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

This Management's Discussion and Analysis ("MD&A") was prepared as of November 6, 2018, and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three and nine months ended September 30, 2018. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2018 and 2017, and the audited consolidated financial statements for the years ended December 31, 2017 and 2016 together with the notes thereto and the auditor's report thereon. The results reported herein have been derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars.

Unless the context otherwise requires, use in this MD&A of "RME", "we", "us", or "our" means Rocky Mountain Dealerships Inc. and its wholly-owned subsidiaries including Rocky Mountain Equipment Canada Ltd. ("RME Canada") and Rocky Mountain Dealer Acquisition Corp.

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

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

ADOPTION OF NEW ACCOUNTING STANDARDS AND PRIOR PERIOD RESULTS

The retrospective adoptions of IFRS 15 and 9 as well as the amendments to IFRS 7, effective for fiscal years commencing on or after January 1, 2018, has resulted in immaterial changes to our previously disclosed financial results. Refer to Note 16 of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017 for details on how these new standards and amendments have impacted previously disclosed financial results.

SELECTED FINANCIAL INFORMATION

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2018**	2017	Change	% Change	**2018**	2017	Change	% Change
Sales	**233,374**	238,812	(5,438)	(2.3)	**755,667**	685,642	70,025	10.2
Cost of sales	**197,139**	200,005	(2,866)	(1.4)	**654,369**	584,539	69,830	11.9
Gross profit	**36,235**	38,807	(2,572)	(6.6)	**101,298**	101,103	195	0.2
Gross profit as a % of sales	***15.5%***	*16.3%*	*(0.8%)*		***13.4%***	*14.7%*	*(1.3%)*	
Selling, general and administrative	**24,434**	24,834	(400)	(1.6)	**73,534**	72,503	1,031	1.4
Loss (gain) on derivative financial instruments	**511**	(1,308)	1,819	(139.1)	**2,766**	(1,447)	4,213	(291.2)
Impairment loss on vacant land	**-**	-	-	-	**-**	641	(641)	(100.0)
Earnings before finance costs and income taxes	**11,290**	15,281	(3,991)	(26.1)	**24,998**	29,406	(4,408)	(15.0)
Finance costs	**3,659**	3,105	554	17.8	**9,534**	9,122	412	4.5
Earnings before income taxes	**7,631**	12,176	(4,545)	(37.3)	**15,464**	20,284	(4,820)	(23.8)
Income taxes	**2,083**	3,327	(1,244)	(37.4)	**4,214**	5,643	(1,429)	(25.3)
Net earnings	**5,548**	8,849	(3,301)	(37.3)	**11,250**	14,641	(3,391)	(23.2)
Net earnings as a % of sales	***2.4%***	*3.7%*	*(1.3%)*		***1.5%***	*2.1%*	*(0.6%)*	
Earnings per share								
Basic	**0.28**	0.46	(0.18)	(39.1)	**0.57**	0.76	(0.19)	(25.0)
Diluted	**0.28**	0.46	(0.18)	(39.1)	**0.57**	0.76	(0.19)	(25.0)
Dividends per share	**0.1225**	0.1150	0.0075	6.5	**0.3525**	0.3450	0.0075	2.2
Book value / diluted share – Sept. 30					**10.31**	9.66	0.65	6.7
Adjusted Diluted Earnings per Share[1]	**0.29**	0.43	(0.14)	(32.6)	**0.62**	0.77	(0.15)	(19.5)
Adjusted EBITDA[1]	**10,194**	13,823	(3,629)	(26.3)	**23,531**	27,290	(3,759)	(13.8)
Operating SG&A[1]	**22,774**	22,300	474	2.1	**69,430**	66,055	3,375	5.1
Operating SG&A[1] as a % of sales	***9.8%***	*9.3%*	*0.5%*		***9.2%***	*9.6%*	*(0.4%)*	
Operating Cash Flow before Changes in Floor Plan[1]	**46,465**	26,171	20,294	77.5	**(15,651)**	35,647	(51,298)	(143.9)

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

SUMMARY OF THE QUARTER ENDED SEPTEMBER 30, 2018

Early snowfalls across the Canadian Prairies stalled harvest activity throughout mid- to late-September, decreasing in-season demand across all categories. Despite the impact of the unusual harvest, compared to the second quarter of 2018, RME continued to draw down its inventory of new and used equipment even with the addition of $29.7 million in inventory from the acquisitions in the third quarter.

Sales and Margins

- Total sales decreased 2.3% or $5.4 million to $233.4 million compared with $238.8 million for the same period in 2017.
- Gross profit declined by 6.6% or $2.6 million to $36.2 million from $38.8 million for the same period in 2017.

Cost Structure

- As a percentage of sales, Operating SG&A[2] for the third quarter of 2018 increased by 0.5% to 9.8% compared with 9.3% for the same period in 2017 due to decreased sales.
- Finance costs for the quarter ended September 30, 2018 increased 17.8% or $0.6 million to $3.7 million compared with $3.1 million during the same period in 2017 due primarily to an increase in the average level of interest-bearing floor plan.

Earnings

- Adjusted EBITDA[2] for the quarter ended September 30, 2018 decreased by 26.3% or $3.6 million to $10.2 million compared with $13.8 million for the same period in 2017.
- Adjusted Diluted Earnings per Share[2] decreased by 32.6% or $0.14 to $0.29 for the third quarter of 2018, compared with $0.43 for the same period of 2017.

Balance Sheet and Inventory

For the trailing twelve months ended September 30, 2018, inventory turns were 1.79 times, down from 1.81 times for the year ended December 31, 2017, and from 1.87 times for the trailing twelve months ended September 30, 2017. As mentioned above, RME continued to make progress on reducing both used and new equipment on a sequential basis in the third quarter.

COMPANY OVERVIEW

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

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

We offer our customers a one-stop solution for their equipment needs through new and used equipment sales, parts sales, repairs and maintenance services and third-party equipment financing and insurance services. In addition, we provide or arrange other ancillary offerings such as GPS signal subscriptions and geomatics services.

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

MARKET FUNDAMENTALS AND OUTLOOK

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

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

Equipment utilization rates, by contrast, are less volatile as agricultural equipment tends to incur hours in the field regardless of weather or economic conditions. The business of farming requires producers to work their fields each year. Circumstances may exist, however, that cause farmers to opt for used equipment in lieu of new equipment, or they may elect

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

to maintain rather than replace their fleets. Our broad range of product and service offerings enables us to respond to these shifts in buying patterns and provide a measure of stability within our financial results.

Competitive Landscape

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

Our Customers

The fundamentals underlying the Western Canadian farming industry continue to support profitability and create value for our customer base. Elevated production levels and healthy commodity prices for key Western Canadian crops drove steady improvements in farm net worth between 2011 and 2015 (2015 being the most recent year for which data is available from Statistics Canada[3]). Farmer net worth speaks to our customers' capacity to invest in their equipment fleets and other services offered by RME.

Supply

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

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

In recent quarters, we have begun to see signs that Western Canada's agriculture equipment profile is reverting to a more typical composition, with customer demand for new equipment picking up and manufacturer delivery lead-times extending on certain products during peak demand times.

Factors such as exchange rates and tariffs on steel, among others, are beginning to manifest themselves in the price of new equipment. This may lead our Canadian customers to hold off on new equipment purchases, or to consider used equipment as a more cost-effective alternative.

Crop Outlook

Harvest progress was delayed in many regions of the Canadian Prairies as a result of snowfalls commencing as early as mid-September. As September came to a close, Saskatchewan and Manitoba reported harvest status at approximately 73%[4] and 78%[5], respectively. Alberta, the province most impacted by the early snowfall, reported progress of 40%, well-behind the 5-year average of approximately 80%[6].

A return to more typical fall weather in October allowed harvest to resume in many regions, albeit under suboptimal conditions. As of October 30, 2018, Alberta had completed a further 55% of overall harvest activity, with approximately 95% now complete[6]. Flat, wet crops can, however, be difficult to harvest. It is during periods like these that our customers depend on us most to support their equipment and limit downtime.

While some crop damage affecting yield and quality was realized as a result of the early winter conditions, the snow did bode well for moisture levels which should benefit the 2019 growing season.

U.S. Market

In October 2018, RME commenced an initiative to sell late-model used equipment to farmers based in the United States ("**U.S**."). To this end, RME entered into a lease for a property in Tonganoxie, Kansas, which is located on the outskirts of Kansas City. This location is situated within the vibrant U.S. agricultural market, with easy access to markets in Kansas, Iowa, Nebraska, Missouri and Oklahoma. With minimal capital and startup costs, we will be able to give our U.S. customers more visibility into RME's used equipment offerings, while also helping to establish RME within the U.S. dealership

3 CANSIM Table 002-0071.

4 Crop Report (October 1, 2018) – Saskatchewan Ministry of Agriculture

5 Crop Report (October 1, 2018) – Manitoba Agriculture

6 Alberta Crop Report (October 2 & 30, 2018) – Alberta Agriculture and Forestry, Economics and Competitiveness Branch, Statistics and Data Development Section

landscape. At present, we anticipate that this facility will only handle the sale of late-model used equipment, and it should be operational by Q1 2019.

CAPITAL ALLOCATION STRATEGY AND GROWTH PLAN

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

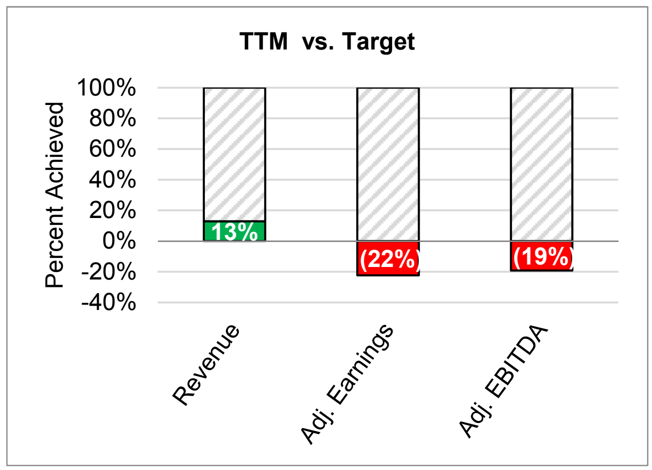
On May 30, 2018, RME launched its growth plan that aims to grow revenues to at least $1.5 billion in 2023 from $959.4 million during 2017, our benchmark year. RME intends to do this through a combination of revenue sources including:

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

As part of this growth plan, during fiscal 2023 RME is targeting Adjusted Earnings[7] of $33.8 million, an increase of $11.3 million relative to 2017. In addition, RME is also targeting Adjusted EBITDA of $60.0 million for 2023, a $19.8 million increase relative to 2017.

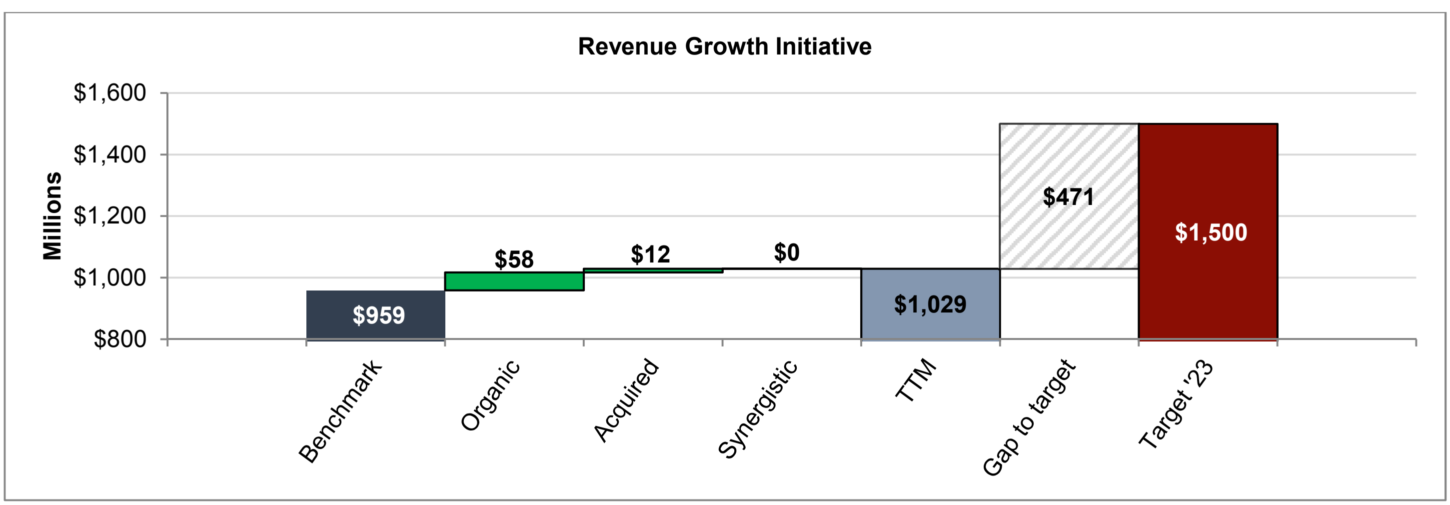
Please note that the adoption of IFRS 16, 'Leases' on January 1, 2019 is expected to increase Adjusted EBITDA. RME will recalibrate its Adjusted EBITDA target to reflect the new accounting standards once adopted and preserve the targeted $19.8 million improvement in this metric.

Our progress to-date with respect to these growth initiatives as represented by RME's results on a trailing twelve month basis ("TTM") is summarized in the chart titled TTM vs. Target. While encouraging, our growth in revenues has yet to translate into progress against our Adjusted Earnings and Adjusted EBITDA targets.



Competitive market pressures have weighed on margins during the TTM ended September 30, 2018, causing reductions in both Adjusted Earnings and Adjusted EBITDA relative to their respective 2017 benchmark values.

During the third quarter of 2018, RME completed the acquisitions of John Bob Farm Equipment ("JBFE") and the New Holland Agriculture dealerships in Olds, Alberta ("Olds"). RME estimates average historical sales for the acquired stores during the period from acquisition date to September 30, to be approximately $12 million and has presented this as "acquired" revenues during the nine months ended September 30, 2018. The decomposition of progress towards our revenue growth initiative is presented in the chart titled Revenue Growth Initiative presented below.



7 Represented by "Earnings used in the calculation of Adjusted Diluted Earnings per Share" within the calculation of Adjusted Diluted Earnings per Share, a Non-IFRS measure.

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

Another area of interest to us is the U.S., particularly those states falling between the eastern slopes of the Rocky Mountains and the mid-west, contiguous to our Canadian operations. U.S. regions with crops similar to the crop mix of the Canadian Prairies currently benefit from good economics and the balance sheets of farming operations in these regions are supportive of ongoing equipment purchases. While we would require manufacturer approval prior to doing so, a significant acquisition in these regions of the U.S. would be transformational.

RESULTS OF OPERATIONS

We use the terms "acquired" versus "same store" in assessing our revenue. Each acquired store has an average historical level of sales prior to being acquired by RME. When we discuss "acquired" results, we are referring to these average historical levels. This base level of activity continues to be classified as acquired until such time as the acquired store has been included in our dealership network for twelve months after which point, all activity is classified as "same store".

Sales

Third Quarter "Q3" 2018 vs. Q3 2017

			Change		
$ thousands	**2018**	2017	Total	Acquired	Same Store
Sales					
New equipment	**72,276**	75,952	(3,676)	5,561	(9,237)
Used equipment	**113,864**	115,155	(1,291)	3,489	(4,780)
Parts	**37,727**	38,185	(458)	1,852	(2,310)
Service	**9,507**	9,520	(13)	743	(756)
Total sales	**233,374**	238,812	(5,438)	11,645	(17,083)
Gross profit	**36,235**	38,807	(2,572)		
Gross margin	***15.5%***	*16.3%*	*(0.8%)*		

Total sales decreased 2.3% or $5.4 million to $233.4 million compared with $238.8 million for the same period in 2017. On a same store basis, total sales declined 7.2% or $17.1 million while acquired sales contributed $11.6 million. Early snowfalls across the Canadian Prairies stalled harvest activity throughout mid- to late-September, weighing on in-season demand across all categories.

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

			Change		
$ thousands	**2018**	2017	Total	Acquired	Same Store
Sales					
New equipment	**350,353**	280,305	70,048	5,561	64,487
Used equipment	**293,942**	292,332	1,610	3,489	(1,879)
Parts	**87,325**	88,436	(1,111)	1,852	(2,963)
Service	**24,047**	24,569	(522)	743	(1,265)
Total sales	**755,667**	685,642	70,025	11,645	58,380
Gross profit	**101,298**	101,103	195		
Gross margin	***13.4%***	*14.7%*	*(1.3%)*		

Total sales increased $70.0 million or 10.2% to $755.7 million from $685.6 million for the same period in 2017 due primarily to a $70.0 million increase in new equipment sales levels, reflecting both stronger market demand and out-of-season deliveries of harvest equipment.

Parts and Service Activity

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

	Three months ended September 30,			Nine months ended September 30,		
$ thousands	**2018**	2017	Change	**2018**	2017	Change
Parts activity						
Total activity	**41,919**	41,708	211	**99,159**	97,788	1,371
Internal activity eliminated	**(4,192)**	(3,523)	(669)	**(11,834)**	(9,352)	(2,482)
Reported revenues	**37,727**	38,185	(458)	**87,325**	88,436	(1,111)
Service activity						
Total activity	**15,631**	13,966	1,665	**41,558**	38,234	3,324
Internal activity eliminated	**(6,124)**	(4,446)	(1,678)	**(17,511)**	(13,665)	(3,846)
Reported revenues	**9,507**	9,520	(13)	**24,047**	24,569	(522)
Total reported Product Support revenues	**47,234**	47,705	(471)	**111,372**	113,005	(1,633)

Q3 2018 vs. Q3 2017

Product Support activity levels increased during the third quarter of 2018 relative to the same period last year. Locations acquired during the third quarter of 2018 helped to mitigate the impact of a delayed harvest on activity levels in our Product Support departments.

Internal activity consumed a larger portion of our Product Support resources during the third quarter of 2018 relative to the same period last year. Elevated equipment sales consumed Product Support resources as our technicians reconditioned trades. So while total activity was up 3.4% for the quarter, reported Product Support revenue experienced a 1.0% decline.

YTD 2018 vs. YTD 2017

On a year-to-date basis, reported Product Support revenues declined by 1.4%. While overall Product Support activity levels exceeded the same period last year by 3.5%, the growth in internal demand outpaced external sales levels. Again, the reconditioning of trades on heightened equipment sales consumed a greater share of our available Product Support resources.

Gross Profit

Q3 2018 vs. Q3 2017

Gross profit declined by 6.6% or $2.6 million to $36.2 million from $38.8 million for the same period in 2017. The market in which we operate remained highly competitive during Q3 2018, with goods and services priced accordingly and transactional margins softening as a result.

As a percentage of sales, gross margin amounted to 15.5%, down from 16.3% during the same period last year, due to the aforementioned weaker transactional margins.

Refer to the section entitled Adjusted EBITDA for additional information pertaining to fluctuations in gross profit.

YTD 2018 vs. YTD 2017

Gross profit rose modestly by 0.2% or $0.2 million to $101.3 million from $101.1 million for the same period in 2017. Increased sales volumes offset the impact of softer margins, holding overall gross profit relatively flat, year-over-year.

As a percentage of sales, gross margin declined by 1.3%, to 13.4% from 14.7% during the same period last year. Several factors contributed to this decline including:

- new and used equipment sales growth, which further concentrated our overall sales mix within these comparatively lower-margin categories;
- stronger price competition within certain key equipment categories; and
- impairment charges associated with, among other products, aged seeding units and our exit from an equipment category to limit our exposure to declining customer demand in this area.

Refer to the section entitled Adjusted EBITDA for additional information pertaining to fluctuations in gross profit.

Selling, General and Administrative

RME assesses its Operating SG&A relative to total sales in analyzing its results (see the definition and reconciliation of Operating SG&A in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below). Operating SG&A is comprised of facility, administrative and compensation related expenditures, the majority of which are fixed in the short-term. The largest variable component of RME's Operating SG&A is commission associated with the sale of equipment inventory.

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

	Three months ended September 30,			Nine months ended September 30,		
$ thousands	**2018**	2017	Change	**2018**	2017	Change
Variable sales commissions	**3,529**	3,576	(47)	**10,168**	9,772	396
Other Operating SG&A	**19,245**	18,724	521	**59,262**	56,283	2,979
Operating SG&A	**22,774**	22,300	474	**69,430**	66,055	3,375
Operating SG&A as a % of sales	***9.8%***	*9.3%*	*0.5%*	***9.2%***	*9.6%*	*(0.4%)*

Q3 2018 vs. Q3 2017

Operating SG&A for the third quarter of 2018 increased 2.1% or $0.5 million to $22.8 million compared with $22.3 million for the same period in 2017. In response to increasing activity levels in our end markets, we invested in the expansion and training of our salesforce during 2018. We also incurred approximately $1.0 million in Operating SG&A associated with the locations acquired during the quarter. These increases were partially offset by a $1.3 million reduction in accrued management incentive compensation. As a percentage of sales, Q3 2018 Operating SG&A increased 0.5% to 9.8% compared with 9.3% for the same period in 2017. RME's Q3 2018 Operating SG&A is below our annual target of less than 10% of sales.

YTD 2018 vs. YTD 2017

Operating SG&A increased 5.1% or $3.4 million to $69.4 million compared with $66.1 million for the same period in 2017. As discussed, we invested in customer-facing personnel in response to elevated activity levels. We also incurred approximately $1.0 million in Operating SG&A associated with the locations acquired during Q3 2018. These increases were partially negated by a $1.6 million reduction in accrued management incentive compensation.

As a percentage of sales, Operating SG&A decreased 0.4% to 9.2% compared with 9.6% for the same period in 2017 and remains well below our annual target of less than 10% of sales.

Finance Costs

Q3 2018 vs. Q3 2017

Finance costs for the quarter ended September 30, 2018 increased 17.8% or $0.6 million to $3.7 million compared with $3.1 million during the same period in 2017 due primarily to an increase in the average level of interest-bearing floor plan.

YTD 2018 vs. YTD 2017

Finance costs decreased 4.5% or $0.4 million to $9.5 million compared with $9.1 million during the same period in 2017 due to increased average borrowings on interest-bearing floor plan facilities during the first nine months of 2018 relative to the same period in 2017.

Net Earnings

Q3 2018 vs. Q3 2017

Net earnings for the quarter decreased 37.3% or $3.3 million to $5.5 million compared with $8.8 million for the same period in 2017 due primarily to softer margins and the impact of marking our derivative financial instruments to market. Net earnings per share on a basic and diluted basis for Q3 2018 decreased 39.1% or $0.18 to $0.28 compared with $0.46 for the same period in 2017.

The impact on net earnings of RME's derivative financial instruments and other unusual or non-recurring items can be significant. Management uses Adjusted Diluted Earnings per Share, a non-IFRS measure, to evaluate earnings excluding such items. Adjusted Diluted Earnings per Share for the quarter ended September 30, 2018 decreased 32.6% or $0.14 to $0.29 compared with $0.43 for the same period in 2017 on softer margins. Refer to the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below for the definition and reconciliation of Adjusted Diluted Earnings per Share.

YTD 2018 vs. YTD 2017

Net earnings decreased 23.2% or $3.4 million to $11.3 million compared with $14.6 million for the same period in 2017. Stronger sales at softer margins resulted in relatively flat gross profit period-over-period while growth in operating expenses and the impact of marking derivative financial instruments to market reduced earnings. Net earnings per share on a basic and diluted basis for 2018 year-to-date decreased 25.0% or $0.19 to $0.57 compared with $0.76 for the same period in 2017.

Adjusted Diluted Earnings per Share declined by 19.5% or $0.15 to $0.62 compared with $0.77 for the same period in 2017 on increased Operating SG&A. Refer to the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below for the definition and reconciliation of Adjusted Diluted Earnings per Share.

Adjusted EBITDA

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

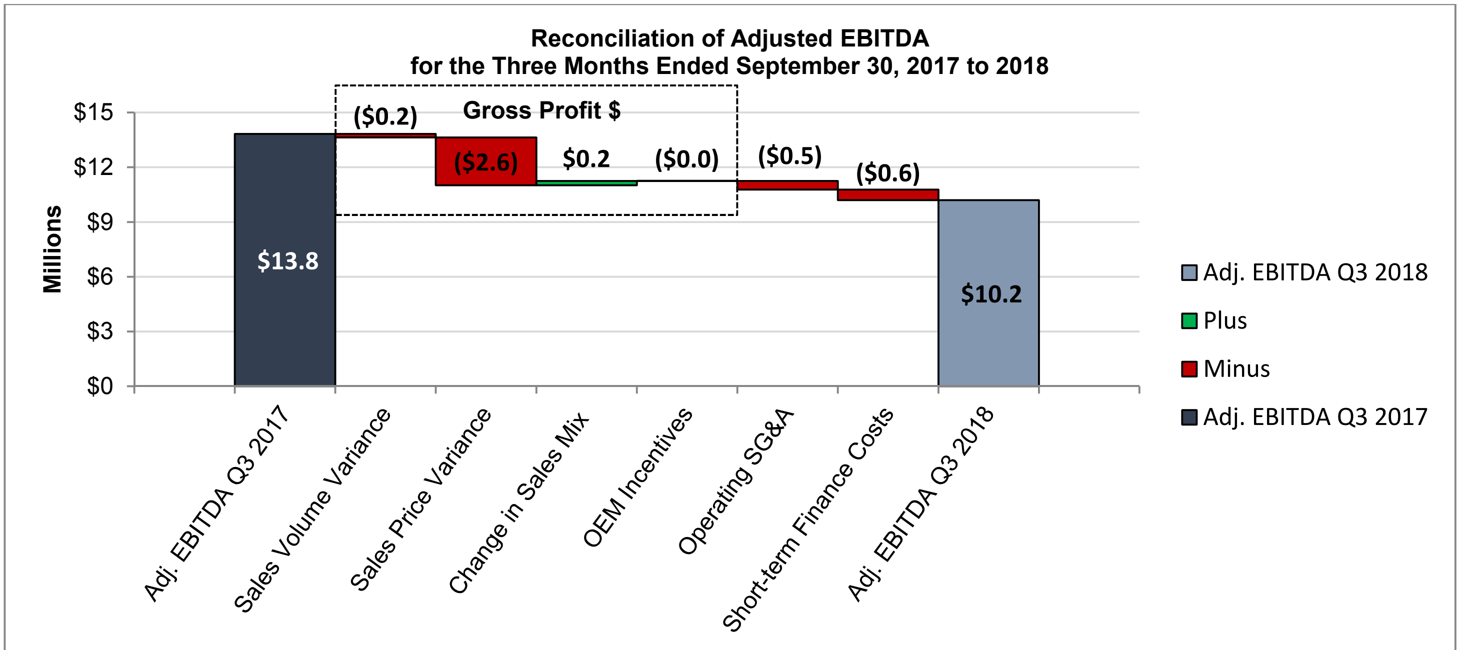
As part of our analysis of Adjusted EBITDA, RME deconstructs the period-over-period variance in gross profit dollars into the following components:

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

Q3 2018 vs. Q3 2017

Adjusted EBITDA for the quarter ended September 30, 2018 decreased by 26.3% or $3.6 million to $10.2 million compared with $13.8 million for the same period in 2017. This decline was driven primarily by softer transactional margins during the quarter, as well as modest increases in both Operating SG&A and short-term financing costs.

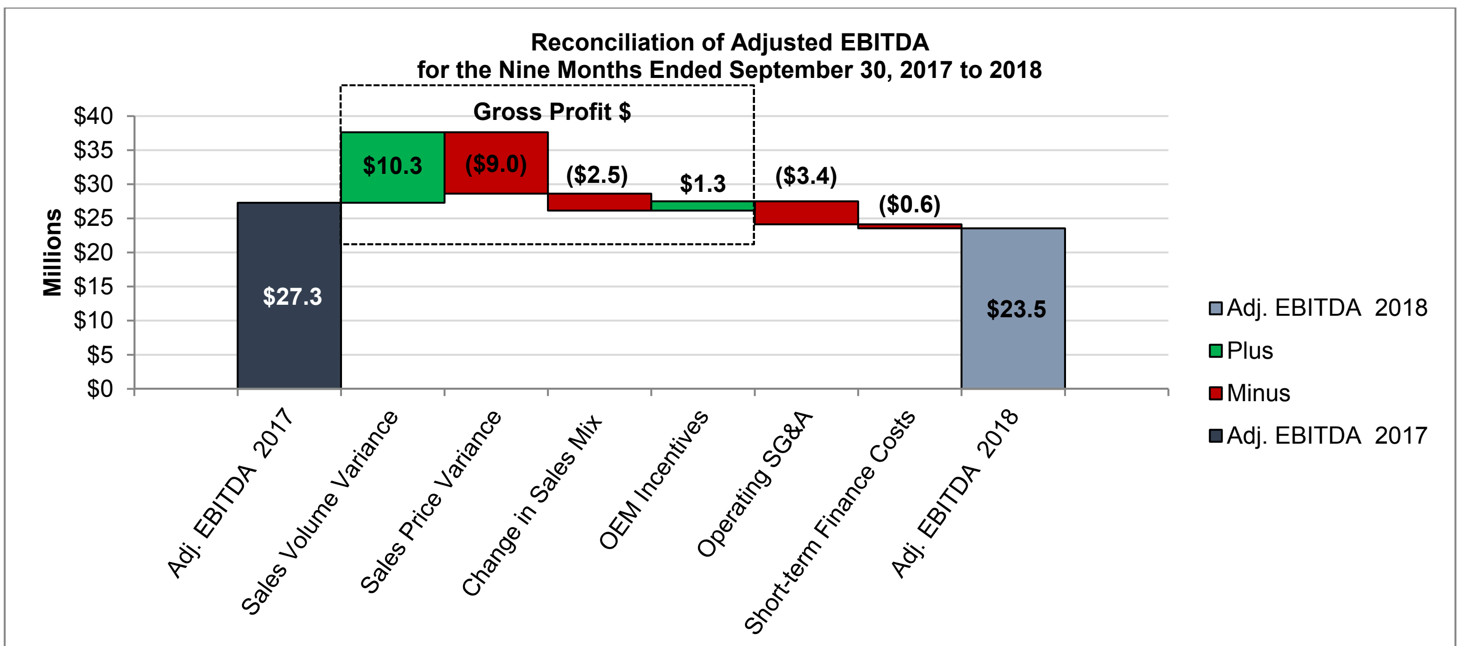
The change in Q3 Adjusted EBITDA from 2017 to 2018 can be reconciled as follows:



YTD 2018 vs. YTD 2017

Adjusted EBITDA decreased 13.8% or $3.8 million to $23.5 million compared with $27.3 million for the same period in 2017. The impact of stronger sales volumes and increased OEM incentives were offset by weaker margins and a shift in sales mix towards lower margin equipment sales, leaving gross profit relatively flat period-over-period. Meanwhile, increased Operating SG&A and short-term finance costs put downward pressure on Adjusted EBITDA on a year-to-date basis as compared to the same period last year.

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



RME

SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts	**Q3 2018**	Q2 2018	Q1 2018	Q4 2017[8]	Q3 2017[5]	Q2 2017[5]	Q1 2017[5]	Q4 2016	Q3 2016
Sales	**233,374**	302,639	219,654	273,699	238,812	236,890	209,940	285,749	222,647
Gross profit	**36,235**	38,100	26,963	38,321	38,807	35,518	26,778	34,116	36,861
Gross margin	***15.5%***	*12.6%*	*12.3%*	*14.0%*	*16.3%*	*15.0%*	*12.8%*	*11.9%*	*16.6%*
SG&A	**24,434**	25,631	23,469	27,251	24,834	24,566	23,103	25,205	23,855
Other expense (income)	**511**	829	1,426	(3,131)	(1,308)	923	(421)	(605)	(236)
Finance costs	**3,659**	3,133	2,742	2,799	3,105	3,026	2,991	3,346	3,700
Income taxes	**2,083**	2,385	(254)	3,134	3,327	2,092	224	1,466	2,910
Net (loss) earnings	**5,548**	6,122	(420)	8,268	8,849	4,911	881	4,704	6,632
Diluted (loss) earnings per share	**0.28**	0.31	(0.02)	0.42	0.46	0.25	0.05	0.24	0.34

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

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

STATEMENT OF FINANCIAL POSITION – SUMMARY

$ thousands	**September 30, 2018**	December 31, 2017	September 30, 2017
Assets			
Inventory	**514,970**	469,540	412,015
Other current assets	**47,901**	64,112	64,030
Total current assets	**562,871**	533,652	476,045
Property and equipment	**49,669**	42,229	42,612
Deferred tax asset	**-**	-	220
Derivative financial assets	**2,095**	4,109	1,250
Intangible assets	**219**	343	384
Goodwill	**21,247**	18,776	18,776
Total assets	**636,101**	599,109	539,287
Liabilities and equity			
Floor plan payable	**357,119**	305,342	265,551
Other current liabilities	**42,999**	61,889	53,066
Total current liabilities	**400,118**	367,231	318,617
Long-term debt	**30,209**	30,919	32,531
Obligations under finance leases	**287**	75	184
Deferred tax liability	**195**	561	-
Derivative financial liabilities	**271**	464	667
Total liabilities	**431,080**	399,250	351,999
Shareholders' equity	**205,021**	199,859	187,288
Total liabilities and equity	**636,101**	599,109	539,287

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

8 2017 quarterly results have been restated for the adoption of IFRS 9 & 15.

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

$ thousands	**September 30, 2018**	December 31, 2017	September 30, 2017
Inventory expensed through cost of sales – trailing 12 months	**877,276**	806,498	821,677
Average total inventory – trailing 12 months (quarterly observations)	**489,538**	445,497	440,010
Inventory turns	**1.79**	1.81	1.87
Days in inventory	**204**	202	195

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

- Used equipment inventory was $324.7 million, representing increases of 24.7% or $64.2 million compared with the same period in 2017, and 3.1% or $9.7 million since the fourth quarter of 2017. These increases are the result of trades taken on elevated equipment sales, particularly during the first half of 2018 as well as $6.4 million of used equipment inventory acquired through the purchase of complementary businesses. As is typical during the third quarter, used equipment inventory declined sequentially during Q3 2018, down $30.0 million or 8.6% on a same store basis.
- New equipment inventory was $141.2 million, representing increases of 32.6% or $34.7 million compared with the same period in 2017, and 21.8% or $25.2 million since the fourth quarter of 2017. New equipment inventory acquired through the purchase of complementary businesses amounted to $20.2 million, representing the majority of the aforementioned increases.

Overall, total inventory turns declined during the trailing twelve-months ended September 30, 2018, as compared with both the same period a year ago as well as the fiscal year ended 2017.

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

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

$ thousands	**September 30, 2018**	December 31, 2017	September 30, 2017
New equipment	**141,159**	115,928	106,422
Used equipment	**324,670**	314,994	260,451
Total equipment inventory	**465,829**	430,922	366,873
Floor plan payable			
Interest-bearing	**230,467**	191,939	182,409
Non-interest-bearing	**126,652**	113,403	83,142
Total	**357,119**	305,342	265,551
Inventory leverage ratio	**76.7%**	70.9%	72.4%

Since the end of 2017, equipment inventory levels increased $34.9 million whereas draws on our floor plan facilities have increased $51.8 million over the same period. In recent quarters, RME has made temporary use of available cash by paying down interest-bearing floor plan debt as illustrated by progressive declines in our inventory leverage ratio. As a result of the recent acquisitive activity undertaken, RME has reinstated a more historically normal level of inventory leverage and applied much of the cash generated therefrom to finance the purchase consideration associated with these acquisitions. During 2018, RME paid $16.3 million for acquired businesses, of which $4.1 million was financed via our Term Facility with the balance raised through our various floor plan facilities.

As at September 30, 2018, our inventory leverage ratio was 76.7%, up from 72.4% at September 30, 2017, and from 70.9% at December 31, 2017. The increase in the leverage ratio reflects the aforementioned draws to fund the acquisition of complementary businesses.

Total non-current financial liabilities as at September 30, 2018 amounted to $30.8 million (December 31, 2017 – $31.5 million, September 30, 2017 – $33.4 million).

LIQUIDITY AND CAPITAL RESOURCES

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

- Operating activities, including, the levels of accounts receivable, inventory, accounts payable and floor plan payable;
- Financing activities, including bank credit facilities, long-term debt, distributions to shareholders and other capital market activities; and,
- Investing activities, including capital expenditures, dispositions of fixed assets and acquisitions of complementary businesses.

Summary of Cash Inflows (Outflows)

	Three months ended September 30,			Nine months ended September 30,		
$ thousands	**2018**	2017	Change	**2018**	2017	Change
Net earnings	**5,548**	8,849	(3,301)	**11,250**	14,641	(3,391)
Effect of non-cash items in net earnings and changes in working capital	**9,444**	426	9,018	**3,109**	(11,110)	14,219
Cash flows from operating activities	**14,992**	9,275	5,717	**14,359**	3,531	10,828
Cash flows from financing activities	**(96)**	(3,901)	3,805	**(7,779)**	(16,046)	8,267
Cash flows from investing activities	**(16,005)**	(743)	(15,262)	**(19,154)**	(44)	(19,110)
Net increase (decrease) in cash	**(1,109)**	4,631	(5,740)	**(12,574)**	(12,559)	(15)
Cash, beginning of period	**8,632**	11,352	(2,720)	**20,097**	28,542	(8,445)
Cash, end of period	**7,523**	15,983	(8,460)	**7,523**	15,983	(8,460)
Operating Cash Flow before Changes in Floor Plan[9]	**46,465**	26,171	20,294	**(15,651)**	35,647	(51,298)

Cash Flows from Operating Activities

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

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

Q3 2018 vs. Q3 2017

Operating Cash Flow before Changes in Floor Plan was an inflow of $46.5 million compared with an inflow of $26.2 million during the same period in 2017. The incremental inflow year-over-year is primarily attributable to a $5.6 million reduction in accounts receivable and other during Q3 2018, versus a $14.7 million increase during Q3 2017.

Cash outflows from operating activities for the quarter ended September 30, 2018 increased by $5.7 million compared with the same period in 2017. This increase arose primarily due to increased cash generated from working capital, most notably, accounts receivable and other.

YTD 2018 vs. YTD 2017

Operating Cash Flow before Changes in Floor Plan was an outflow of $15.7 million compared with an inflow of $35.6 million during the same period in 2017. The incremental outflow year-over-year is primarily attributable to the growth in our inventory balance.

Cash inflows from operating activities for the nine months ended September 30, 2018 increased by $10.8 million compared with the same period in 2017. The incremental cash flows from operating activities were largely the result of cash drawn on our various floor plan facilities to finance businesses acquired during 2018.

9 See further discussion in “Non-IFRS Measures” and “Reconciliation of Non-IFRS Measures to IFRS” sections below.

Cash Flows from Financing Activities

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

Q3 2018 vs. Q3 2017

During the quarter ended September 30, 2018, cash outflows from financing activities declined by $3.8 million to $0.1 million, from $3.9 million in the same period in 2017. Cash outflows from financing activities in Q3 2018 were offset by $4.1 million in proceeds related to a draw on our Term Facility to finance the real estate assets acquired as part of the purchase of JBFE.

YTD 2018 vs. YTD 2017

During the nine months ended September 30, 2018, cash outflows from financing activities decreased by $8.3 million to $7.8 million from $16.0 million in the same period in 2017, during which RME applied $4.0 million of proceeds received on the disposition of a parcel of vacant land to its outstanding debt obligation under the Term Facility. The increase in repayments during the first nine months of 2017, coupled with the $4.1 million draw on the Term Facility during the same period in 2018 accounted for the majority of the period-over-period variance.

Cash Flows from Investing Activities

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

Q3 2018 vs. Q3 2017

During the quarter ended September 30, 2018, cash outflows from investing activities increased by $15.3 million to $16.0 million, down from $0.7 million in the same period in 2017 driven primarily by cash consideration paid pursuant to acquisitions completed during 2018.

YTD 2018 vs. YTD 2017

During the nine months ended September 30, 2018, cash outflows from investing activities increased by $19.1 million to $19.2 million from $44 thousand in the same period in 2017 driven primarily by cash consideration paid pursuant to acquisitions completed during 2018 and cash received on the disposition of a piece of vacant land during the first nine months of 2017.

ADEQUACY OF CAPITAL RESOURCES

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

Finance Facilities

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

The Syndicated Facility consists of:

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

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

In addition to our available cash balance of $7.5 million as at September 30, 2018, we have $299.6 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	**Available**
Operating Facility	60.0	-	**60.0**
Term Facility	75.0	36.6	**38.4**
Various floor plan facilities			
OEM floor plan facilities	205.0	161.4	**43.6**
Syndicated Flooring Facility	125.0	65.9	**59.1**
Other floor plan facilities	228.6	130.1	**98.5**
Total	693.6	394.0	**299.6**

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

Financial Covenants

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

	September 30, 2018		December 31, 2017	
	Threshold	**Result**	Threshold	Result
Fixed charge coverage ratio Assesses the ability to cover fixed charges by expressing free-cash flows generated as a ratio of committed obligations on a trailing 12-month basis.	**≥ 1.15** **≥ 1.20**	**2.03** **1.52**	≥ 1.15 ≥ 1.20	2.21 1.67
Debt to tangible net worth Assesses solvency by expressing debt as a ratio of tangible net assets.	**≤ 4.00** **≤ 5.00**	**2.35** **2.15**	≤ 4.00 ≤ 5.00	2.21 1.83
Current ratio Assesses liquidity by expressing current assets as a ratio of current liabilities.	**≥ 1.20**	**1.43**	≥ 1.20	1.48

As at September 30, 2018 and December 31, 2017, RME was in compliance with all externally imposed capital requirements.

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

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

Derivative Financial Instruments

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
$ thousands	**2018**	2017	**2018**	2017
Recognized in net earnings	**(511)**	1,308	**(2,766)**	1,447
Recognized in accumulated other comprehensive income – net of tax	**305**	1,303	**794**	2,394
Recognized in deferred tax position	**113**	481	**294**	885

Interest Rate Swaps

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

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

			September 30, 2018		December 31, 2017	
	Maturity	Type	**Effective rate**	**Amount ($ thousands)**	Effective Rate	Amount ($ thousands)
Hedged position						
Current debt						
Floor plan facility #1	August, 2018	Non-amortizing	**-**	**-**	4.2%	25,000
Floor plan facility #2	September, 2020	Non-amortizing	**5.1%**	**35,000**	5.1%	35,000
Floor plan facility #3	September, 2022	Non-amortizing	**4.4%**	**50,000**	5.4%	50,000
Floor plan facility #4	August, 2025	Non-amortizing[10]	**4.9%**	**25,000**	-	-
			4.7%	**110,000**	5.0%	110,000
Long-term debt						
Term Facility	April, 2023	Amortizing	**3.5%**	**26,777**	3.5%	30,671
Total			**4.5%**	**136,777**	4.7%	140,671
Position at risk – floating-rate debt				**267,379**		229,754
Position hedged				**51.2%**		61.2%

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

For the three and nine months ended September 30, 2018, we recognized in net earnings, mark-to-market gains of $26 thousand and $70 thousand, respectively, on our interest rate swaps (2017 – gains of $14 thousand and $0.1 million, respectively).

Total Return Swaps

RME has several total return swap arrangements to hedge the exposure associated with increases in its share price on its outstanding Directors' Share Units ("**DSUs**") and Share Appreciation Rights ("**SARs**"). If not renewed or unwound by RME,

10 Notional amount expands to $60.0 million in October, 2020

these arrangements mature between April 2019 and July 2020. It is RME's intention to maintain a hedged position, which approximately matches the quantity of, and terms associated with, the DSUs and SARs. The hedging relationship with the SARs is ineffective to the extent that RME's share price falls below the strike price of the SARs.

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

RME does not apply hedge accounting to these relationships and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise. For the three and nine months ended September 30, 2018, we recognized unrealized losses of $0.5 million and $2.8 million, respectively (2017 – gain of $1.3 million and $1.4 million, respectively). During the first quarter of 2018, RME also unwound its hedged position by 510 thousand shares for cash proceeds of $1.7 million. This unwinding realigned our hedged position with our position at risk.

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

	September 30, 2018		December 31, 2017	
In thousands of shares/units except per share amounts	**Weighted average price/share $**	**Shares/ units**	Weighted average price/share $	Shares/ units
Hedged position	**9.14**	**660**	9.34	1,170
Position at risk:				
DSUs		**79**		60
SARs		**565**		599
Total		**644**		659
Position hedged		**102.5%**		177.5%

Dividends

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

SHARE CAPITAL – OUTSTANDING SHARES

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

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

As at November 6, 2018, there were 19,888,086 common shares outstanding.

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

The general terms of stock options granted under the plan include a maximum exercise period of five years and a vesting period of three years with one-third of the grant vesting on each of the first three anniversary dates following the date of grant.

Options outstanding at September 30, 2018 are as follows:

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
March 13, 2014	139	139	11.52	0.4

As at November 6, 2018, there were 138,500 options outstanding.

CONTRACTUAL OBLIGATIONS

RME's contractual obligations consist primarily of its floor plan payable used to finance the purchase of new, and to a lesser extent, used equipment. RME has classified its floor plan payable as current as the corresponding inventory to which it relates has also been classified as current.

Floor plan payable accounts for the majority of RME's contractual obligations which will be discharged within the next 12 months. In addition to certain curtailment requirements, draws on our floor plan facilities become due upon the sale of the underlying piece of equipment inventory.

Other significant contractual obligations outstanding as at September 30, 2018, include trade payables, accruals and other, long-term debt consisting predominantly of the Term Facility and operating lease commitments which relate primarily to RME's facilities. Lease terms are between one and eleven years and most building leases contain renewal options for periods ranging from three to five years.

RME assesses its liquidity based on the period in which cash flows are expected to occur. The following table summarizes RME's expected undiscounted cash flows for obligations existing at September 30, 2018, assuming the Syndicated Facility is renewed prior to maturity on September 24, 2020. The analysis is based on foreign exchange rates and interest rates in effect at the date of the consolidated statement of financial position, and includes both principal and interest cash flows.

$ thousands	**Total**	2018	2019-2020	2021-2022	Thereafter
Trade payables, accruals and other	**26,114**	26,114	-	-	-
Floor plan payable	**368,657**	92,164	276,493	-	-
Long-term debt	**41,792**	1,973	15,236	14,200	10,383
Obligations under finance leases	**564**	134	285	145	-
Operating lease obligations	**33,816**	2,089	14,279	10,882	6,566
Derivative financial liabilities	**827**	159	454	133	81
Total contractual obligations	**471,770**	122,633	306,747	25,360	17,030

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for long-term debt outstanding as at September 30, 2018, would be $37.0 million in 2019-2020 and $0.1 million in all subsequent periods.

RELATED PARTY TRANSACTIONS

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

	Three months ended September 30,		**Nine months ended September 30,**	
$ thousands	**2018**	2017	**2018**	2017
Equipment and product support sales	**207**	654	**4,353**	2,492
Expenditures				
Rental payments on RME facilities	**1,460**	1,574	**4,365**	4,520
Equipment purchases	**12**	1	**3,158**	1,178
Vehicle purchases	**214**	-	**1,125**	-
Flight costs	**-**	-	**74**	55
Contributions[11]	**-**	32	**-**	57
Other expenses	**3**	-	**25**	42

All related parties are either directly or indirectly owned by a member of senior management or director of RME and/or a close family member thereof. These transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

11 Contributions are comprised of payments made to Ag for Life.

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

$ thousands	**September 30, 2018**	December 31, 2017
Due from related parties	**75**	27
Due to related parties	**(224)**	(1,087)

The amounts due from related parties are not secured and are to be settled in cash. As at September 30, 2018 and December 31, 2017, the amounts due from related parties are considered collectible and, therefore, have not been provided for in the loss allowance provision. During the three and nine months ended September 30, 2018 and 2017, there have been no charges recognized on account of bad debt expenses with respect to related party transactions.

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

$ thousands	**Total**	2018	2019-2020	2021-2022	Thereafter
Operating lease obligations	**27,998**	1,468	11,287	9,596	5,647

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases. These leases relate to RME's buildings and certain operating assets with lease terms of up to 11 years. Most building leases contain renewal options for periods of 3 to 5 years. We have paid monthly amounts under these operating leases of up to $68.6 thousand. In some instances, the counterparty to RME's operating lease obligations is a related party. Refer to the "Related Party Transactions" section of this MD&A for a discussion of the terms and amounts of such arrangements. The range of expiry dates on the current operating leases extend until July 2027.

CRITICAL ACCOUNTING ESTIMATES

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

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

RISKS AND UNCERTAINTIES

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

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

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

NON-IFRS MEASURES

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

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

  RME also adjusts for any non-recurring charges (recoveries) recognized in net earnings. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that RME incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze diluted earnings per share from core business operations. For the periods presented, expenses pertaining to the acquisition and integration of JBFE and Olds and losses recognized on the disposition of vacant land have been identified as non-recurring.

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

  RME also adjusts for any non-recurring charges (recoveries) recognized in Adjusted EBITDA. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that RME incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze EBITDA from core business operations. For the periods presented, expenses pertaining to the acquisition and integration of JBFE and Olds and losses recognized on the disposition of vacant land have been identified as non-recurring.

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

  RME also adjusts for any non-recurring charges (recoveries) recognized in SG&A. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that RME incurs outside of its common day-to-day operations. For the periods presented, expenses pertaining to the acquisition and integration of JBFE and Olds have been identified as non-recurring. The assessment of Operating SG&A facilitates the evaluation of discretionary expenses from ongoing operations. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.

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

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

Adjusted Diluted Earnings per Share

$ thousands	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Earnings used in the calculation of diluted earnings per share	**5,548**	8,849	**11,250**	14,641
Loss (gain) on derivative financial instruments	**511**	(1,308)	**2,766**	(1,447)
(Gain) loss on DSUs	**(63)**	49	**(229)**	83
SAR (recovery) expense	**(343)**	643	**(1,602)**	764
Acquisition and integration costs	**236**	-	**535**	-
Non-deductible loss on sale of vacant land	**-**	-	**-**	641
Tax effect of adjustments (27%)	**(92)**	166	**(397)**	162
Earnings used in the calculation of Adjusted Diluted Earnings per Share	**5,797**	8,399	**12,323**	14,844
Weighted average diluted shares used in the calculation of diluted earnings per share (in thousands)	**19,888**	19,384	**19,890**	19,384
Adjusted Diluted Earnings per Share	**0.29**	0.43	**0.62**	0.77

Adjusted EBITDA

$ thousands	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net earnings	**5,548**	8,849	**11,250**	14,641
Finance costs associated with long-term debt	**392**	421	**1,197**	1,364
Depreciation and amortization expense	**1,830**	1,842	**5,400**	5,601
Income taxes	**2,083**	3,327	**4,214**	5,643
EBITDA	**9,853**	14,439	**22,061**	27,249
Loss (gain) on derivative financial instruments	**511**	(1,308)	**2,766**	(1,447)
(Gain) loss on DSUs	**(63)**	49	**(229)**	83
SAR (recovery) expense	**(343)**	643	**(1,602)**	764
Acquisition and integration costs	**236**	-	**535**	-
Loss on sale of vacant land	**-**	-	**-**	641
Adjusted EBITDA	**10,194**	13,823	**23,531**	27,290

Operating SG&A

$ thousands	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
SG&A	**24,434**	24,834	**73,534**	72,503
Depreciation and amortization expense	**(1,830)**	(1,842)	**(5,400)**	(5,601)
Gain (loss) on DSUs	**63**	(49)	**229**	(83)
SAR recovery (expense)	**343**	(643)	**1,602**	(764)
Acquisition and integration costs	**(236)**	-	**(535)**	-
Operating SG&A	**22,774**	22,300	**69,430**	66,055
Operating SG&A as a % of sales	***9.8%***	*9.3%*	***9.2%***	*9.6%*

Operating Cash Flow before Changes in Floor Plan

$ thousands	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flow from operating activities	**14,992**	9,275	**14,359**	3,531
Net (increase) decrease in floor plan payable[12]	**9,706**	16,896	**(51,777)**	32,116
Floor plan assumed pursuant to business combinations	**21,767**	-	**21,767**	-
Operating Cash Flow before Changes in Floor Plan	**46,465**	26,171	**(15,651)**	35,647

12 Includes change in floor plan payable classified as liabilities associated with assets held for sale.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") have, as at September 30, 2018, designed, or caused to be designed under their supervision, disclosure controls and procedures ("**DC&P**") to provide reasonable assurance that: (i) material information relating to RME is made known to them by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by RME in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

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

During the quarter ended September 30, 2018, there were no changes in RME's ICFR that have materially affected, or are reasonably likely to materially affect RME's ICFR.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

In particular, FLS in this MD&A include, but are not limited to, the following: (i) disclosure under the heading "Market Fundamentals and Outlook"; (ii) continuing demand for RME's products and services, and the cyclical nature of agriculture equipment demand and any revenue or inventory statements or forecasts attributed thereto; (iii) disclosure under the heading "Capital Allocation Strategy and Growth Plan", including all discussion regarding RME's growth plan announced on May 30, 2018 and RME's acquisition plans, prospects and activities; (iv) statements pertaining to the anticipated crop outlook in Western Canada; (v) statements regarding the disparity between the Canadian and U.S. dollars and the impact such currency disparity and any import tariffs may have on RME's business and new equipment pricing in Canada; (vi) any discussion regarding RME's anticipated inventory balance and profile; (vii) discussion on the fundamentals of RME's business, including discussion regarding growth in GDP, farmers' crop receipts and profitability, field crop outlook and the future demand for agriculture equipment and commodities; (viii) statements regarding customer buying patterns, including the extent to which we are able to convert new equipment customers to used equipment customers; (ix) any statements or discussions regarding RME's inventory management and any expected increases or decreases in RME's inventory levels, and the timing and delivery thereof; (x) statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs; (xi) discussion around Operating SG&A expenses, including the seasonal variances and expectations in Operating SG&A and RME's targeted annual Operating SG&A; (xii) discussion that the first quarter is generally the weakest financial quarter; (xiii) discussion that seeding, harvesting and post-harvest equipment purchases will occur on a predictable basis; (xiv) statements that our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow; (xv) statements that weather conditions may impact sales activity for any given period, including statements regarding in-season demand for seeding or harvesting equipment; (xvi) statements on farming practice advances, seed technology and application techniques and how this mitigates the effects of weather conditions; (xvii) statements concerning RME's ongoing compliance with, or potential breaches of, its covenants under its credit facilities, including the Syndicated Facility; (xviii) statements concerning RME's expected undiscounted cash flows as at September 30, 2018; (xix) statements that imply any future earnings, profitability, economic benefit or other financial results arising from the Olds and JBFE acquisitions; (xx) statements that RME's new location in Tonganoxie, Kansas, will be operational by Q1 2019; and, (xxi) statements that imply any future earnings, profitability, economic benefit, or further U.S. expansion resulting from RME's new location in Tonganoxie, Kansas.

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

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

ROCKY MOUNTAIN DEALERSHIPS

Condensed Consolidated Interim Financial Statements and Notes

Three and Nine Month Periods Ended September 30, 2018 and 2017 (unaudited)

ROCKY MOUNTAIN DEALERSHIPS

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

	Note	**September 30, 2018 $**	December 31, 2017 $ (Note 16)	September 30, 2017 $ (Note 16)
Assets				
Current				
Cash		**7,523**	20,097	15,983
Trade receivables and other		**29,131**	32,685	35,371
Inventory	**9**	**514,970**	469,540	412,015
Contract assets		**3,403**	2,199	3,707
Income taxes receivable		**1,345**	-	445
Prepaids	**8**	**5,235**	6,210	6,229
Current portion of derivative financial assets	**15**	**1,264**	2,921	2,295
Total current assets		**562,871**	533,652	476,045
Non-current				
Property and equipment		**49,669**	42,229	42,612
Deferred tax asset	**13.2**	**-**	-	220
Derivative financial assets	**15**	**2,095**	4,109	1,250
Intangible assets		**219**	343	384
Goodwill	**7**	**21,247**	18,776	18,776
Total non-current assets		**73,230**	65,457	63,242
Total assets		**636,101**	599,109	539,287
Liabilities				
Current				
Trade payables, accruals and other		**26,114**	28,009	27,913
Floor plan payable		**357,119**	305,342	265,551
Contract liabilities		**9,726**	25,719	17,974
Income taxes payable		**-**	1,079	-
Current portion of long-term debt		**6,467**	6,104	6,127
Current portion of obligations under finance leases		**276**	445	448
Current portion of derivative financial liabilities	**15**	**416**	533	604
Total current liabilities		**400,118**	367,231	318,617
Non-current				
Long-term debt		**30,209**	30,919	32,531
Obligations under finance leases		**287**	75	184
Deferred tax liability	**13.2**	**195**	561	-
Derivative financial liabilities	**15**	**271**	464	667
Total non-current liabilities		**30,962**	32,019	33,382
Total liabilities		**431,080**	399,250	351,999
Shareholders' Equity				
Common shares		**95,624**	95,477	87,709
Contributed surplus		**4,380**	4,400	6,080
Accumulated other comprehensive income		**1,275**	481	23
Retained earnings		**103,742**	99,501	93,476
Total shareholders' equity		**205,021**	199,859	187,288
Total liabilities and shareholders' equity		**636,101**	599,109	539,287

APPROVED BY THE BOARD

"Signed" Robert Herdman
Robert Herdman, Director

"Signed" Matthew Campbell
Matthew Campbell, Director

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

Condensed Consolidated Interim Statements of Net Earnings

For the three and nine month periods ended
Expressed in thousands of Canadian dollars except per share amounts (unaudited)

	Note	**Three Months Ended September 30, 2018 $**	Three Months Ended September 30, 2017 (Note 16) $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 (Note 16) $
Sales	**10**	**233,374**	238,812	**755,667**	685,642
Cost of sales	**9**	**197,139**	200,005	**654,369**	584,539
Gross profit		**36,235**	38,807	**101,298**	101,103
Selling, general and administrative	**11**	**24,434**	24,834	**73,534**	72,503
Loss (gain) on derivative financial instruments	**15**	**511**	(1,308)	**2,766**	(1,447)
Loss on sale of vacant land		**-**	-	**-**	641
Earnings before finance costs and income taxes		**11,290**	15,281	**24,998**	29,406
Finance costs	**12**	**3,659**	3,105	**9,534**	9,122
Earnings before income taxes		**7,631**	12,176	**15,464**	20,284
Income taxes	**13.1**	**2,083**	3,327	**4,214**	5,643
Net earnings		**5,548**	8,849	**11,250**	14,641
Earnings per share					
Basic		**0.28**	0.46	**0.57**	0.76
Diluted		**0.28**	0.46	**0.57**	0.76

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

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

	Note	**Three Months Ended September 30, 2018 $**	Three Months Ended September 30, 2017 (Note 16) $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 (Note 16) $
Net earnings		**5,548**	8,849	**11,250**	14,641
Other comprehensive income					
Items which will subsequently be reclassified to net earnings:					
Unrealized gain on derivative financial instruments, net of tax	**15**	**305**	1,303	**794**	2,394
Total other comprehensive income for the period, net of tax		**305**	1,303	**794**	2,394
Comprehensive income		**5,853**	10,152	**12,044**	17,035

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

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

	Note	Common shares: Number of shares	Common shares: Amount $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings (Note 16) $	Total equity $
Balance, December 31, 2017		**19,877**	**95,477**	**4,400**	**481**	**99,501**	**199,859**
Shares issued upon exercise of stock options		**11**	**147**	**(20)**	**-**	**-**	**127**
Net earnings		**-**	**-**	**-**	**-**	**11,250**	**11,250**
Other comprehensive income	**15**	**-**	**-**	**-**	**794**	**-**	**794**
Dividends paid		**-**	**-**	**-**	**-**	**(7,009)**	**(7,009)**
Balance, September 30, 2018		**19,888**	**95,624**	**4,380**	**1,275**	**103,742**	**205,021**

	Note	Common shares: Number of shares	Common shares: Amount $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings (Note 16) $	Total equity $
Balance, December 31, 2016		19,384	87,709	6,065	(2,371)	85,523	176,926
Equity-settled share-based payment expense	11	-	-	15	-	-	15
Net earnings		-	-	-	-	14,641	14,641
Other comprehensive income	15	-	-	-	2,394	-	2,394
Dividends paid		-	-	-	-	(6,688)	(6,688)
Balance, September 30, 2017		19,384	87,709	6,080	23	93,476	187,288

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

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

	Note	**Three Months Ended September 30, 2018** $	Three Months Ended September 30, 2017 (Note 16) $	**Nine Months Ended September 30, 2018** $	Nine Months Ended September 30, 2017 (Note 16) $
Operating activities					
Net earnings		**5,548**	8,849	**11,250**	14,641
Adjustments for:					
Depreciation and amortization expense	**11**	**1,830**	1,842	**5,400**	5,601
Deferred tax (recovery) expense	**13.1**	**(20)**	(4)	**(770)**	199
Equity-settled share-based payment expense	**11**	**-**	-	**-**	15
(Gain) loss on disposal of property and equipment		**(49)**	38	**(65)**	540
Loss (gain) on derivative financial instruments	**15**	**511**	(1,308)	**2,766**	(1,447)
Cash received on settlement of total return swaps	**15**	**-**	-	**1,683**	-
Amortization of deferred debt issuance costs		**37**	28	**112**	84
Changes in non-cash working capital		**7,135**	(170)	**(6,017)**	(16,102)
Total cash generated from operating activities		**14,992**	9,275	**14,359**	3,531
Financing activities					
Repayment of long-term debt		**(1,572)**	(1,560)	**(4,706)**	(9,029)
Proceeds from long-term debt		**4,050**	-	**4,201**	-
Repayment of obligations under finance leases		**(138)**	(111)	**(392)**	(329)
Dividends paid		**(2,436)**	(2,230)	**(7,009)**	(6,688)
Proceeds from issuance of common shares		**-**	-	**127**	-
Total cash used from financing activities		**(96)**	(3,901)	**(7,779)**	(16,046)
Investing activities					
Purchase of property and equipment		**(2,860)**	(822)	**(6,699)**	(4,568)
Disposal of property and equipment		**279**	79	**969**	4,524
Acquisition of businesses	**7**	**(13,424)**	-	**(13,424)**	-
Total cash used from investing activities		**(16,005)**	(743)	**(19,154)**	(44)
Net increase (decrease) in cash		**(1,109)**	4,631	**(12,574)**	(12,559)
Cash, beginning of period		**8,632**	11,352	**20,097**	28,542
Cash, end of period		**7,523**	15,983	**7,523**	15,983
Taxes paid		**1,881**	3,401	**7,408**	5,402
Interest paid		**3,527**	3,006	**9,139**	8,824

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

1. General information

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

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

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements were approved by the Board of Directors of RME on November 6, 2018.

3. Summary of significant accounting policies

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

4. Adoption of new and revised standards and interpretations

Effective January 1, 2018, RME adopted IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRS 13 'Customer Loyalty Programs', as well as various other interpretations regarding revenue. IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. See Note 16 for the impact of this new accounting standard.

Effective January 1, 2018, RME adopted IFRS 9 'Financial Instruments'. IFRS 9 introduces new requirements for: (i) the classification and measurement of financial assets and financial liabilities and (ii) the recognition and measurement of impairment for financial assets. IFRS 9 also introduces a simplified hedge accounting model that aligns more closely with risk management. See Note 16 for the impact of this new accounting standard.

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

At the date of authorization of these condensed consolidated interim financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued the following new and revised standard which is not yet effective for the relevant reporting periods. RME has not early adopted this standard.

IFRS 16 'Leases' replaces IAS 17 'Leases' and requires most leases to be recognized as assets and liabilities on the statement of financial position. This standard includes an optional exemption for certain short-term leases and leases of low-value assets and is effective for fiscal periods beginning on or after January 1, 2019. Contracts assessed as falling within the scope of this standard are limited to RME's operating lease obligations. RME is currently in the process of quantifying the impact of this standard on the consolidated financial statements.

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

5. Key estimates and judgements

The preparation of interim financial statements requires the use of estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the methodology employed for preparing key estimates and judgements made in applying RME's accounting policies were the same as those applied to the annual consolidated financial statements for the year ended December 31, 2017.

6. Seasonality

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

7. Acquisitions

On July 3, 2018, RME acquired 100% of the issued and outstanding common shares of John Bob Farm Equipment Ltd. ("JBFE"), a Saskatchewan-based dealer of New Holland agriculture equipment with locations in Outlook and Tisdale. The operating results of the business acquired are consolidated from July 3, 2018, the date control was acquired.

On August 17, 2018, RME acquired certain business assets and sales territory of a New Holland agriculture equipment dealer in Olds, Alberta ("Olds"). The operating results of the business acquired are consolidated from August 17, 2018, the date control was acquired.

The acquisitions have been accounted for as business combinations using the acquisition method of accounting based on recording the assets and liabilities at the estimated fair value on the acquisition date. The following table summarizes the consideration paid and payable with respect to these acquisitions.

	JBFE	Olds	Total
	$	$	$
Purchase Price Allocation			
Cash consideration			
Paid	10,931	2,493	13,424
Payable	36	-	36
Total purchase consideration	10,967	2,493	13,460

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

The following table summarizes the preliminary allocation of acquisition date fair values.

	JBFE	Olds	Total
	$	$	$
Net working capital			
Trade receivables and other	1,395	600	1,995
Inventory	23,434	6,252	29,686
Prepaids	20	37	57
Bank indebtedness	(2,838)	-	(2,838)
Trade payables, accruals and other	(1,256)	(1,218)	(2,474)
Floor plan payable	(18,438)	(3,329)	(21,767)
	2,317	2,342	4,659
Property and equipment	6,368	118	6,486
Long-term debt	(46)	-	(46)
Deferred tax liability	(110)	-	(110)
Goodwill	2,438	33	2,471
Net assets	10,967	2,493	13,460

Concurrent with the acquisition of the business assets of Olds, RME entered into a sublease with the acquiree and received a $1,200 lease inducement. Of this amount, $600 was offset against the acquisition purchase consideration, resulting in net consideration of $2,493. The remaining $600 is to be received by RME over a period of 15 months commencing September 1, 2018. The $1,200 deferred lease inducement and the $600 inducement receivable are included in the table above within trade payables, accruals and other and trade receivables and other, respectively.

During the three and nine months ended September 30, 2018, RME incurred $236 and $535 respectively, of acquisition related costs. These costs are recognized as administrative expenses within selling, general and administrative expenses in the period in which they were incurred. Purchase consideration of $1,250 was heldback on the JBFE acquisition and is presented within prepaids on the statement of financial position as at September 30, 2018 (Note 8).

Revenue and net loss generated by the acquired locations and included in the consolidated statement of net earnings for the nine months ended September 30, 2018 amounted to $7,727 and $368, respectively. Had these acquisitions been in effect at January 1, 2018, RME estimates that consolidated revenue and net earnings for the nine months ended September 30, 2018 would have been $772,316 and $11,082, respectively. The pro forma revenues and income are not necessarily indicative of the results that actually would have occurred if the acquisitions had taken place on January 1, 2018 or of the results which may be obtained in the future.

Goodwill arose on these acquisitions due to the potential future revenue growth and synergies expected to occur. This amount is not recognized separately as it does not meet the recognition criteria for identifiable intangible assets. Goodwill generated on acquisition is not deductible for tax purposes.

8. Prepaids

Prepaids as at September 30, 2018 includes restricted cash of $1,250 for funds held in escrow with respect to the JBFE acquistion purchase consideration holdback.

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

9. Inventory

	September 30, 2018 $	December 31, 2017 $	September 30, 2017 $
New equipment	**141,159**	115,928	106,422
Used equipment	**324,670**	314,994	260,451
Parts	**49,141**	38,618	45,142
	514,970	469,540	412,015

For the three and nine months ended September 30, 2018, inventory recognized as an expense amounted to $193,165 and $645,267, respectively, (2017 – $196,025 and $574,703, respectively), which is included in cost of sales in the condensed consolidated statement of net earnings.

For the three and nine months ended September 30, 2018, there were write downs of inventory to net realizable value of $2,088 and $7,268, respectively (2017 – $1,954 and $5,225, respectively) in cost of sales in the condensed consolidated statement of net earnings. Circumstances that give rise to the write down of primarily used inventory include fluctuations in market price, profile and age in inventory. For the three and nine months ended September 30, 2018, there were reversals of write downs of inventory to net realizable value of $Nil and $Nil, respectively (2017 – $Nil and $Nil, respectively). RME's inventory has been pledged as security for its floor plan payable and long-term debt.

10. Disaggregation of revenue from contracts with customer

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

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 (Note 16) $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 (Note 16) $
New equipment sales	**72,276**	75,952	**350,353**	280,305
Used equipment sales	**113,864**	115,155	**293,942**	292,332
Parts sales	**37,727**	38,185	**87,325**	88,436
Sale of goods	**223,867**	229,292	**731,620**	661,073
Service sales	**9,507**	9,520	**24,047**	24,569
Total sales	**233,374**	238,812	**755,667**	685,642

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11. Selling, general and administrative

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

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 (Note 16) $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 (Note 16) $
Compensation and related expenses	**16,122**	16,728	**46,795**	47,270
Administrative expenses	**5,377**	4,226	**16,625**	13,535
Rent and other facility expenses	**2,987**	3,231	**9,958**	9,704
Depreciation and amortization expense	**1,830**	1,842	**5,400**	5,601
Equity-settled share-based payment expense	**-**	-	**-**	15
Total SG&A before overhead	**26,316**	26,027	**78,778**	76,125
Product support overhead	**(1,882)**	(1,193)	**(5,244)**	(3,622)
Total SG&A	**24,434**	24,834	**73,534**	72,503

Included in compensation and related expenses for the three and nine months ended September 30, 2018 are variable sales commissions of $3,529 and $10,168, respectively (2017 – $3,576 and $9,772, respectively).

Depreciation and amortization expense for the three and nine months ended September 30, 2018 is comprised of depreciation of property and equipment of $1,789 and $5,276, respectively, (2017 - $1,801 and $5,478, respectively) and amortization of intangible assets of $41 and $124, respectively (2017 - $41 and $123, respectively).

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

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

12. Finance costs

Finance costs include interest and other finance-related charges, including amortization of deferred finance costs. RME's finance costs associated with its short and long-term debt facilities for the three and nine months ended September 30, are comprised of:

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 $
Finance costs associated with short-term debt	**3,267**	2,684	**8,337**	7,758
Finance costs associated with long-term debt	**392**	421	**1,197**	1,364
Finance costs	**3,659**	3,105	**9,534**	9,122

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

13. Income taxes

13.1. Income tax recognized in net earnings

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

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 (Note 16) $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 (Note 16) $
Current	**2,103**	3,331	**4,984**	5,444
Deferred	**(20)**	(4)	**(770)**	199
Income tax expense	**2,083**	3,327	**4,214**	5,643

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

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 (Note 16) $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 (Note 16) $
Earnings before income taxes	**7,631**	12,176	**15,464**	20,284
Computed tax at statutory tax rate of 27% (2017 – 27%)	**2,060**	3,287	**4,175**	5,477
Non-deductible expenses	**23**	19	**81**	70
Adjustment from prior year income tax filings	**-**	(7)	**(47)**	(3)
Income tax credit	**-**	-	**(84)**	(101)
Unrecognized deferred tax asset on capital loss	**-**	-	**-**	172
Other	**-**	28	**89**	28
Income tax expense	**2,083**	3,327	**4,214**	5,643

13.2. Deferred tax asset (liability)

	Share issue costs $	**Cumulative eligible capital $**	**Property and equipment $**	**Intangible asset $**	**DSUs & SARs $**	**Derivatives $**	**Tax credits $**	**Prov-ision $**	**Total $**
December 31, 2017	**48**	**60**	**95**	**(92)**	**904**	**(1,629)**	**(38)**	**91**	**(561)**
Acquired	**-**	**-**	**(110)**	**-**	**-**	**-**	**-**	**-**	**(110)**
Recognized in net earnings	**30**	**(19)**	**64**	**33**	**(456)**	**1,202**	**7**	**(91)**	**770**
Recognized in equity	**-**	**-**	**-**	**-**	**-**	**(294)**	**-**	**-**	**(294)**
September 30, 2018	**78**	**41**	**49**	**(59)**	**448**	**(721)**	**(31)**	**-**	**(195)**

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	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible asset $	DSUs & SARs $	Derivatives $	Tax credits $	Prov-ision $	Total $
December 31, 2016	27	87	175	(137)	396	662	-	94	1,304
Recognized in net earnings	26	(20)	(30)	34	188	(391)	(38)	32	(199)
Recognized in equity	-	-	-	-	-	(885)	-	-	(885)
September 30, 2017	53	67	145	(103)	584	(614)	(38)	126	220

14. Related party transactions

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

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 $
Equipment and product support sales	**207**	654	**4,353**	2,492
Expenditures				
Rental payment on RME facilities	**1,460**	1,574	**4,365**	4,520
Equipment purchases	**12**	1	**3,158**	1,178
Vehicle purchases	**214**	-	**1,125**	-
Flight costs	**-**	-	**74**	55
Contributions[1]	**-**	32	**-**	57
Other Expenses	**3**	-	**25**	42

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

All related parties are either directly or indirectly owned by a member of board and senior management of RME and/or a close family member thereof. These transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

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

	September 30, 2018 $	December 31, 2017 $	September 30, 2017 $
Due from related parties	**75**	27	96
Due to related parties	**(224)**	(1,087)	(25)

The amounts due from related parties are not secured and are to be settled in cash. As at September 30, 2018 and 2017, the amounts due from related parties are considered collectible and therefore have not been provided for in the loss allowance provision. During the three and nine months ended September 30, 2018, $Nil and $Nil has been recognized in bad debt expenses with respect to related party transactions (2017 – $Nil and $Nil).

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

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

	Total $	2018 $	2019-2020 $	2021-2022 $	Thereafter $
Operating lease obligations	**27,998**	1,468	11,287	9,596	5,647

15. Derivative financial instruments and hedges

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

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

Interest rate swaps outstanding at September 30, 2018 are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Notional amount	**$136,777**	$ 140,671	$141,970
Effective fixed interest rate	**4.5%**	4.7%	4.7%
Effective floating interest rate	**4.1%**	4.0%	3.9%
Maturity dates	**Sept. 2020 – Aug. 2025**	Aug. 2018 – Apr. 2023	Aug. 2018 – Apr. 2023

During the quarter ended September 30, 2018, RME entered into a new interest rate swap to replace the swap that matured in August 2018. This interest rate swap has an initial notional amount of $25,000, expanding to $60,000 in October 2020 and matures in August 2025.

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

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

Derivative financial assets consist of:

	September 30, 2018 $	December 31, 2017 $	September 30, 2017 $
Total return swaps	**823**	5,343	2,230
Interest rate swaps	**2,536**	1,687	1,315
	3,359	7,030	3,545
Current portion	**1,264**	2,921	2,295
Long-term portion	**2,095**	4,109	1,250

Derivative financial liabilities consist of:

	September 30, 2018 $	December 31, 2017 $	September 30, 2017 $
Interest rate swaps	**687**	997	1,271
Current portion	**416**	533	604
Long-term portion	**271**	464	667

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

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 $	**Nine Months Ended September 30, 2018 $**	Nine Months Ended September 30, 2017 $
Opening net derivative financial (asset) liability	**(2,765)**	818	**(6,033)**	2,452
Loss (gain) recognized in net earnings	**511**	(1,308)	**2,766**	(1,447)
Gain recognized in other comprehensive income – net of tax	**(305)**	(1,303)	**(794)**	(2,394)
Tax on gain recognized in other comprehensive income	**(113)**	(481)	**(294)**	(885)
Cash received on settlement of total return swaps	**-**	-	**1,683**	-
Ending net derivative financial (asset) liability	**(2,672)**	(2,274)	**(2,672)**	(2,274)

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

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

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16. Impacts of new accounting standards on the financial statements

The impact on RME's opening balance sheet as at January 1, 2017 is disclosed in the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018. In accordance with the transition provisions in IFRS 15 and IFRS 9, the new rules have been adopted retrospectively and comparatives for the 2017 financial periods have been restated as follows:

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

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Statement of Financial Positon	**Note**	**September 30, 2017 As Originally Presented $**	**IFRS 15 Adjustments & Reclassifications $**	**IFRS 9 Adjustments $**	**September 30, 2017 Restated $**
Assets					
Current					
Cash		15,983	-	-	15,983
Trade receivables and other	**(iii)**	35,641	-	(270)	35,371
Inventory	**(ii)**	415,354	(3,339)	-	412,015
Contract assets	**(i),(ii)**	-	3,707	-	3,707
Income taxes receivable		445	-	-	445
Prepaid expenses		6,229	-	-	6,229
Current portion of derivative financial assets		2,295	-	-	2,295
Total current assets		475,947	368	(270)	476,045
Non-current					
Property and equipment		42,612	-	-	42,612
Deferred tax asset		94	53	73	220
Derivative financial assets		1,250	-	-	1,250
Intangible assets		384	-	-	384
Goodwill		18,776	-	-	18,776
Total non-current assets		63,116	53	73	63,242
Total assets		539,063	421	(197)	539,287
Liabilities					
Current					
Trade payables, accruals and other	**(ii)**	42,537	(14,624)	-	27,913
Floor plan payable		265,551	-	-	265,551
Deferred revenue	**(ii)**	2,784	(2,784)	-	-
Contract liabilities	**(i),(ii)**	-	17,974	-	17,974
Current portion of long-term debt		6,127	-	-	6,127
Current portion of obligations under finance leases		448	-	-	448
Current portion of derivative financial liabilities		604	-	-	604
Total current liabilities		318,051	566	-	318,617
Non-current					
Long-term debt		32,531	-	-	32,531
Obligations under finance leases		184	-	-	184
Derivative financial liabilities		667	-	-	667
Total non-current liabilities		33,382	-	-	33,382
Total liabilities		351,433	566	-	351,999
Shareholders' Equity					
Common shares		87,709	-	-	87,709
Contributed surplus		6,080	-	-	6,080
Accumulated other comprehensive income		23	-	-	23
Retained earnings		93,818	(145)	(197)	93,476
Total shareholders' equity		187,630	(145)	(197)	187,288
Total liabilities and shareholders' equity		539,063	421	(197)	539,287

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Statement of Net Earnings	Note	Three Months Ended September 30, 2017 As Originally Presented $	IFRS 15 Adjustments $	IFRS 9 Adjustments $	Three Months Ended September 30, 2017 Restated $
Sales	(i)	238,884	(72)	-	238,812
Cost of sales	(i)	200,052	(47)	-	200,005
Gross profit		38,832	(25)	-	38,807
Selling, general and administrative	(iii)	24,560	-	274	24,834
Gain on derivative financial instruments		(1,308)	-	-	(1,308)
Earnings before finance costs and income taxes		15,580	(25)	(274)	15,281
Finance costs		3,105	-	-	3,105
Earnings before income taxes		12,475	(25)	(274)	12,176
Income taxes		3,408	(6)	(75)	3,327
Net earnings		9,067	(19)	(199)	8,849
Earnings per share					
Basic		0.47	0.00	(0.01)	0.46
Diluted		0.47	0.00	(0.01)	0.46

Statement of Net Earnings	Note	Nine Months Ended September 30, 2017 As Originally Presented $	IFRS 15 Adjustments $	IFRS 9 Adjustments $	Nine Months Ended September 30, 2017 Restated $
Sales	(i)	685,966	(324)	-	685,642
Cost of sales	(i)	584,750	(211)	-	584,539
Gross profit		101,216	(113)	-	101,103
Selling, general and administrative	(iii)	72,497	-	6	72,503
Gain on derivative financial instruments		(1,447)	-	-	(1,447)
Loss on sale of vacant land		641	-	-	641
Earnings before finance costs and income taxes		29,525	(113)	(6)	29,406
Finance costs		9,122	-	-	9,122
Earnings before income taxes		20,403	(113)	(6)	20,284
Income taxes		5,675	(30)	(2)	5,643
Net earnings		14,728	(83)	(4)	14,641
Earnings per share					
Basic		0.76	0.00	0.00	0.76
Diluted		0.76	0.00	0.00	0.76

(i) IFRS 15 adjustment – accounting for the refund of returned parts

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

(ii) IFRS 15 reclassification – presentation of contract assets and contract liabilities

RME has voluntarily changed the presentation of certain amounts in the statement of financial position to reflect the terminology of IFRS 15:

- Contract assets recognized in relation to work-in-progress on our service contracts were previously presented as inventory.
- Contract liabilities in relation to deferred revenue were previously presented as deferred revenue.
- Contract liabilities in relation to equipment deposits of used trade-ins previously presented within trade payables, accruals and other.

(iii) IFRS 9 adjustment – impairment of financial assets

RME has two types of financial assets that are subject to IFRS`s new expected credit loss model including trade receivables and other receivables. RME revised its impairment methodology under IFRS 9 for each class of assets.