and an increase of $8.4 million for the three and twelve month periods.

BALANCE SHEET
IN THOUSANDS

	December 31, 2009 (unaudited) $	December 31, 2008 (unaudited) $	December 31, 2007 (unaudited) $
Current assets	281,234	248,966	176,408
Property, plant and equipment	19,343	21,458	26,722
Intangible assets	-	-	20,982
Goodwill	4,086	-	71,774
Total assets	304,663	270,424	295,886
Current liabilities	203,653	204,983	154,814
Long-term liabilities	12,968	17,803	18,629
Obligations under capital lease	896	343	30
Future income taxes	1,051	1,126	6,858
Total liabilities	218,568	224,255	180,331
Shareholders' equity	86,095	46,169	115,555
Total liabilities and equity	304,663	270,424	295,886

Current assets consisted primarily of new and used inventory of approximately $225 million, $185 million and $117 million, as of December 31, 2009, December 31, 2008, and December 31, 2007, respectively. The increase year over year is primarily related to the agricultural inventory as acquisitions completed in the second half of 2008 and 2009 were agricultural based. The goodwill on the balance sheet at December 31, 2009 is mainly attributable to the Heartland Acquisition.

The current liabilities consisted primarily of floor plan payable for inventory financed of approximately $159 million, $150 million and $99 million, as of December 31, 2009, December 31, 2008, and December 31, 2007, respectively.

In the fourth quarter of 2008 the Company recognized an impairment to goodwill and intangible assets, as explained in the section under "Goodwill and Intangible Assets", and therefore required an appropriate write off. On May 12, 2009 at the Annual General Meeting, the shareholders of the Company, by way of a special resolution, voted to reduce the stated capital of the common shares in the amount of $89,116,405 effective as of that date. This reduction offset the deficit attributable to the write-down of goodwill and intangibles to a $Nil amount as at December 31, 2008.

SHARE CAPITAL – OUTSTANDING SHARES

	December 31, 2009	December 31, 2008
Opening Balance	13,220,359	11,585,000
Over-allotment	-	975,000
Roydale Acquisition	-	54,439
Miller Acquisition	-	549,020
Lakeland Acquisition	-	5,000
Matching Shares	-	51,900
Heartland Acquisition	636,943	-
Enns Acquisition	50,000	-
Bought Deal Financing	3,900,000	-
Closing Balance	17,807,302	13,220,359

There were 17,807,302 and 13,220,359 shares outstanding as at December 31, 2009 and December 31, 2008 respectively. Subsequent to year end, the Company issued 148,572 shares in partial consideration of the Roydale NH Acquisition. As of March 9, 2010, there were 17,955,874 shares outstanding.

There were 144,500 shares under a restricted shares unit plan outstanding as at December 31, 2009 (151,250 – December 31, 2008). Under this plan, certain key employees will receive treasury shares of the Company on December 20, 2012, should they remain with the Company at that time.

The options outstanding at December 31, 2009 are as follows:

Date Issued	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life (Years)
December 20, 2007	83,450	55,633	10.00	December 20, 2012	3.0
December 20, 2007	130,000	-	0.01	May 31, 2011	1.4
February 29, 2008	562,050	187,350	12.40	February 28, 2013	3.2
May 16, 2008	11,500	3,833	11.50	May 16, 2013	3.4
March 12, 2009	86,000	-	4.15	March 12, 2014	4.2
December 29, 2009	279,500	-	9.22	December 29, 2014	5.0
	1,152,500	246,816	9.43		3.5

CORPORATE HISTORY

The Company was formed on September 17, 2007 but did not carry on any business until it acquired all of the shares of each of Hammer Equipment Sales Limited and the Hi-Way Service Group on December 20, 2007 (the "**Initial Acquisitions**"). Subsequent to those purchases, Hammer Equipment was renamed Rocky Mountain Equipment Ltd. and the Hi-Way Service Group was amalgamated and renamed Hi-Way Service Ltd. Rocky Mountain Equipment Ltd. changed its name to Hammer Equipment Ltd. effective December 18, 2009.

During 2008, the Company purchased all the shares of Roydale International Ltd. (the "**Roydale Acquisition**"), Miller Farm Equipment (2005) Inc. ("**Miller**") which included three holding companies, (the "**Miller Acquisition**"), and Lakeland Implements Ltd. (the "**Lakeland Acquisition**").

LIQUIDITY AND CAPITAL RESOURCES

RMDI has available credit facilities with its bank and credit union lenders for the purposes of its general day-to-day cash requirements of its operations and for acquisitions. In addition, RMDI has floor plan facilities from various lending institutions for the purpose of financing inventory with sufficient availability to meet its needs through 2010.

RMDI has access to two credit facilities (the "**Credit Facility**") at its bank (the "**Bank**"), one of which consists of a revolving facility providing up to $15.0 million for working capital (the "**Working Capital Facility**") and another facility of up to $15.0 million for acquisitions of additional equipment dealerships (the "**Acquisition Facility**"). The interest rate on the Acquisition Facility and the Working Capital Facility is 3.75% and 2.75%, per annum respectively based on the current prime rate of 2.25%. In addition, RMDI has access to $7.0 million through a Manitoba credit union (the "**Credit Union Facility**"). Amounts drawn under the Credit Union Facility bear interest at the credit union's prime rate plus 1.0% and as at December 31, 2009 $1.9 million, including outstanding deposits, was drawn on this facility. This positions the Company positively to continue with its growth strategy.

The indebtedness under the Credit Facility is secured in favour of the Bank by the Company's receivables and the non-CNH parts inventory. At December 31, 2009, the amount outstanding on the Working Capital Facility was $Nil, the Company had positive cash of $8.9 million, and $12.2 million was outstanding on the Acquisition Facility. RMDI pays a standby fee of 0.25% per annum on any undrawn portion of the Working Capital Facility. The Bank has also provided financing terms for the vehicle lease fleet comprised of individual contracts with individual interest rates that are either floating at the Bank's prime rate plus 0.4% or fixed, based on the Bank's daily fixed rate for the particular length of the individual contract. These financing contracts are secured by all real property owned and subsequently acquired by the Company and individual payment terms are up to five years from the time each contract is initiated. The indebtedness under the Credit Union Facility is secured in favour of the credit union by the Miller receivables and the Miller non-CNH parts inventory.

The Company has existing floor plan facilities of approximately $250 million from various lending institutions for the purpose of financing inventory in sufficient approved limits to meet its needs for the foreseeable future. The Company currently has approximately $100 million available on such facilities. The new equipment inventory (and, in some cases, a portion of the used equipment inventory) is financed by way of floor plan financing, which is made available to RMDI by the equipment manufacturer's captive finance companies or divisions (such as CNH Capital), as well as banks and specialty lenders. As an extension to the CNH floor plan facility described above, the Company also has financing provided by GE Capital, terms which are substantially the same but qualify as long-term debt and are used to finance the rental fleet. The interest rates on these facilities are based on prime rate plus a percentage currently ranging from 0% to prime plus 6.0%.

The Company announced on March 9, 2010 that the Board of Directors of RMDI declared a quarterly dividend of $0.045 per common share on the Company's outstanding common shares. The common share dividend is payable on March 31, 2010, to shareholders of record at close of business on March 18, 2010. The Company is in compliance with all externally imposed capital requirements on all of its lending facilities.

ADEQUACY OF CAPITAL RESOURCES

RMDI has used its cash flow from operations to finance the purchase of inventory, service its debt requirements, and fund its operating activities, including working capital, both operating and capital leases and floor plan payable. The Company is rationalizing both the lease and rental fleets. Leasing is not the core business and is better suited to third party providers. Rental fleets primarily serve construction equipment customers and therefore need to be sized to suit the anticipated market. RMDI anticipates it will be able to finance its current fleet needs through its existing credit facilities and cash flow from operations. RMDI's ability to service its debt will depend upon its ability to generate cash, which depends on its future operating performance, general economic conditions, as well as other factors, of which some are beyond its control. Based on its current operational performance, RMDI believes that cash flow from operations along with existing credit facilities will provide for its liquidity needs in the next 12 months.

GOODWILL AND INTANGIBLE ASSETS

At least annually, the Company tests goodwill and intangibles for impairment by comparing the carrying amount of these assets to the fair value on a reporting entity basis. At December 31, 2008 and 2009 the Company performed an impairment test of goodwill to compare its carrying value to fair value. The impairment test is based on a two step process. In step one, a fair value was determined using two different valuation methods, a market based approach and discounted cash flow approach. The market based approach derives a fair value based on the market capitalization of the Company. The discounted cash flow approach analyzes future cash flows based on internally developed forecasts. Step one showed a carrying value that exceeded fair value and as a result the Company proceeded to step two to assess the impact of the impairment.

In 2008, the second step required the fair value determined in step one to be allocated to each individual asset and liability as it would be in a business combination. After performing this allocation, it was determined there was no value left to assign to goodwill. As a result, the amount of $84,836,364 was recorded as an impairment loss to the income statement as non-operating expenses.

The circumstances that led to the impairment of goodwill relate to the change in the global economic condition and uncertainty in the Company's industry, in the fourth quarter of 2008. The tightening of capital markets related to the global changes negatively impacted the industry as its cost of borrowing increased, as well as created difficulty for certain customers to acquire financing to purchase the Company's products. There was no goodwill impairment identified as at December 31, 2009.

At December 31, 2008 and 2009, the Company performed an impairment test of intangible assets to compare their carrying value to their fair value. This is performed by analyzing identifiable undiscounted future cash flows related to the intangible assets, (the "**Intangibles**"). The Company had identified the following as potential Intangibles: customer relationships, trade names and dealership agreements. Based on the Company's assessment related to the decline in the global economy, in the fourth quarter of 2008, the Company was not able to identify cash flows related to these Intangibles. As a result, all of the Intangibles were considered significantly impaired and a write down of $17,950,292 was required as of December 31, 2008. There was no impairment of Intangibles identified as at December 31, 2009.

In determining fair value, management relies on a number of factors including operating results, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments are required to be made in applying them to the analysis of goodwill and Intangibles impairment.

CONTRACTUAL OBLIGATIONS

The following table provides an overview of the contractual obligations of RMDI as of December 31, 2009.

IN THOUSANDS

	Total	2010	2011-2012	2013-2014	Thereafter
	$	$	$	$	$
Long-term debt	21,513	8,545	9,724	3,087	157
Capital lease obligations	1,515	619	789	107	-
Operating lease obligations	21,495	5,457	10,209	3,808	2,021
Total Contractual Obligation	44,523	14,621	20,722	7,002	2,178

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, RMDI and its subsidiaries entered into the following transactions or arrangements with or involving related parties, which are accounted for at their exchange amount (which approximates fair value):

The premises and facilities for four of RMDI's branches are leased from companies in which Mr. Campbell, Mr. Taschuk and/or Mr. Ganden or their associates are shareholders. The Company paid a total of $238,220 and $952,880 in lease payments to these companies during the three and twelve month periods ended December 31, 2009 (December 31, 2008 - $238,220 and $952,880). It is anticipated that the Company will continue to operate from these branch premises and facilities. At December 31, 2009, $185,000 was payable (December 31, 2008 – $139,895) to a company owned by related parties and $52,923 was receivable (December 31, 2008 - $160,318) from companies owned by related parties.

The premises and facilities for six of RMDI's branches are leased from a Company beneficially owned or controlled, indirectly by Mr. Derek Stimson, President and Director of RMDI. The Company paid a total of $600,000 and $2,400,000 in lease payments during the three and twelve month periods ended December 31, 2009 (December 31, 2008 - $600,000 and $2,400,000). It is anticipated that the Company will continue to operate from these branch premises and facilities.

During the three and twelve month period ended December 31, 2009, the Company paid management fees, performance bonuses and airplane rental fees to a company controlled by a related party totaling $65,000 and $260,000, $120,000 and $270,000, and $47,831 and $251,059, respectively (December 31, 2008 – $50,000 and $200,000, $Nil and $Nil, and $24,428 and $222,691). For the same period equipment sales of $1,710,689 and $3,802,296 and purchases of $1,363,095 and $3,432,615 were transacted between the Company and a company controlled by an officer and director (December 31, 2008 - $3,307,242 and $6,432,569 and $1,528,932 and $2,169,767).

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value.

The following transactions were not in the normal course of operations, although the change in ownership was substantive, and are measured at the exchange amount which approximates fair value:

As at December 31, 2009, $17,664 was receivable from the former shareholder of Enns, who is also a shareholder of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(a) of the Company's financial statements. The amount is included in accounts receivable and other.

As at December 31, 2009, $125,082 was receivable from the former shareholders of Heartland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(c) of the Company's financial statements. The amount is included in accounts receivable and other.

As at December 31, 2008, $55,457 was payable to the former shareholders of Lakeland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(d), of the Company's financial statements, and $50,000 in transaction costs. The final working capital adjustment was paid on January 26, 2009.

As at December 31, 2008, $3,410,612 was payable to the former shareholders of Miller Holdings and Heritage Holdings, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(e), of the Company's financial statements. The final working capital adjustment of $3,391,612 was paid on February 25, 2009.

As at December 31, 2008, $245,092 was payable to the former shareholders of Roydale, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(f), of the Company's financial statements. The final working capital adjustment was paid on January 26, 2009.

The amounts owing to related parties are non-interest bearing, unsecured and the carrying amount approximates the fair value due to the short-term nature. As at December 31, 2009 and December 31, 2008, there are no other outstanding accounts receivable or accounts payable with related parties.

OFF-BALANCE SHEET ARRANGEMENTS

RMDI has availed itself of off-balance sheet financing in connection with numerous operating leases between RMDI and arm's length leasing companies in respect of the fleet of vehicles used by RMDI and its employees in the conduct of its business. RMDI has paid monthly amounts under each of such operating leases ranging from $356 to $1,519. The current operating leases have terms of five years or less expiring between January 31, 2010 and March 1, 2013. Management intends to replace or extend these operating leases when their terms expire in respect of vehicles used by RMDI and its employees in the conduct of its business.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Given the nature of the business of RMDI, it is subject to a number of external factors that affect its business, including seasonality and cyclicality, currency fluctuations, inflation, and interest rate fluctuations.

Seasonality and Cyclicality

RMDI's customers operate in industries that are affected by seasonality. The seasonal nature of customers' businesses affects their demand for RMDI's equipment and services. The Company generally experiences a lower volume of equipment sales during the first quarter of the calendar year due to the crop growing season and winter weather making certain types of construction and agricultural work difficult to perform. The Company has mitigated the effects of seasonality to some extent by also carrying lines of equipment for which peak operating periods occur during the winter months. Examples of such lines of equipment are used primarily in aggregate crushing, mulching and clearing applications.

Currency Fluctuations and Foreign Exchange

RMDI's manufacturers are geographically diversified, leading the Company to conduct business in two currencies, U.S. dollars and Canadian dollars. Therefore, the fluctuation of the U.S. dollar has significant foreign exchange impact on the Company's revenues and net income, the most significant of which is purchases of U.S. dollar denominated products (inventory). In addition, as a result of foreign currency fluctuations, the Company experiences foreign currency translation gains or losses; currency translation adjustments arise as a result of fluctuations in foreign currency exchange rates at the period end. The nature of exposure to foreign exchange fluctuations differs between equipment manufacturers and the various dealer agreements with them.

The last several years have seen a weakening of the U.S. dollar in comparison to the Canadian dollar, which has generally had a positive effect on RMDI's performance by lowering its cost of goods sold. However, as the markets in which RMDI operates are highly competitive, a declining U.S. dollar also has the effect of reducing sales prices in Canadian dollars and, as a consequence, the Company cannot capture the entire potential benefit of a declining U.S. dollar environment. If the U.S. dollar strengthens in comparison to the Canadian dollar, and RMDI is unable to offset the increase in its cost of goods through price increases, its results may be negatively affected. RMDI does mitigate some of this risk, however, by occasionally purchasing forward contracts for U.S. dollars on large transactions to cover the period from the time the equipment was ordered from the manufacturer to the delivery date.

Inflation

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

Interest Rate Fluctuations

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the preparation of the financial statements, management is required to make estimates, assumptions and judgments that affect reporting amounts. Estimates, assumptions and judgments that affect the balance sheet include, but are not limited to: allowance for doubtful accounts, inventories, capital assets, deferred revenue and future taxes. Estimates, assumptions and judgments that affect the statements of earnings and comprehensive income include, but are not limited to, allowance for doubtful accounts and revenue recognition. The estimates, assumptions and judgments are updated when management considers it appropriate, but review them at least quarterly. The technical accounting knowledge, cumulative business experience, judgment and industry comparatives are all considered in selecting and applying accounting policies. While management believes estimates, assumptions, and judgments used in the preparation of the financial statements are appropriate, they are subject to factors and uncertainties regarding their outcome and, therefore, actual results may differ materially from these estimates. Management believes the following are the primary critical accounting policies and estimates:

Allowance for Doubtful Accounts

Outstanding receivables are reviewed on a weekly basis by the applicable managers at the branch level and daily by the credit manager. At the end of every quarter, all of the receivables are reviewed in detail to ensure there is sufficient coverage in allowance for doubtful accounts.

Inventory

In the financial statements the equipment inventory is recorded at the lower of cost and net realizable value, with cost being determined on a specific-item, actual-cost basis. Management records parts inventory at the lower of cost and replacement cost, with cost being determined using average cost. Any work-in-progress is valued at actual cost.

Capital Assets

Capital assets consist primarily of the equipment inventory, equipment rent-to-rent fleet and equipment lease fleet. In particular, the fleet of rent-to-rent equipment consists primarily of articulated trucks, each of which is replaced on a three-year cycle. To ensure that the rent-to-rent articulated trucks are accurately valued when they are replaced, 80% of the rental revenue generated is allocated with each unit to depreciation expense. Management records depreciation on leasing equipment using the declining balance method at a 30% rate. Currently, both these fleets are under review to determine their long term strategic benefit.

Deferred Revenue

Deferred revenue is recognized in a number of circumstances, namely, upon placing a preventative maintenance contract with a customer, in connection with incentives received from equipment manufacturers and with respect to future lease payments. When a preventative maintenance contract is placed with a customer, the customer is charged in advance or on a flat monthly rate for services that will be performed during the term of the maintenance contract, which may be as long as five years. Revenue is recognized when the service is performed. When equipment manufacturers provide incentives for particular pieces of equipment, which are typically credits against the wholesale price as shown on the manufacturer's equipment invoice, RMDI recognizes and records that deferred revenue credit as goods sold. The third type of deferred revenue relates to the lease fleet, the future lease payments are recorded as deferred revenue and recognize the payments as they become due during the year.

Future Taxes

The future income tax liability is calculated using the asset and liability method of tax allocation. Under this method, the temporary differences between the tax bases of assets and their carrying amounts on the balance sheet are used to calculate the future income tax liability.

Changes in Accounting Policies

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("**CICA**") issued section 3064, Goodwill and intangible assets, replacing section 3062, Goodwill and other intangible assets and section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentations and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous section 3062. The Company has evaluated the impact of the adoption of this new section and the adoption did not have a significant impact on its consolidated financial statements.

Future Changes Related to International Financial Reporting

Convergence with International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in 2008 that the use of International Financial Reporting Standards ("**IFRS**") by publicly accountable enterprises will be required in 2011. The Company has assigned a committee of people from various levels of the organization to consider the impact that the conversion to IFRS will have on the Company.

The Company has identified three phases to conversion as outlined below:

- Diagnostic and Scoping – This involves identifying and performing a high-level assessment of significant areas of IFRS and differences from Canadian GAAP. The assessment focuses on identifying moderate to significant issues that will impact the Company throughout conversion.

- Impact Assessment and Design – In this phase, the significant issues identified in the first phase are further examined for their potential quantitative, process, and system impacts, as well as any other significant issues identified. Also, when applicable, alternatives and policies are assessed to determine the most appropriate policies and practices on conversion.

- Implementation –This phase involves reviewing, testing, and implementing the final accounting policy and process changes required for conversion.

The Company has completed the Diagnostic and Scoping phase and is working on the Impact Assessment and Design phase. The Impact Assessment and Design Phase is expected to be completed in the second half of 2010, with implementation commencing at the end of the fourth quarter of 2010.

Impact of Adoption of IFRS

The Company has identified various differences between IFRS and GAAP. Most of the differences are not expected to have significant impact on the Company, however, there may be some areas that will have significant changes upon conversion. These areas are identified as follows:

IFRS 1 – First-Time Adoption of International Financial Reporting Standards

IFRS 1 provides elective exemptions and mandatory exceptions to full retrospective application of IFRS. The impacts of these items are discussed in the related sections below.

Share-based Payment

The Company issues certain stock-based awards in the form of stock options that vest evenly over a three year period. Under Canadian GAAP, the Company recognizes the fair value of the award, determined at the time of the grant, on a straight-line basis over the three-year vesting period. Under IFRS, the fair value of each installment of the award is considered a separate grant based on the vesting period with the fair value of each installment determined separately and recognized as compensation expense over the term of its respective vesting period. Accordingly, this will result in the amounts of each grant being recognized in income at a faster rate than under Canadian GAAP.

IFRS 1 provides an elective exemption to not apply and restate options that were granted and vested before transition to be in accordance with IFRS 2 (Share-based Payment).

Impairment of Assets

Canadian GAAP impairment testing compares the asset carrying values with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable, the carrying values are written down to estimated fair value.

IAS 36 (Impairment of Assets), uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may result in more frequent write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the impairments have reduced. Canadian GAAP prohibits reversal of impairment losses.

IAS 36 also provides for the option to measure intangible assets after initial recognition at their fair values or amortized cost. Canadian GAAP only permits subsequent measurement using amortized cost.

Property, Plant and Equipment ("PP&E")

IFRS provides more explicit guidance for separating and depreciating significant components of PP&E items. In many instances, IFRS will require a more granular approach for depreciating items of PP&E.

IFRS also permits property, plant and equipment to be measured subsequent to recognition at fair value or amortized cost. Canadian GAAP only allows subsequent measurement at amortized cost.

IFRS 1 contains an elective exemption to reset as the new cost basis for an item in property, plant and equipment, its fair value at the date of transition.

Provisions

IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) uses a threshold of "more likely than not" to determine when there is enough probability to record a provision. Canadian GAAP uses a higher threshold of "likely" which in most instances would result in fewer provisions recognized from GAAP.

KEY FINANCIAL STATEMENT COMPONENTS

Equipment Sales – Equipment revenues are derived from the sale of new and used construction and agricultural equipment. Revenue is recognized when the customer has signed the sales agreement, has paid or is credit-approved through, and title to and risk of loss for the piece of equipment has transferred, except in respect of deferred revenue, which is discussed above. New equipment sales also include rental revenues where customers purchase equipment following a period of "rent-to-own" payments.

Product Support – Product support revenue is derived from the sales of both parts and service. Revenue from parts sales is recognized when title to and risk for a particular part has transferred to the customer, as evidenced by the part being shipped or physically taken by the customer, or in the case of parts drawn to complete service work, when the service work order is completed. Service revenue is recognized when the applicable repair or maintenance work has been completed, except in respect of deferred revenues, which are discussed above.

Equipment Rentals – Equipment rental revenue is recognized on the first day of each rental period specified in the rental contract. Rental revenue, as presented in the financial statements, is generated from the equipment in the rent-to-rent fleet. All other equipment rental revenue (e.g., rent-to-own revenue) is included in the new equipment sales revenue. In either case, 80% of the equipment rental revenue is considered to be cost of sales.

Equipment Leasing – Leasing revenue is recognized on a monthly basis, based on the term of the lease, independent of the timing of the payments received. The lease is initially set up as deferred revenue, and recognized as revenue on a monthly basis coinciding with the term of the original lease.

Finance and Insurance (F&I) – Each sale of new or used equipment enables RMDI to offer customers proprietary or third party purchase and lease financing, third party insurance products and manufacturers' extended warranties. F&I revenue is recognized when the customer executes the applicable F&I contract. F&I revenue includes commissions and fees on third-party F&I products the Company places (rates determined by the third parties through whom such F&I products are sourced), fees on certain financing products equal to the present value of the interest rate spread between the cost of funds and the lending rate to the customer, and margins generated by the extended warranties that are sold to customers for their equipment. In addition to these F&I revenues, an administration fee is charged in connection with processing such F&I products.

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

Selling and Administrative Expenses – Selling and administrative expenses include sales and marketing expenses, sales commissions, payroll, and related benefit costs, insurance expenses, professional fees, rent, and other facility costs and administration overhead.

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

RISKS AND UNCERTAINTIES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

The CEO and CFO have evaluated the effectiveness of the Company's DC&P and assessed the design of the Company's internal control over financial reporting, ("**ICFR**"), as of December 31, 2009, pursuant to the requirements of National Instrument 52-109, and have concluded that:

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

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

Management has concluded that, as of December 31, 2009, the Company has sufficiently documented and tested the effectiveness of the internal controls over financial reporting for the Company and can conclude that these controls are working effectively.

FORWARD-LOOKING INFORMATION

This MD&A contains certain statements or disclosures relating to RMDI that are based on the expectations of its management as well as assumptions made by and information currently available to RMDI which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "forecast", "future", "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma", or other comparable terminology. Many factors could cause the performance or achievements of RMDI to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

In particular such forward-looking statements include:

a) Under the heading "Results of Operations (Unaudited)" the statements that:

(i) "Financial stimulus packages in Canada and the USA are expected to help the recovery of the construction equipment market and we expect these funds will flow through to the construction equipment customers of the Company in late 2010. This would have a positive effect on the Company's sales of construction equipment."

The foregoing statement is based on the assumption that various levels of government in Canada and the USA will continue to provide financial stimulus packages, specifically with respect to infrastructure projects resulting in more work for the construction industry and sales of construction equipment. The risks are that these various governments will not make infrastructure projects a priority and, either through reduced planned expenditures on infrastructure or delaying such expenditures to the point that the reductions in such spending or delays will have no positive impact on the sale and use of construction equipment; and

(ii) "During the three and twelve months ended December 31, 2009 the agricultural market continued to show strength, particularly in the four wheel drive and combine markets. The Company's trade areas have completed a successful harvest and we expect, at current commodity prices, the farm community to prosper."

The foregoing statement is based on the assumption that the Company's agricultural clients will maintain or increase their acquisitions of agricultural equipment, and particularly the equipment sold by the Company, due to a successful harvest in the areas where the Company does business. There are a number of risks that could affect those assumptions, including but not limited to, ongoing credit restrictions, a decrease in demand for western Canadian cereal crops due to worsening economic conditions and weather conditions that may affect western Canadian agricultural production.

All of the above noted items could affect the farm cash receipts in western Canada and, as a result, the ability of the Company's customer to purchase the Company's products.

b) Under the heading "Adequacy of Capital Resources" the statement that:

"Based on its current operational performance, RMDI believes that cash flow from operations along with existing credit facilities will provide for its liquidity needs in the next 12 months."

The foregoing statement is based on the assumption that the Company's cash flow from sales continue as anticipated and that there will be no material reduction in its existing credit facilities. Those assumptions are subject to the risks that the Company would not be able to maintain its existing credit facilities as a result of a change in the amount of capital available in the marketplace or a change in the Company's relationship with its lenders, which could reduce its access to its credit facilities. Those forward-looking statements are also subject to the risk that cash flow may not be as anticipated as a result of reduced sales due to economic conditions that deteriorate more than anticipated. Should those risks become a reality the Company may not be in a position to meet its liquidity needs.

Consolidated Financial Statements of

ROCKY MOUNTAIN DEALERSHIPS INC.

December 31, 2009 and 2008

Deloitte & Touche LLP
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Auditors' Report

To the Shareholders of **Rocky Mountain Dealerships Inc.:**

We have audited the consolidated balance sheets of **Rocky Mountain Dealerships Inc.** (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of net earnings (loss) and comprehensive income (loss), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta
March 8, 2010

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Balance Sheets

As at December 31,
(Expressed in thousands of dollars)

	2009	2008
	$	$
ASSETS		
CURRENT		
Cash	**8,912**	493
Accounts receivable and other (Note 6)	**24,186**	40,614
Inventory (Note 7)	**247,627**	207,467
Prepaid expenses	**509**	392
	281,234	248,966
Property, plant and equipment (Note 10)	**19,343**	21,458
Intangible assets (Notes 9 and 11)	**-**	-
Goodwill (Notes 5 and 8)	**4,086**	-
	304,663	270,424
LIABILITIES		
CURRENT		
Bank indebtedness (Note 12)	**1,947**	5,223
Accounts payable and accrued liabilities (Note 13)	**30,595**	29,973
Floor plan payable (Note 14)	**158,793**	150,449
Deferred revenue	**3,154**	9,437
Due to related parties (Note 20)	**-**	3,691
Current portion of long-term debt (Note 15)	**8,545**	5,910
Current portion of obligations under capital lease (Note 16)	**619**	300
	203,653	204,983
Long-term debt (Note 15)	**12,968**	17,803
Obligations under capital lease (Note 16)	**896**	343
Future income taxes (Note 22)	**1,051**	1,126
	218,568	224,255
CONTINGENCY (Note 17)		
COMMITMENTS (Note 21)		
SHAREHOLDERS' EQUITY		
Common shares (Note 18a)	**70,601**	133,879
Contributed surplus (Note 18d)	**2,915**	1,406
Retained earnings (deficit)	**12,579**	(89,116)
Accumulated other comprehensive income	**-**	-
	86,095	46,169
	304,663	270,424

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

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

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

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss)
Years Ended December 31, 2009 and 2008
(Expressed in thousands of dollars, except per share amounts)

	2009	2008
	$	$
SALES		
New units	**300,924**	240,363
Used units	**156,648**	79,908
Product support	**93,748**	75,726
Finance and insurance	**2,047**	2,404
Rental and leases	**2,388**	5,711
	555,755	404,112
COST OF SALES		
(including amortization of $1,345 (2008 - $4,363))	**471,067**	332,539
GROSS PROFIT	**84,688**	71,573
EXPENSES		
Selling and administrative	**52,224**	45,272
Interest on short-term debt	**6,127**	4,441
Interest on long-term debt	**1,024**	1,389
Amortization of intangible assets	**-**	3,032
Amortization of property, plant and equipment	**3,068**	2,045
	62,443	56,179
EARNINGS BEFORE OTHER ITEMS AND INCOME TAXES	**22,245**	15,394
OTHER ITEMS		
Goodwill impairment (Note 8)	**-**	(84,837)
Intangible asset impairment (Note 9)	**-**	(17,950)
	-	(102,787)
EARNINGS (LOSS) BEFORE INCOME TAXES	**22,245**	(87,393)
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	**7,221**	6,346
Future	**(198)**	(6,045)
	7,023	301
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**15,222**	(87,694)
(DEFICIT) RETAINED EARNINGS, BEGINNING OF YEAR	**(89,116)**	328
REDUCTION OF STATED CAPITAL (Note 18a)	**89,116**	-
DIVIDENDS	**(2,643)**	(1,750)
RETAINED EARNINGS (DEFICIT), END OF YEAR	**12,579**	(89,116)
EARNINGS (LOSS) PER SHARE (Note 19)		
Basic	**1.03**	(6.88)
Diluted	**1.02**	(6.88)

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

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008
(Expressed in thousands of dollars)

	2009 **$**	2008 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings (loss)	**15,222**	(87,694)
Adjustments for:		
Amortization of property, plant and equipment (Note 10)	**4,413**	6,408
Amortization of intangibles	**-**	3,032
Future income taxes (recovery)	**(198)**	(6,045)
Stock-based compensation (Note 18d)	**1,509**	1,377
Impairment of goodwill	**-**	84,837
Impairment of intangible assets	**-**	17,950
Gain on sale of property, plant and equipment	**(677)**	(839)
	20,269	19,026
Changes in non-cash working capital, net of the effect of acquisitions	**(19,555)**	(17,934)
	714	1,092
FINANCING		
Payments to related parties regarding the acquisitions (Notes 5 and 20)	**(3,691)**	(20,115)
Repayment of long-term debt	**(12,524)**	(9,726)
Proceeds from long-term debt	**10,242**	8,449
Repayment of obligations under capital lease	**(480)**	(287)
Proceeds from obligations under capital lease	**1,352**	796
Dividends paid	**(2,643)**	(1,750)
Proceeds from issuance of share capital (net of share issue costs paid) (Note 18)	**22,793**	10,253
	15,049	(12,380)
INVESTING		
Purchase of property, plant and equipment	**(3,194)**	(5,862)
Proceeds on disposal of property, plant and equipment	**3,409**	8,710
Purchase of equipment dealerships, net of cash acquired	**(7,559)**	(8,023)
	(7,344)	(5,175)
NET INCREASE (DECREASE) IN CASH	**8,419**	(16,463)
CASH, BEGINNING OF YEAR	**493**	16,956
CASH, END OF YEAR	**8,912**	493
SUPPLEMENTARY INFORMATION		
Interest paid	**7,151**	5,830
Income taxes paid	**8,414**	3,174

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

1. NATURE OF BUSINESS

Rocky Mountain Dealerships Inc. (the "Company") was incorporated September 17, 2007 and through its subsidiaries, Hammer Equipment Sales Limited ("Hammer") and Hi-Way Service (Medicine Hat) Ltd. ("Hi-Way"), which were acquired on December 20, 2007, sells and leases a wide variety of agriculture and construction equipment in Western Canada. The Company effectively commenced operations on December 20, 2007, and accordingly, its financial results are presented from that date forward. During 2008, Hi-Way Service (Medicine Hat) Inc. and Hammer Equipment Sales Limited underwent legal name changes to Hi-Way Service Ltd., and Rocky Mountain Equipment Ltd., respectively. On December 18, 2009, Rocky Mountain Equipment Ltd. changed its name to Hammer Equipment Ltd. During 2008, the Company acquired 100% of the common shares of Roydale International Ltd., Kevin G. Miller Holdings Ltd., Heritage Holdings Ltd., and Lakeland Implements Ltd. During 2009, the Company acquired 100% of the common shares of the holding companies that collectively owned 100% of the common shares of Heartland Equipment Limited, and certain assets of Enns Agri and Mayor Equipment. Inter-company transactions and balances are eliminated on consolidation.

2. CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company has evaluated the impact of the adoption of this new Section and the adoption did not have a significant impact on its consolidated financial statements.

Fair value of financial instruments

In January of 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of any counterparty's should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company has evaluated the impact of this new standard and the adoption did not have a significant impact on its consolidated financial statements.

(Expressed in thousands, except per share and per option amounts)

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Disclosures about financial instruments

In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures, to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concern that the nature and extent of liquidity risk were unclear and difficult to apply. These disclosures are effective for the Company's December 31, 2009 annual consolidated financial statements. These amendments did not have a significant impact on the Company's results of operations or financial position but resulted in additional disclosure in Note 23.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These significant accounting policies used in these consolidated financial statements are as follows:

Cash

Cash includes cash amounts, being all highly liquid investments with original maturities of three months or less. At December 31, 2009 and 2008, there were no cash equivalents.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized over the estimated useful life using the methods and rates as follows:

Rental assets	Unit of usage
Lease equipment	30% declining balance
Buildings	20 years
Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of lease term and useful life
Shop tools and equipment	5 years
Vehicles	3 - 5 years

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over the expected period of benefit. Annual amortization rates are as follows:

Customer relationships	7 years
Dealership agreements	5 years
Lease agreements	2 years
Non competition agreements	3 years
Trade name	10 years

Intangible assets are reviewed annually with respect to their useful lives, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. If the intangible assets are considered to be impaired, they are written down to estimated fair value.

Goodwill

Goodwill results from business combinations and represents the portion of the purchase price in excess of the fair value of net identifiable assets acquired. Goodwill is recorded at cost and is not subject to amortization. It is tested at least annually for impairment. The impairment test for goodwill is a two-step process. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to the reporting unit. Measurement of the fair value of a reporting unit is based on one or more fair value measures, including present value calculations of estimated future cash flows and estimated amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties. The Company also considers its market capitalization as of the date of the impairment test. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test in unnecessary. If the carrying amount of the reporting unit exceeds its fair value, step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the reporting unit's goodwill, an impairment loss equal to the excess is recorded in net earnings.

Use of estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates (continued)

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should underlying assumptions change, estimated net recoverable values could change by a material amount.

Balances in these consolidated financial statements that are subject to estimation include the allowance for doubtful accounts, net realizable value of inventory, stock-based compensation expense, amortization periods for property, plant and equipment and intangible assets, the net recoverable values of capital assets, intangible assets and goodwill, and estimates in future income taxes.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Earnings per share

Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if options or warrants to purchase common shares were exercised. The treasury stock method is used to determine the dilutive effect of options or warrants, whereby any proceeds from the exercise of options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Leases

Leases entered into by the Company as lessee are classified as either capital or operating leases. Leases where substantially all of the benefits and risks of ownership of property rest with the Company are accounted for as capital leases. Equipment under capital lease is amortized on the same basis as capital assets. Rental payments under operating leases are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income (“OCI”). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge and the change in fair value of any available for sale financial instruments. Amounts included in OCI, if any, are shown net of tax. Accumulated other comprehensive income (“AOCI”) is composed of the cumulative amounts of OCI.

Inventories

Equipment inventory is valued at the lower of cost and net realizable value, with cost being determined on a specific item, actual cost basis, and net realizable value being determined by the recent sales of the same or similar equipment inventory less the cost to sell that item. Parts inventory is recorded at the lower of cost and net realizable value, with cost being determined using average cost and net realizable value being determined by replacement cost. Work-in-progress is valued on a specific item, actual cost basis.

Revenue recognition

The Company generates revenue from several distinct sources. Revenue is recognized as follows:

Whole goods: Revenue from the sale of whole goods, which is defined as new and used equipment, is recognized when the customer has signed the respective sales agreement, has paid or has credit approved, and title of the product and risk of loss has transferred.

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

Finance and insurance: Commission revenue from finance and insurance is recognized when the finance contract is signed.

Rental: Revenue from rentals is recognized on the first day of each month specified in the rental contract on a straight-line basis over the term of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Leases: Lease revenue is recognized on a straight-line basis over the term of the lease independent of the timing of the payments received. Prepayment of any lease is initially set up as a deposit and this deposit is reduced on a monthly basis at a rate reflective of the lease contract.

Deferred revenue

Deferred revenue comprises: 1) units sales in which cash has been received but not all terms and conditions have been fulfilled to meet the requirements of revenue recognition;
2) maintenance plans sold to customers in which all services have not yet been provided; and
3) manufacturer incentives received by the Company for certain equipment. Once title and all risk and rewards of ownership have transferred and/or the service has been provided, revenue is recognized in the corresponding period.

Stock-based compensation

The Company issues stock options and other stock-based compensation to certain directors, officers and employees of the Company. The Company follows the fair value based method of accounting for stock-based compensation, using the Black-Scholes option pricing model. Compensation expense is recognized over the period in which the option vests, with a corresponding increase to contributed surplus in shareholders' equity.

Income taxes

The asset and liability method of tax allocation is used in accounting for income taxes. Under this method, temporary differences arising from the difference between the tax bases of an asset and a liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using substantively enacted tax rates that apply in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the new rate is substantively enacted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The Company enters into transactions in foreign currency which are translated into Canadian dollars; whereby monetary items are translated at the rate of exchange in effect at the consolidated balance sheet date and non-monetary items are recorded at the prevailing exchange rate at the date of transaction. Revenue and expense items are translated at the exchange rate in effect when each of the items is recognized.

Financial instruments

The Company discloses information with regard to the significance of financial instruments to the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks. All financial instruments must initially be recognized at fair value on the balance sheet. The Company has classified each financial instrument into the following categories: held for trading financial assets and financial liabilities, loans and receivables, held to maturity investments, available for sale financial assets, and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Gains and losses on available for sale financial assets are recognized in other comprehensive income ("OCI") and are transferred to earnings when the asset is derecognized or other than temporarily impaired. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method.

The Company has made the following classifications:

- Cash is classified as a financial asset held for trading and is measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.
- Accounts receivable is classified as loans and receivables and is initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.
- Bank indebtedness, accounts payable and accrued liabilities, floor plan payable, due to related parties, long-term debt and obligations under capital lease (including current portions) are classified as other liabilities and are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative and the combined instrument or contract is not measured at fair value, with changes in fair value recognized in earnings. As at, and for the years ended December 31, 2009 and 2008, the Company did not have any outstanding contracts or financial instruments with embedded derivatives that required bifurcation.

Derivative instruments and hedge activities

Derivative instruments may be utilized by the Company to manage market risk related to the volatility in commodity prices, foreign exchange rates and interest rate exposures. The Company's policy is not to utilize derivative instruments for speculative purposes. The Company may choose to designate derivative instruments as hedges. All hedges are documented at inception including information such as the hedging relationship, the risk management objective and strategy, the method of assessing and measuring effectiveness and the method of accounting for the hedging relationship. Hedge effectiveness is reassessed on a quarterly basis. As at December 31, 2009 and 2008 and for the years then ended, the Company did not designate any derivative instruments as hedges.

All derivative instruments are recorded on the balance sheet at fair value either in accounts receivable, derivative financial asset or liability, accounts payable and accrued liabilities, or other long-term liabilities. Derivative financial instruments that do not qualify for hedge accounting, if any, are classified as held for trading and are recognized on the balance sheet and measured at fair value, with gains and losses on these instruments recorded in gain or loss on derivative financial instruments in the statement of earnings in the period they occur. Derivative financial instruments that have been designated and qualify for hedge accounting have been classified as fair value or cash flow hedges. For fair value hedges, the gains and losses arising from adjusting the derivative to its fair value are recognized immediately in earnings along with the gain or loss on the hedged items. For cash flow hedges, the effective portion of the gains and losses is recorded in other comprehensive income until the hedged transaction is recognized in earnings. For any hedging relationship that has been determined to be ineffective, hedge accounting is discontinued on a prospective basis. As of December 31, 2009 and 2008, the Company does not have any derivative instruments or hedging contracts outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

On January 1, 2009, the Company adopted EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC 173 clarifies how an entity's own credit risk and that of the relevant counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the financial position or earnings of the Company.

4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations, to replace Section 1581. Prospective application of the standard is effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired, liabilities assumed, goodwill created and accounting for non-controlling interests, at the time of a business combination. This standard will impact the Company's consolidated financial statements if the Company enters into business acquisitions in the future. The Company is currently assessing the impact of the new standard.

Consolidation

The CICA concurrently issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, which replace Section 1600, Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective for fiscal years beginning on or before January 1, 2011, unless they are early adopted at the same time as Section 1582, Business Combinations. The Company is currently assessing the impact of the new standard.

(Expressed in thousands, except per share and per option amounts)

5. ACQUISITIONS OF BUSINESSES

a) On November 1, 2009, the Company acquired certain assets of Enns Agri ("Enns"), a Case IH dealer. The effective date and the risks and rewards of ownership were transferred on November 1, 2009.

The aggregate purchase price for Enns was $2,247, which was comprised of cash consideration of $1,957, inclusive of transaction costs in the amount of $68, of which $1,957 has been paid (net of cash acquired of $Nil), and the issuance of 50 shares at $6.15 per share (valued based on the average share price of two days around November 2, 2009, date of announcement), for share consideration of $308. The net working capital related to the acquisition was $1,679.

The purchase price is anticipated to be finalized and the remaining cash received upon completion of the net working capital. At December 31, 2009, $18 was receivable from the former shareholder of Enns pending the finalization of the purchase price. This amount has been included in accounts receivable and other.

	Preliminary
	$
Cash consideration	1,871
Transaction costs	68
Shares issued	308
Purchase consideration	2,247

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Preliminary
	$
Net working capital	1,679
Property, plant and equipment	500
Goodwill	68
Net assets acquired	2,247

Goodwill is not deductible for tax purposes.

(Expressed in thousands, except per share and per option amounts)

5. ACQUISITIONS OF BUSINESSES (Continued)

b) On November 1, 2009, the Company acquired certain assets of Mayor Equipment ("Mayor"), a Case IH dealer. The effective date and the risks and rewards of ownership were transferred on November 1, 2009.

The aggregate purchase price for Mayor was \$2,555, which was comprised of cash consideration of \$2,555, inclusive of transaction costs in the amount of \$66, of which \$2,555 has been paid (net of cash acquired of \$Nil). The net working capital related to the acquisition was \$1,752.

	Preliminary
	$
Cash consideration	2,489
Transaction costs	66
Purchase consideration	2,555

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Preliminary
	$
Net working capital	1,752
Property, plant and equipment	737
Goodwill	66
Net assets acquired	2,555

Goodwill is not deductible for tax purposes.

(Expressed in thousands, except per share and per option amounts)

5. ACQUISITIONS OF BUSINESSES (Continued)

c) On April 1, 2009, the Company acquired 100% of the outstanding common shares of the holding companies that collectively owned 100% of Heartland Equipment Limited ("Heartland"), a Case IH dealer. The operating results of the business acquired are consolidated from April 1, 2009, the acquisition's effective date. The risks and rewards of ownership of these businesses were transferred on April 1, 2009.

The aggregate purchase price for Heartland was $5,955, which was comprised of cash consideration of $3,047, inclusive of transaction costs in the amount of $141, of which $3,047 has been paid (net of cash acquired of $294), and the issuance of 637 shares at $4.30 per share (valued based on the average share price of two days around March 10, 2009, date of announcement), for share consideration of $2,739. The net working capital related to the acquisition was $1,579.

The purchase price is anticipated to be finalized and the remaining cash received upon completion of the working capital adjustment. At December 31, 2009, $125 was receivable from the former shareholders of Heartland pending the finalization of the purchase price. This amount has been included in accounts receivable and other.

	Preliminary
	$
Cash consideration	3,075
Transaction costs	141
Shares issued	2,739
Purchase consideration	5,955

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Preliminary
	$
Net working capital	1,579
Property, plant and equipment	600
Goodwill	3,952
Future income tax liability	(122)
Debt assumed	(54)
Net assets acquired	5,955

Goodwill is not deductible for tax purposes.

(Expressed in thousands, except per share and per option amounts)

5. ACQUISITIONS OF BUSINESSES (Continued)

d) On October 9, 2008, the Company acquired 100% of the outstanding common shares of Lakeland Implements Ltd ("Lakeland"), a Case IH dealer. The operating results of the business acquired are consolidated from October 9, 2008, the acquisition effective date. The risks and rewards of ownership of the business were transferred on October 9, 2008.

The aggregate purchase price for Lakeland was $1,946, which was comprised of cash consideration of $1,904, inclusive of transaction costs in the amount of $50, all of which has been paid (net of cash acquired), and the issuance of 5 shares at $8.34 per share (valued based on the average share price of two days around October 9, 2008, date of announcement), for aggregate share consideration of $42. The net working capital related to the acquisition was $1,243.

	$
Cash consideration	1,854
Transaction costs	50
Shares issued	42
Purchase consideration	1,946

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital	1,243
Property, plant and equipment	542
Goodwill	329
Future income tax liability	(129)
Long-term debt	(39)
Net assets acquired	1,946

Goodwill is not deductible for tax purposes.

(Expressed in thousands, except per share and per option amounts)

5. ACQUISITIONS OF BUSINESSES (Continued)

e) On August 27, 2008, the Company acquired 100% of the outstanding common shares of Kevin G. Miller Holdings Ltd. ("Miller Holdings") and Heritage Holdings Ltd. ("Heritage Holdings") which in turn collectively owned 100% of Miller Farm Equipment (2005) Inc. ("Miller"), a Case IH dealer. The operating results of the businesses acquired are consolidated from August 27, 2008, the acquisitions' effective date. The risks and rewards of ownership of these businesses were transferred on August 27, 2008.

The aggregate purchase price for each of Miller Holdings and Heritage Holdings was $8,810, which was comprised of cash consideration of $4,942, inclusive of transaction costs in the amount of $237, all of which has been paid (net of cash acquired) including transaction costs of $237, and the issuance of 275 shares at $14.09 per share (valued based on the average share price of two days around June 19, 2008, date of announcement), for share consideration of $3,868. The net working capital related to each acquisition was $1,736.

	Miller Holdings $	Heritage Holdings $	Total $
Cash consideration	4,705	4,705	9,410
Transaction costs	237	237	474
Shares issued	3,868	3,868	7,736
Purchase consideration	8,810	8,810	17,620

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Miller Holdings $	Heritage Holdings $	Total $
Net working capital	1,736	1,736	3,472
Property, plant and equipment	1,055	1,055	2,110
Goodwill and unallocated surplus	6,300	6,300	12,600
Future income tax liability	(31)	(31)	(62)
Debt assumed	(250)	(250)	(500)
Net assets acquired	8,810	8,810	17,620

Goodwill is not deductible for tax purposes.

(Expressed in thousands, except per share and per option amounts)

5. ACQUISITIONS OF BUSINESSES (Continued)

f) On June 11, 2008, the Company acquired 100% of the outstanding common shares of Roydale International Ltd ("Roydale"), a Case IH dealer. The operating results of the business acquired are consolidated from June 1, 2008, the acquisition effective date. The risks and rewards of ownership on these acquisitions were transferred on June 1, 2008.

The aggregate purchase price for Roydale $1,795, which was comprised of cash consideration of $1,145, inclusive of transaction costs in the amount of $50 (net of cash acquired), all of which have been paid, and the issuance of 54 shares at $11.94 per share (valued based on the average share price a few days around May 14, 2008, date of announcement), for aggregate share consideration of $650. The net working capital related to the acquisition was $1,245.

	$
Cash consideration	1,095
Transaction costs	50
Shares issued	650
Purchase consideration	1,795

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital	1,245
Property, plant and equipment	500
Goodwill	171
Future income tax liability	(121)
Net assets acquired	1,795

Goodwill is not deductible for tax purposes.

(Expressed in thousands, except per share and per option amounts)

6. ACCOUNTS RECEIVABLE AND OTHER

	2009 **$**	2008 $
Trade receivables	**22,740**	37,407
Warranty receivables	**2,480**	4,352
	25,220	41,759
Less allowance for doubtful accounts	**(1,034)**	(1,145)
	24,186	40,614

7. INVENTORY

	2009 **$**	2008 $
Equipment - new	**121,830**	134,598
Equipment - used	**102,684**	50,181
Parts	**22,469**	22,018
Work-in-progress	**644**	670
	247,627	207,467

For the year ended December 31, 2009, new and used equipment, parts and work-in-progress recognized as an expense amounted to $469,722 (2008 - $328,176) and is included in cost of sales on the Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss). For the year ended December 31, 2009, there were inventory write downs to estimated net realizable value of $1,852 (2008 - $2,700) included in cost of sales on the Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss) and there have been $Nil reversals of previously recorded inventory write downs (2008 - $Nil). All inventory has been pledged as security for liabilities as disclosed in Notes 12, 14 and 15.

8. GOODWILL IMPAIRMENT

At least annually, the Company analyzes goodwill for impairment by comparing the carrying amount to the fair value on a reporting entity basis. At December 31, 2009 and 2008, the Company performed an impairment test of goodwill. The impairment test is based on a two step process. In step one, a fair value was determined using a market based approach. The market based approach derives a fair value based on the market capitalization of the Company at December 31, 2009 and 2008. For the year ended December 31, 2008, step one showed a carrying value that exceeded fair value and, as a result, the Company proceeded to step two to assess the amount of the impairment. For the year ended December 31, 2009, step one showed a fair value that exceeded carrying value and, as a result, no impairment was recognized.

The second step required the fair value determined in step one to be allocated to each of the individual assets and liabilities as it would be in a business acquisition. After performing this allocation, it was determined there was no fair value left to assign to goodwill. As a result, an impairment of goodwill in the amount of $84,837 was recorded in the Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss) for the year ended December 31, 2008.

The circumstances that led to the impairment of goodwill for the year ended December 31, 2008 related to the change in global economic conditions and uncertainty in the Company's industry in the fourth quarter of 2008. The tightening of credit markets negatively impacted the industry as its cost of borrowing was expected to increase, as well, customers were experiencing difficulty acquiring financing to purchase the Company's products.

In determining fair value, management relies on a number of factors including operating results, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill and intangible asset impairment. However, fair value determinations require considerable judgment and are sensitive to changes in the factors described above.

9. INTANGIBLE ASSET IMPAIRMENT

At December 31, 2008, the Company performed an impairment test of its intangible assets by comparing the carrying values to their fair values. Based on the Company's assessment of intangible assets in the fourth quarter of 2008, all of the intangible assets were considered impaired at December 31, 2008. As a result, an impairment of $17,950 was recorded in the Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss) in the fourth quarter of the year ended December 31, 2008.

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10. PROPERTY, PLANT AND EQUIPMENT

	2009		
	Cost $	Accumulated Amortization $	Net Book Value $
Land	**2,252**	**-**	**2,252**
Rental assets	**9,447**	**2,048**	**7,399**
Lease equipment	**3,551**	**2,432**	**1,119**
Buildings	**373**	**84**	**289**
Computer equipment	**1,185**	**554**	**631**
Furniture and fixtures	**986**	**338**	**648**
Leasehold improvements	**917**	**169**	**748**
Shop tools and equipment	**3,458**	**1,018**	**2,440**
Vehicles	**6,652**	**2,835**	**3,817**
	28,821	**9,478**	**19,343**

	2008		
	Cost $	Accumulated Amortization $	Net Book Value $
Land	2,242	-	2,242
Rental assets	9,327	304	9,023
Lease equipment	4,679	1,587	3,092
Buildings	338	40	298
Computer equipment	721	288	433
Furniture and fixtures	738	150	588
Leasehold improvements	602	67	535
Shop tools and equipment	2,350	513	1,837
Vehicles	4,400	990	3,410
	25,397	3,939	21,458

Included in cost of sales is amortization expense aggregating $949 (2008 - $2,347) for rental assets and $396 (2008 - $2,016) for leased equipment for the year ended December 31, 2009.

As at December 31, 2009, assets under capital lease, included in computer equipment and vehicles, have a cost of $258 (2008 - $105) and $1,899 (2008 - $864), and accumulated amortization of $50 (2008 - $75) and $512 (2008 - $141), respectively.

(Expressed in thousands, except per share and per option amounts)

11. INTANGIBLE ASSETS

	2009		
	Cost $	**Accumulated Amortization $**	**Net Book Value $**
Customer relationships	-	-	-
Dealership agreements	-	-	-
Lease agreements	-	-	-
Non-competition agreements	-	-	-
Tradename	-	-	-
	-	-	-

	2008		
	Cost $	Accumulated Amortization and Impairment $	Net Book Value $
Customer relationships	9,300	9,300	-
Dealership agreements	4,000	4,000	-
Lease agreements	80	80	-
Non-competition agreements	400	400	-
Trade name	7,300	7,300	-
	21,080	21,080	-

12. BANK INDEBTEDNESS

The Company has an operating revolving credit facility to a maximum of $15,000 with HSBC and bears interest ranging from the HSBC's prime interest rate plus 0.5% to the HSBC's prime interest rate plus 1.3%. The balance drawn at December 31, 2009 was $Nil (2008 - $Nil). The outstanding balance at December 31, 2009 included cheques written in excess of cash of $Nil (2008 - $Nil). The effective interest rate at December 31, 2009 was 2.8% (2008 - 3.5%). This indebtedness is secured by a general security agreement in favor of the HSBC that is subject to various priority agreements covering the Company's receivables and the non-CNH parts inventory.

As part of the acquisition of Miller Holdings and Heritage Holdings, an additional working capital line of $7,000 became available through Vanguard Credit Union Ltd. and bears interest at prime plus 1.0%. The balance drawn at December 31, 2009 was $2,507 (2008 - $1,380). The outstanding balance at December 31, 2009 included outstanding deposits of $560 (cheques written in excess of cash, 2008 - $3,843). The effective interest rate at December 31, 2009 was 3.3% (2008 - 3.8%). This indebtedness is secured by the receivables and non-CNH parts inventory of Miller.

(Expressed in thousands, except per share and per option amounts)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	$	$
Trade accounts payable	**25,283**	23,041
Income taxes payable	**4,016**	5,510
Employee and management bonus payable	**1,296**	1,422
	30,595	29,973

14. FLOOR PLAN PAYABLE

The floor plan payable is due to various creditors who have extended wholesale credit, and is due on various dates, and at fixed or variable interest rates ranging from 0% to the respective bank's prime interest rate plus 6.0%. At December 31, 2009, the Company had in excess of $100 million available of floor plan financing. The amounts due are secured by certain of the Company's new and used equipment inventory and are due when the equipment is sold or transferred, up to a maximum term of 48 months. At December 31, 2009, the Company had $1,510 of floor plan outstanding in US currency (2008 - $8,954). The entire amount has been classified as current as the corresponding inventory to which it relates has also been classified as current.

Pursuant to agreements with lenders, the Company is required to monitor and report certain debt covenants and non-GAAP measures including: Current ratio, funded debt to EBITDA and debt to net tangible worth (each lender has its own definition of which account balances are to be included in these computations). The Company was in compliance with all externally imposed covenant requirements at December 31, 2009 and 2008.

15. LONG-TERM DEBT

	2009	2008
	$	$
Bankers acceptance rate plus 5.7% to prime plus 6.0% payable on rental assets to various vendors, payable in monthly principal instalments based on rental income earned and secured by related equipment. The interest rates at December 31, 2009 ranged from 6.0% to 8.3% (2008 - 3.5% to 6.5%)	**4,254**	7,484
Mortgage payable interest only payments due monthly at prime plus 1.75%, and secured by the specific property. The effective interest rate at December 31, 2009 was 4.0%	**875**	-

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15. LONG-TERM DEBT (Continued)

	2009 $	2008 $
Case Credit promissory note principal and interest payable only if predetermined sales targets are not been met by the Company. The effective interest rate at December 31, 2009 was 0.0% (2008 – 0.0%). All of the predetermined sales target have been met at December 31, 2009 and 2008	**157**	157
Case Credit promissory note payable in monthly principal instalments of $225, interest rates ranging from 0.0% to prime plus 6.0%, secured by a general security agreement and specific assets. The effective interest rate at December 31, 2009 of 0.0% (December 31, 2008 - 5.0%)	**1,182**	545
Acquisition Loan payable in equal monthly principal instalments over a 60 month period, plus interest ranging from the Bank's prime rate plus 1.5% to plus 2.3%, and secured by all real property owned and subsequently acquired. The available limit is $15,000. The effective interest rate at December 31, 2009 was 3.8% (2008 - 3.9%)	**12,193**	7,905
HSBC Dealer Leasing loans comprised of individual contracts with individual interest rates that are either floating at prime plus 0.4% or fixed based on the bank's daily fixed rate for the particular length of the individual contract. Contracts are secured by all real property owned and subsequently acquired and individual payment terms are up to five years from the time each contract is initiated. The effective interest rate at December 31, 2009 was 5.6% (2008 - 6.1%)	**2,575**	7,223
Various contracts with GMAC Financial Services, HSBC, Vanguard and Ford Credit Canada Limited loans repayable in monthly instalments ranging from $1 to $7, plus interest ranging from 0.0% to 5.5%, secured by various motor vehicles, due between March 2010 and November 2012	**277**	399
	21,513	23,713
Less current portion	**(8,545)**	(5,910)
	12,968	17,803

(Expressed in thousands, except per share and per option amounts)

15. LONG-TERM DEBT (Continued)

Principal payments due are as follows:

	$
2010	**8,545**
2011	**5,539**
2012	**4,185**
2013	**2,491**
2014	**596**
Thereafter	**157**
	21,513

16. OBLIGATIONS UNDER CAPITAL LEASES

Future minimum payments under capital leases along with the balance of the obligations under capital leases are as follows:

	$
2010	**695**
2011	**582**
2012	**302**
2013	**84**
2014	**30**
	1,693
Less amount representing interest at rates of ranging from 0% to 7.6%	**(178)**
Present value of obligations under capital leases	**1,515**
Less current portion	**(619)**
	896

17. CONTINGENCY AND GUARANTEE

The Company is subject to various degrees of recourse, arising in the ordinary course of business, by assisting its customers in financing the sale of equipment. The Company is exposed to potential losses arising from the difference between the assessed value of the underlying security and the loan balance, if certain customers default on their loan. Any resulting losses are recorded as soon as the amount of the loss can be reasonably estimated. It is management's opinion that there is an insignificant risk of loss from this guarantee, as the assessed value of the underlying security generally exceeds the loan balance. Accordingly, management believes the fair value of the guarantee is not significant.

(Expressed in thousands, except per share and per option amounts)

17. CONTINGENCY AND GUARANTEE (Continued)

The Company is subject to various degrees of recourse resulting from the sale of certain of its accounts receivable to a third party. The Company becomes liable if customers default on their account payable. There is no indication of default on any of these amounts. Any resulting losses are recorded as soon as the amount of the loss can be reasonably estimated.

18. SHARE CAPITAL

a) Shares

The share capital of the Company consists of following:

	2009		2008	
	Shares	**Total $**	Shares	Total $
Authorized				
Unlimited number of common shares				
Issued				
Opening balance	**13,220**	**133,879**	11,585	115,199
Shares issued pursuant to over-allotment	**-**	**-**	975	9,750
Share issued in matching plan	**-**	**-**	52	519
Shares issued in consideration for acquisitions (Note 5)				
Miller	**-**	**-**	549	7,736
Roydale	**-**	**-**	54	650
Lakeland	**-**	**-**	5	42
Heartland	**637**	**2,739**	-	-
Enns	**50**	**308**	-	-
Reduction of stated capital	**-**	**(89,116)**	-	-
Shares issued for cash, net of share issue costs	**3,900**	**22,909**	-	-
	17,807	**70,719**	13,220	133,896
Transaction costs	**-**	**(118)**	-	(17)
Closing balance	**17,807**	**70,601**	13,220	133,879

On September 4, 2009, the Company issued 3,900 common shares at a price of $6.20 per share for gross proceeds of $24,180 by way of private placement on a bought-deal with a syndicate of underwriters. Share issue costs amounted to $1,387.

18. SHARE CAPITAL (Continued)

a) Shares, continued

On May 12, 2009 at the annual general meeting, the shareholders of the Company, by way of a special resolution, voted to reduce the stated capital of the common shares in the amount of $89,116 effective as of that date. This reduction offset the deficit primarily attributable to the write-down of goodwill and intangible assets to a $Nil amount as at December 31, 2008.

Pursuant to the closing of the initial public offering, there were 52 and 975 shares that were reserved in treasury for the share matching plan and the over-allotment option, respectively, as disclosed in the Company's initial public offering prospectus. These share issuances were considered to be part of the business acquisition consideration related to the acquisition in 2007, and were liabilities of the Company at December 31, 2007 to fully satisfy the purchase of the business acquired. The value of these two transactions were shown as a liability aggregating $10,269 at December 31, 2007 with the issuance of shares under the share matching plan on December 19, 2008 ($519 and 52 shares) and the issuance of shares on the over-allotment ($9,750 and 975 shares) on January 11, 2008.

b) Stock options

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, and employees of the Company at an exercise price equal to the market price of the Company's common shares at the time of the grant. The plan is limited to 10% of the issued and outstanding common shares. During the year ended December 31, 2009, the Company issued 366 (2008 – 615) options with a weighted-average exercise price of $8.03 (2008 - $12.38), which vest equally over the next three years.

In 2007, the Company issued an option to a shareholder to purchase 130 shares at an aggregate exercise price of $0.25. This option vests on April 1, 2011 and expires May 31, 2011. The weighted average exercise price of this option is $0.01. This option grant is a continuation of a private share option plan to a member of executive management. The option was fair valued in accordance with the Company's accounting policy and compensation expense is recognized over the vesting period (See Note 18d). The weighted average fair value of this option, as calculated using the Black-Scholes model, was $10.

(Expressed in thousands, except per share and per option amounts)

18. SHARE CAPITAL (Continued)

b) Stock options, continued

The outstanding options for the year ended December 31 are as follows:

	2009	2008
Opening balance, January 1	**820**	213
Issued	**366**	615
Exercised	**-**	-
Cancelled	**-**	-
Forfeited	**(33)**	(8)
Closing balance, December 31	**1,153**	820

Options in the amount of 247 were exercisable at December 31, 2009 (2008 – 28). For the years ended December 31, 2009 and 2008, no options were exercised and no options were cancelled. For the year ended December 31, 2009, 33 options were forfeited (2008 – 8 options).

The options outstanding at December 31, 2009 are as follows:

Date Issued	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life
December 20, 2007	83	56	10.00	December 20, 2012	3.0
December 20, 2007	130	-	0.01	May 31, 2011	1.4
February 29, 2008	562	187	12.40	February 28, 2013	3.2
May 16, 2008	12	4	11.50	May 16, 2013	3.4
March 12, 2009	86	-	4.15	March 12, 2014	4.2
December 29, 2009	280	-	9.22	December 29, 2014	5.0
	1,153	247	9.43		3.5

(Expressed in thousands, except per share and per option amounts)

18. SHARE CAPITAL (Continued)

c) Restricted share unit plan

In 2007, the Company reserved 158 shares under a restricted shares unit plan. Under this plan, certain key employees will receive treasury shares in the Company on December 20, 2012 should they remain with the Company at that time. During the year ended December 31, 2009, 6 of these units were forfeited (2008 – 7 units). The aggregated fair value of the remaining 145 shares at December 31, 2009 was $1,445 (2008 - $1,513). These shares were valued upon issuance, using the Black-Scholes option pricing model, at a fair value of $10, and the compensation expense is allocated over the vesting term of five years.

d) Stock-based compensation

During the year ended December 31, 2009, the Company recorded compensation expense in the Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss) totaling $1,509 (2008 - $1,377) using a fair value based method for stock options granted to directors, officers and employees and shares reserved under the restricted share unit plan in the consolidated financial statements.

	2009	2008
	$	$
Contributed surplus, opening balance, January 1	**1,406**	29
Stock-based compensation expense	**1,509**	1,377
Contributed surplus, closing balance, December 31	**2,915**	1,406

There were 366 options granted in the year ended December 31, 2009 (2008 - 615). The weighted average fair value of the options granted in the year ended December 31, 2009 was estimated at $4.40 (2008 - $2.88 to $10.00) on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	2009	2008
Discount rate - risk free interest rate	**2.0%**	3.9%
Expected lives (years)	**3**	3
Expected volatility	**72%**	23%
Expected dividends	**$0.18**	$Nil

(Expressed in thousands, except per share and per option amounts)

19. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing net earnings (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are calculated to reflect the dilutive effect of exercising outstanding stock options by applying the treasury stock method.

At December 31, 2009, 659 options were anti-dilutive (2008 - all options were anti-dilutive).

	2009			2008		
	Earnings $	**Weighted average shares outstanding**	**Per share $**	Earnings $	Weighted average shares outstanding	Per share $
Basic	**15,222**	**14,850**	**1.03**	(87,694)	12,752	(6.88)
Shares assumed issued		**344**			-	
Shares assumed purchased		**(330)**			-	
Diluted	**15,222**	**14,864**	**1.02**	(87,694)	12,752	(6.88)

20. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company paid management fees of $260 (2008 - $200), performance bonuses of $270 (2008 - $Nil), and flight costs $251 (2008 - $223) to a company controlled by a related party, respectively. In addition, rental payments on the Company's facilities of $3,353 (2008 - $3,353) were paid to companies controlled by certain members of senior management. Equipment sales of $3,802 (2008 - $6,433) and purchases of $3,433 (2008 - $2,170) were transacted between the Company and a company controlled by a significant shareholder and member of senior management. At December 31, 2009, $53 (2008 - $160) was due from related companies and included in accounts receivable and other and $185 (2008 - $140) was due to related companies and included in accounts payable.

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value.

The following transactions were not in the normal course of operations, although the change in ownership was substantive, and are measured at the exchange amount, which approximates fair value:

(Expressed in thousands, except per share and per option amounts)

20. RELATED PARTY TRANSACTIONS (Continued)

As at December 31, 2009, $18 was receivable from the former shareholder of Enns, who is also a shareholder of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5a. This amount is included accounts receivable and other.

As at December 31, 2009, $125 was receivable from the former shareholders of Heartland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5c. This amount is included in accounts receivable and other.

As at December 31, 2008, $55 was payable to the former shareholders of Lakeland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5d, and $50 in transaction costs. The final working capital adjustment was paid on January 26, 2009.

As at December 31, 2008, $3,411 was payable to the former shareholders of Miller Holdings and Heritage Holdings, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5e. The final working capital adjustment of $3,391 was paid on February 25, 2009.

As at December 31, 2008, $245 was payable to the former shareholders of Roydale, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5f. The final working capital adjustment was paid on January 26, 2009.

The amounts owing to related parties are non-interest bearing, unsecured and the carrying amount approximates the fair value due to the short-term nature. As at December 31, 2009 and 2008, there are no other outstanding accounts receivable or accounts payable with related parties.

21. COMMITMENTS

Annual rents payable under long-term operating leases as at December 31, 2009 are as follows:

	$
2010	**5,457**
2011	**5,158**
2012	**5,051**
2013	**2,199**
2014	**1,609**
Thereafter	**2,021**

Notes to the Consolidated Financial Statements

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22. INCOME TAXES

Total taxes are different than the amount computed by applying the combined statutory Canadian and Provincial tax rates to income before taxes. The difference results from the following:

	2009 $	2008 $
Earnings (loss) before income taxes	**22,245**	(87,393)
Computed income tax at statutory rate of 29.92% for 2009 (2008 - 29.50%)	**6,654**	(25,781)
Expenses with no tax bases	**-**	25,215
Stock-based compensation	**438**	406
Meals and entertainment	**50**	148
Change in enacted tax rates	**(119)**	313
Other	**-**	-
	7,023	301

Temporary differences that give rise to the future income tax liability pertain to timing differences on capital assets and the Company's intangible assets and future income tax assets related to non-capital loss carry forwards.

	2009 $	2008 $
Future income tax liabilities		
Property, plant and equipment	**1,582**	1,492
Future income tax assets		
Share issue costs	**(419)**	(194)
Cumulative eligible capital	**(112)**	(172)
Net future income tax liability	**1,051**	1,126

At December 31, 2009, the Company had non-capital loss carry forwards of $Nil (2008 - $Nil).

(Expressed in thousands, except per share and per option amounts)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk, foreign currency exchange risk, and liquidity risk. The following analysis provides a measurement risk as at the Consolidated Balance Sheet date of December 31, 2009.

Credit risk

The Company's principal financial assets are cash and accounts receivable and other, which represent the Company's exposure to credit risk in relation to financial assets.

The Company's credit risk is attributable to its trade receivables and warranty receivables. The amounts disclosed in the Consolidated Balance Sheet are net of allowances for doubtful accounts, estimated by the management of the Company based on previous experience and their assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. The Company does not have significant exposure to any individual customer and has not incurred any significant bad debts during the period. The credit risk on cash is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

The carrying amount of financial assets represents the maximum credit exposure and therefore the credit risk at the reporting date was:

	$
Cash	8,912
Accounts receivable	24,186
	33,098

The aging of accounts receivable at the reporting date was:

	$
Trade receivables	
Current	18,445
Aged between 61-119 days	2,548
Aged greater than 120 days	1,747
Total receivables	22,740
Allowance for doubtful accounts	(1,034)
Net trade receivables	21,706
Warranty receivables	2,480
	24,186

(Expressed in thousands, except per share and per option amounts)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk, continued

Reconciliation of allowance for doubtful accounts:

	$
Balance, December 31, 2007	552
Increase in period	592
Balance, December 31, 2008	1,144
Decrease in period	(110)
Balance, December 31, 2009	1,034

Market risk

Market risk is the risk from changes in market prices, such as changes in foreign currency exchange rates and interest rates which will affect the Company's income or the value of the financial instruments held.

Foreign currency exchange risk and sensitivity analysis

The Company's financial instruments are exposed to currency fluctuations as it purchases a significant portion of its inventory in foreign currencies. A significant weakening of the U.S. dollar ("USD") against the Canadian dollar could result in a write-down of inventory as a large portion of the inventory is purchased in USD. In order to mitigate this risk, the Company uses forward contracts when appropriate. As of the reporting date there were no contracts outstanding.

Included in selling and administration expenses are gains recognized due to foreign currency translation gain for transactions and balances aggregating $957 for the year ended December 31, 2009 (2008 - $124).

Certain of the Company's financial instruments are exposed to fluctuations in the USD. The following table will detail the Company's exposure to currency risk at December 31, 2009 and a sensitivity analysis to changes in currency (a 5.0% change in currency was used for obligations that would be retired in 30 days or less and a 10.0% change in currency for obligations that would be retired in greater than nine months). The sensitivity analysis includes USD denominated monetary items and adjusts their translation at year end for their respective change in the USD. For the respective weakening of the USD, there would be an equal and opposite impact on the Company's net earnings and comprehensive income.

(Expressed in thousands, except per share and per option amounts)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency exchange risk and sensitivity analysis (continued)

	Denominated USD $	Change in Currency %	Effect on Earnings and Comprehensive Income (net of tax) Year Ended December 31, 2009 $
Cash	(72)	5.0	(3)
Accounts payable and accrued liabilities	(161)	5.0	(6)
Floor plan payable	(1,510)	10.0	(107)
	(1,743)		(116)

Interest rate risk

The Company's financial liabilities are exposed to fluctuations in interest rates with respect to certain of its long-term liabilities, line of credit and floor plan payable. The Company is exposed to the following interest rate risks at December 31, 2009:

	$
Floor plan payable	111,155
Rental loan	4,254
HSBC dealer lease	2,575
Bank indebtedness	1,947
Acquisition loan	12,193
Case Credit note	157
Mortgage payable	875
	133,156

(Expressed in thousands, except per share and per option amounts)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk sensitivity analysis

The following table details the Company's sensitivity analysis to an increase of interest rates by 0.5% on net earnings and comprehensive income. The sensitivity includes floating rate financial liabilities and adjusts their effect at period end for a 0.5% increase in interest rates. A decrease of 0.5% would result in an equal and opposite effect on net earnings and comprehensive income.

	Effect on Earnings and Comprehensive Income (net of tax) Year Ended December 31, 2009 $
Floor plan payable	395
Rental loan	15
HSBC dealer lease	9
Bank indebtedness	7
Acquisition loan	43
Case Credit note	1
Mortgage payable	3
	473

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. The Company has the following financial liabilities at the reporting date:

	Carrying Value $	2010 $	2011-2012 $	2013-2014 $
Bank indebtedness	1,947	1,947	-	-
Accounts payable and accrued liabilities	30,595	30,595	-	-
Floor plan payable	158,793	158,793	-	-
Long-term debt	21,513	8,545	9,724	3,244
Capital leases	1,515	619	789	107
	214,363	200,499	10,513	3,351

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

The Company's current financial instruments consist of cash, accounts receivable and other, bank indebtedness, accounts payable and accrued liabilities, floor plan payable, due to related parties, long-term debt and obligations under capital lease. The carrying amounts of cash, accounts receivable and other, bank indebtedness, accounts payable and accrued liabilities approximate their fair values because of the short-term maturities of these items. The carrying amount of floor plan payable, long-term debt and obligations under capital lease approximates their fair values as the interest rates are consistent with market rates for similar debt, except for the non-interest bearing debt with Ford Credit Canada and GMAC Financial Services, in which the fair value aggregates $80.

The following table provides the basis of analysis for financial instruments of the Company, which are measured subsequent to initial recognition at fair value. This analysis is based on the degree to which the fair value is observable and grouped into categories accordingly:

- Level 1 financial instruments are those which can be derived from quoted market prices (unadjusted) in active markets for similar financial assets or liabilities. At December 31, 2009, the Company did not have any Level 1 financial instruments (2008 – $Nil).

- Level 2 financial instruments are those which can derived from inputs, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). At December 31, 2009, the Company did not have any Level 2 financial instruments (2008 – $Nil).

- Level 3 financial instruments are those derived from valuation techniques that include inputs for the financial asset or liability which are not based on observable market data (unobservable inputs). At December 31, 2009, Level 3 financial instruments for the Company included the valuation of interest-free loans. The Company used an imputed interest rate of 5% (2008 – 5%) to assess the fair value of the loans. This rate is obtained internally based on the Company's risk for similar financial liabilities. The fair value of the financial liabilities at December 31, 2009 is $80 (2008 - $143).

(Expressed in thousands, except per share and per option amounts)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Level 3 Financial Instruments $
Balance, December 31, 2008	143
Realized and unrealized gains (losses)	-
Settlements	(63)
Transfers in and/or out of Level 3	-
Balance, December 31, 2009	80

24. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are:

(a) To maintain a flexible capital structure which optimized the cost of capital at acceptable risk; and

(b) To maintain capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes shareholders' equity, long-term debt and capital leases in the definition of capital.

The Company manages its capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

The Company monitors debt to equity capitalization. This ratio is a non-GAAP measure which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Pursuant to agreements with lenders, the Company is required to monitor and report certain other non-GAAP measures including: Current ratio, funded debt to EBITDA and debt to net tangible worth (each lender has its own definition of which account balances are to be included in these computations). These measures are calculated quarterly and annually.

The Company was in compliance with all externally imposed capital requirements at December 31, 2009 and 2008.

(Expressed in thousands, except per share and per option amounts)

24. MANAGEMENT OF CAPITAL (Continued)

Debt to equity capitalization is calculated as total long-term debt including capital leases, (both long-term and short-term portions), divided by total equity, (share capital, contributed surplus, and retained earnings).

The debt to equity target for the Company is to have debt between 30% and 50% of shareholders' equity. The ratio is currently below the target range.

The components of debt and coverage ratios are as follows:

	2009 **$**	2008 $
Current portion of long-term debt	**8,545**	5,910
Current portion of obligations under capital leases	**619**	300
Long-term debt	**12,968**	17,803
Obligations under capital leases	**896**	343
Total debt	**23,028**	24,356
Shareholders' equity	**86,095**	46,168
Debt to equity	**26.75%**	52.76%

25. ECONOMIC DEPENDENCE

The Company is the holder of authorized dealerships granted by the CNH group of companies whereby it has the right to act as an authorized dealer for Case equipment. The dealership authorizations and floor plan facilities can be cancelled by the CNH group of companies if the Company does not observe certain established guidelines and covenants, which is common for this industry.

26. SUBSEQUENT EVENT

Acquisition

On March 1, 2010, the Company completed the acquisition of 100% of the issued and outstanding shares of Roydale New Holland Inc. for cash and 149 common shares of the Company at a price of $8.75, for aggregate proceeds of approximately $2,600.