U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 40-F

(Check One)

o Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934
Or
þ Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2004 Commission File Number: 001-13425

Ritchie Bros. Auctioneers Incorporated

(Exact Name of Registrant as Specified in Its Charter)

Not Applicable	**Canada**	**Not Applicable**
(Translation of Registrant's Name Into English (if Applicable))	*(Province or Other Jurisdiction of Incorporation or Organization)*	*(I.R.S. Employer Identification Number (if Applicable))*

7389
(Primary Standard Industrial Classification Code Number (if Applicable))

6500 River Road, Richmond, British Columbia, Canada V6X 4G5 (604) 273-7564
(Address and Telephone Number of Registrant's Principal Executive Offices)

Robert K. Whitsit, 4170 Highway 154, Newnan, GA, 30265-1429 (770) 304-3355
(Name, Address (Including Zip Code) and Telephone Number (Including Area Code) of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	*Name of Each Exchange on Which Registered*
Common Shares	**New York Stock Exchange; Toronto Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Not Applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not Applicable
(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

þ Annual information form þ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common Shares: 34,262,300

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes o No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the effectiveness of Ritchie Bros.' disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2004. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective.

There were no significant changes in Ritchie Bros.' internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

The Company's principal executive officer and principal financial officer do not expect that Ritchie Bros.' disclosure controls or internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple mistake or error. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Audit Committee Financial Expert

The Company's Board of Directors has determined that it has at least one audit committee financial expert serving on its Audit Committee. Mr. G. Edward Moul has been determined to be such audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange's corporate governance listing standards applicable to the Company. The SEC has indicated that the designation of Mr. Moul as an audit committee financial expert does not make Mr. Moul an "expert" for any purpose, impose any duties, obligations or liability on Mr. Moul that are greater than those imposed on members of the Audit Committee and Board of Directors who do not carry this designation, or affect the duties, obligations or liability of any other member of the Audit Committee.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code of Conduct") that applies to all employees and officers. The Code of Conduct includes, among other things, written standards for the Company's principal executive officer, principal financial officer and principal accounting officer that are required by the SEC for a code of ethics applicable to such officers. The Code of Conduct is available at the Company's internet website, www.rbauction.com. The Company intends to disclose on its website within five days following the date of any such amendment or waiver, any amendment or waiver of the code of ethics portion of its Code of Conduct applicable to these officers that is required by SEC rules or regulations to be disclosed publicly, and to keep such disclosure available on the website for at least a 12-month period.

Principal Accountant Fees And Services

KPMG LLP and predecessor firms have served as Ritchie Bros.' auditing firm since 1974. Fees billed by KPMG LLP and its affiliates during fiscal 2004 and 2003 were $902,000 and $717,000, respectively. The aggregate fees billed by the auditors in fiscal 2004 and 2003 are detailed below.

	Fiscal 2004	Fiscal 2003
Audit Fees	$ 404,000	$ 259,000
Audit-Related Fees	92,000	76,000
Tax Fees	406,000	382,000
All Other Fees	—	—
Total Fees	$ 902,000	$ 717,000

The nature of each category of fees is as follows:

Audit Fees:

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual consolidated financial statements or services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees:

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the Audit Fees item above.

Tax Fees:

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of original and amended tax returns; assistance with questions regarding tax audits; assistance in completing routine tax schedules and calculations; and tax planning and advisory services relating to common forms of domestic and international taxation (i.e., income tax, capital tax, Goods and Services Tax and Value Added Tax).

Pre-Approval Policies and Procedures:

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee of all audit and non-audit services provided by the external auditor, other than any *de minimus* non-audit services allowed by applicable law or regulation. The policy outlines the procedures and the conditions pursuant to which permissible services proposed to be performed by KPMG LLP are pre-approved, provides a general pre-approval for certain permissible services and outlines a list of prohibited services. For fiscal 2004, none of the services described above were approved by the Audit Committee pursuant to the *de minimus* exemption.

All requests for KPMG LLP to provide services that do not require specific approval by the Audit Committee are reported to and documented by the Company's Corporate Secretary. If the proposed services are not covered by a pre-approval and the estimated fees for the proposed engagement are more than CA$5,000, the engagement of KPMG LLP to provide such services requires specific approval by the Audit Committee. Any proposed engagement to provide services that requires specific approval by the Audit Committee pursuant to the terms of the policy is submitted to the Corporate Secretary for presentation to the Audit Committee for its consideration.

Additional information regarding the Company's corporate governance practices is included in its Information Circular for the 2005 Annual Meeting of Shareholders and on the Company's internet website at www.rbauction.com.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

The following table provides information about the Company's aggregate known contractual obligations as of December 31, 2004:

	Payments Due by Year				
	Total	In 2005	In 2006 and 2007	In 2008 and 2009	After 2009
Long-term debt	$45,925	$35,133	$ 10,577	$ 215	$ —
Operating leases	3,654	1,330	1,599	725	—
Other long term obligations	2,752	1,189	1,563	—	—
Total contractual obligations	$52,331	$37,652	$ 13,739	$ 940	$ —

The long-term debt due within one year presented in this table includes certain revolving loans that the Company expects to extend when they come due and certain term loans that the Company expects to renegotiate. The Company's current assets at December 31, 2004 included funds committed for debt repayment of $1.9 million, which could be used to reduce the amount payable on any of the term loans that may be repaid in 2005. The Company's operating leases related primarily to land on which it operates regional auction units. The properties subject to lease are located in the United States, Australia, Singapore, Mexico, Canada and the United Arab Emirates.

Audit Committee

The Company's Board of Directors has a separately-designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934 for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the Company's annual financial statements. As of the date of this Report, the members of the Audit Committee include Eric Patel, Beverley A. Briscoe and G. Edward Moul. Mr. Moul serves as Chair of the Committee.

Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Signatures

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

RITCHIE BROS. AUCTIONEERS INCORPORATED

By: /s/ ROBERT S. ARMSTRONG

Name: Robert S. Armstrong
Title: Corporate Secretary

Date: February 21, 2005

EXHIBIT INDEX

Exhibit No.	Description
1.	Annual Information Form of the Registrant dated February 21, 2005.
2.	The following audited consolidated financial statements of the Registrant, together with the independent auditors' report dated February 11, 2005 of KPMG LLP , Chartered Accountants:
	a. Consolidated Statements of Operations for the years ended December 31, 2004, 2003 and 2002;
	b. Consolidated Balance Sheets as of December 31, 2004 and 2003;
	c. Consolidated Statements of Shareholders' Equity for the years ended December 31, 2004, 2003 and 2002;
	d. Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002;
	e. Notes to Consolidated Financial Statements (which includes reconciliation with United States generally accepted accounting principles).
3.	Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004
4.	Consent dated February 11, 2005 of KPMG LLP, Chartered Accountants.
31.	Certificates pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.	Certificates pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT NO. 1

RITCHIE BROS. AUCTIONEERS INCORPORATED

ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2004
FEBRUARY 21, 2005

Ritchie Bros. Auctioneers Incorporated
6500 River Road
Richmond, British Columbia
Canada V6X 4G5
(604) 273-7564

www.rbauction.com

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Unless the context otherwise requires, “Ritchie Bros.”, the “Company”, “we”, or “us” each refer to Ritchie Bros. Auctioneers Incorporated and its predecessor entities, either alone or together with its subsidiaries. Unless otherwise specified, references to years are references to calendar years and references to quarters are references to calendar quarters. All dollar amounts are denominated in United States Dollars. All share and per share information gives effect on a retroactive basis to the two-for-one split of our common shares that occurred on May 4, 2004.

Certain names in this document are our trademarks.

Forward Looking Statements

This Annual Information Form contains forward-looking statements that involve risks and uncertainties. These statements are based on our current expectations and estimates about our business, and include, among others, statements relating to:

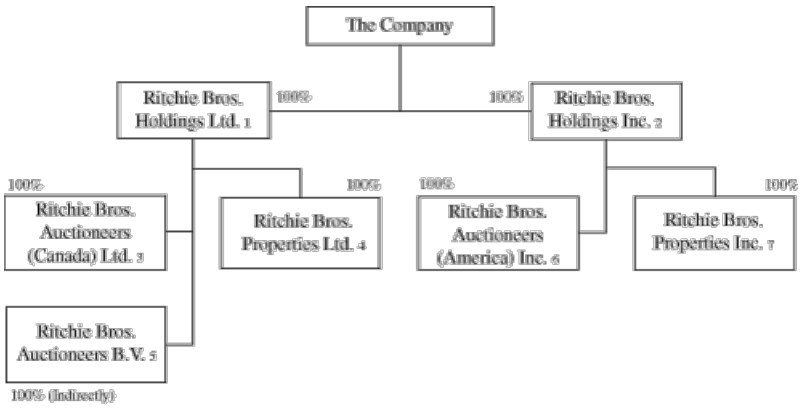
- our future performance;
- growth of our operations;
- expansion of the markets and market segments (geographic and otherwise) in which we conduct auctions, including the international used industrial equipment market;
- increases in the number of consignors and bidders participating in our auctions and the average size of our auctions;
- our competitive strengths;
- the anticipated improvement, acquisition and development by us of auction sites;
- our Internet initiatives and the contribution to our operating results from Internet-based auction purchases;

In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “continue,” “estimate,” “expect,” “intend,” “may,” “might,” “ongoing,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While we have not described all potential risks related to our business and owning our common shares, the important factors listed under “Risk Factors” in our Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004, which is incorporated by reference in this document, are among those that may affect our performance and could cause our actual financial and operational results to differ significantly from our predictions. We do not intend to update publicly any forward-looking statements, even if our predictions have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of these and other relevant factors.

The Company

Ritchie Bros. Auctioneers Incorporated was amalgamated on December 12, 1997 under, and is governed by, the *Canada Business Corporation Act*. Our registered office is located at 1300 — 777 Dunsmuir Street, Vancouver, British Columbia, Canada V7Y 1K2. Our executive office is located at 6500 River Road, Richmond, British Columbia, Canada V6X 4G5 and our telephone number is (604) 273-7564. We maintain a website at www.rbauction.com. None of the information on our website is incorporated into this Annual Information Form by this or any other reference.

The following diagram illustrates the primary intercorporate relationships of our company and our principal operating subsidiaries:



Notes:

1. Ritchie Bros. Holdings Ltd. is a corporation continued under the laws of Canada.
2. Ritchie Bros. Holdings Inc. is a corporation incorporated under the laws of the State of Washington, U.S.A.
3. Ritchie Bros. Auctioneers (Canada) Ltd. is a corporation incorporated under the laws of Canada.
4. Ritchie Bros. Properties Ltd. is a corporation incorporated under the laws of Canada.
5. Ritchie Bros. Auctioneers B.V. is a corporation incorporated under the laws of The Netherlands.
6. Ritchie Bros. Auctioneers (America) Inc. is a corporation incorporated under the laws of the State of Washington, U.S.A.
7. Ritchie Bros. Properties Inc. is a corporation incorporated under the laws of the State of Washington, U.S.A.

OVERVIEW

We are the world's largest auctioneer of industrial equipment. At December 31, 2004, we operated from over 110 locations, including 29 auction sites, in 25 countries around the world. We sell, through unreserved public auctions, a broad range of assets, including trucks and equipment used in the construction, transportation, mining, forestry, petroleum, material handling, marine and agricultural industries. Our customers are primarily end users of equipment (retail buyers), such as contractors, and they also include equipment manufacturers, dealers, brokers and finance companies (wholesale buyers). Consignment volumes at our auctions are affected by a number of factors, including regular fleet upgrades and realignments, financial pressure, mergers and acquisitions, retirements, inventory reductions and the completion of major construction and other projects.

Our gross auction sales, which represent the total proceeds from all items sold at our auctions, were $1.79 billion for the year ended December 31, 2004, which is 15% higher than in 2003. We believe that we sell more used trucks and equipment than any other company in the world, and industry observers estimate that our gross auction sales exceed the combined sales of our 40 largest auction competitors.

Strict adherence to the unreserved auction process is one of our founding principles and, we believe, one of our significant competitive advantages. Unreserved means that there are no minimum or reserve prices on anything sold at a Ritchie Bros. auction – each item sells to the highest bidder on sale day regardless of the price. In addition, consignors (or their agents) are not allowed to bid on or buy back their own equipment. We have maintained our commitment to the unreserved auction process since our first industrial auction in 1963.

We attract a broad base of customers from around the world to our auctions. Our worldwide marketing efforts help to attract them to the auction, and they are willing to travel long distances because of our reputation for conducting fair auctions. These multinational bidding audiences provide a global marketplace that allows our auctions to transcend local market conditions. Evidence of this is the fact that in recent periods, an average of over 50% of the trucks and equipment sold at our auctions leaves the region of the sale. We believe that our ability to consistently draw significant numbers of local and international bidders to our auctions, most of whom are end users of trucks and equipment rather than resellers, is appealing to sellers of used equipment and generates a greater volume of consigned equipment than our competitors. Higher consignment volumes attract more bidders, which in turn attract greater consignments, and so on.

History and Development of Our Business

We held our first major industrial auction in 1963, selling over $600,000 worth of construction equipment in Radium, British Columbia. While our early auction sales were held primarily in Western Canada, Ritchie Bros. expanded eastward through the 1960s.

By 1970, we had established operations in the United States and held our first U.S. sale in Beaverton, Oregon. Throughout the 1970s and 1980s, we held auctions in additional locations across Canada and an increasing number of American states. In 1987, we held our first European auctions in Liverpool, U.K. and Rotterdam, The Netherlands. Our first Australian auction was held in 1990. This was followed by expansion into Asia and subsequent sales in countries including Japan, the Philippines and Singapore. We held our first Mexican auction in 1995 and our first Middle Eastern auction in Dubai, U.A.E. in 1997.

In 2003 we held our first African auction in Durban, in the Republic of South Africa, and our first Greek auction, in Athens. We also established a presence in Brazil and hired a sales representative in Istanbul, Turkey. In 2004 we opened a representative office staffed with three employees in Beijing, China, opened a representative office in Jakarta, Indonesia, opened an office in Tehran, Iran, and hired a sales representative in New Delhi, India.

In 1994, we introduced our prototype auction facility, opening new permanent auction sites in Fort Worth, Texas and Olympia, Washington that represented significant improvements over the facilities being used at the time by industrial equipment auctioneers. We have since constructed similar facilities in various locations in Canada, the United States, Europe, Australia, Asia and the Middle East.

In March 1998, we completed our initial public offering (or IPO) of our common shares, selling 3,335,000 common shares at $17.00 per share. We allocated the net proceeds of approximately $54.0 million to the acquisition and development of additional permanent auction sites, the replacement or upgrade of certain existing permanent sites and general corporate purposes. Our common shares trade on the New York Stock Exchange, and, since January 27, 2004, on the Toronto Stock Exchange, on both exchanges under the ticker symbol “RBA”. On May 4, 2004 we effected a two-for-one stock split on our common shares.

Industry

We operate mainly in the auction segment of the global industrial equipment marketplace, a segment that is highly fragmented but growing. Our primary target markets within the global industrial equipment market are the used truck and equipment sectors, which are large and fragmented. Industry analysts estimate that there is approximately $1 trillion of used industrial equipment of the type we sell in circulation worldwide, and that around $100 billion of that equipment changes ownership each year. Of this total, only a fraction is currently traded through auctions, with the majority being sold directly by the owner or through dealers and brokers. Much of the equipment that we sell can be used in multiple industries and in diverse geographic locations. Although we are the largest participant in this highly fragmented marketplace, our 2004 gross auction sales represented less than 2% of the total market.

As we grow our business we intend to capitalize on a number of key characteristics of the global industrial equipment market:

Growing Market for Used Industrial Equipment. The international used industrial equipment market continues to expand primarily as a result of the increasing, cumulative supply of used trucks and equipment, which is driven by the ongoing production of new trucks and equipment by manufacturing companies.

Growth of the Auction Segment of the Industrial Equipment Market. We believe that auctions represent an increasingly popular distribution channel for industrial equipment for the following reasons:

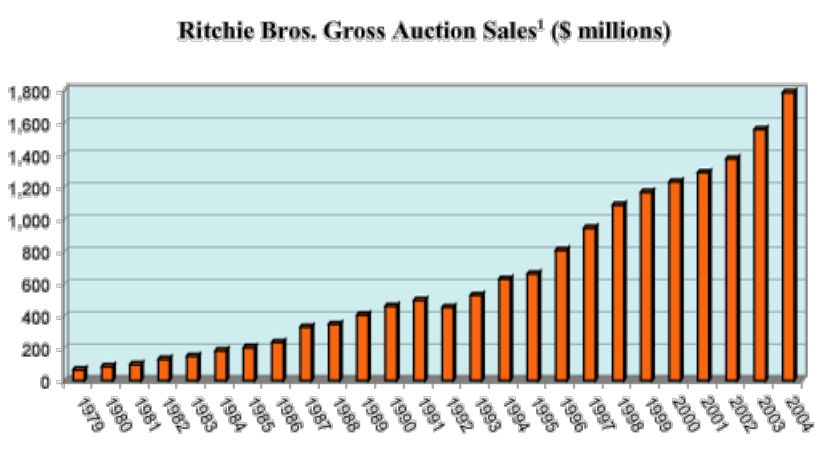
- The ability of auctioneers to sell a wide range of equipment and related assets and therefore offer a comprehensive and convenient service to buyers and sellers;
- The increasing transparency of the international used equipment market due in large part to the depth of information now available on the Internet;
- The increasing preference of sellers to access the auction marketplace in order to achieve a sale quickly and efficiently; and
- The ability of auctioneers to deliver high net proceeds on the sale of equipment.

Attractiveness of Industrial Equipment Auction Market. In addition to the growth of both the industrial equipment market as a whole and the auction segment of that market, we believe that the following are attractive characteristics of the industrial equipment auction business:

- The industrial equipment auction business is relatively insulated from cyclical economic trends. Many of the factors that prompt owners to sell equipment also create an environment in which equipment buyers opt for high quality used equipment rather than typically more expensive new equipment. As a result, auctioneers can capitalize on economic downturns as well as upturns;
- Industrial equipment auctioneers are not restricted to selling lines of equipment provided by a particular manufacturer or manufactured for a particular industry, or to holding auctions in a particular geographic region;
- Auction companies do not typically bear the risks associated with holding inventory over extended periods;
- The industrial equipment auction industry is highly fragmented (and we are the largest participant in that industry); and
- Used industrial equipment is well-suited to the auction method of buying and selling because items of used equipment cannot be valued on a commodity basis. The transparency of the unreserved auction method gives buyers and sellers confidence that the equipment has traded for a fair market price.

COMPETITIVE ADVANTAGES

Our key strengths provide distinct competitive advantages and have enabled us to attract an increasing number of consignors and bidders to our auctions, allowing us to achieve significant and profitable growth. Our gross auction sales have grown at a compound annual growth rate of 14% over the last 25 years, as illustrated below.



(1) Gross auction sales represents the total proceeds from all items sold at our auctions. Gross auction sales is not a measure of our revenue and is not presented in our consolidated financial statements. Gross auction sales is a measure of our operating performance and we believe that gross auction sales provides an important comparative measure of our relative operating performance between periods.

Reputation for Conducting Only Unreserved Auctions. We believe that our highly publicized commitment to fair dealing and the unreserved auction process is a key contributor to our growth and success. All of our auctions are unreserved, meaning that there are no minimum or reserve prices; each and every item is sold to the highest bidder on the day of the auction. Consignors are prohibited by contract from bidding on their own consigned items at the auction or in any way artificially affecting the auction results. Bidders at our auctions have confidence that if they are the high bidder on an item, then they are the buyer of that item, regardless of price. We believe that Ritchie Bros.' reputation for conducting only unreserved auctions is a major reason why bidders are willing to commit the necessary time and effort to participate in our auctions, and we believe that the size and breadth of the resulting bidding audiences enable us generally to achieve higher prices than our competitors.

Ability to Transcend Local Market Conditions. We market each auction to a global customer base of potential bidders, through the use of traditional print media and the Internet. Because bidders are willing to travel between regions and countries to attend our auctions, and are able to participate over the Internet if they are unable or choose not to attend in person, consignors have confidence that they will receive the world market price for their equipment. In recent periods, buyers from outside the region in which the auction is being held have typically accounted for 50% or more of the gross auction sales at our auctions.

International Scope. We have substantial expertise in marketing, assembling and conducting auctions in international markets. We have conducted auctions in more than 20 countries and we regularly hold auctions in North America, Europe, Australia and the Middle East.

Extensive Network of Auction Sites. Our international network of 29 auction sites is attractive to consignors of trucks and equipment with widely dispersed fleets and also to manufacturers wanting to access multiple regional markets. We believe that our network of auction sites has allowed us to achieve economies of scale by holding more frequent and larger auctions at our existing facilities, taking advantage of our considerable operating capacity without incurring significant incremental costs. In addition, many of our auction sites are equipped with environmentally certified painting and refurbishing facilities which, together with purpose-built auction theatres and equipment display yards, allow us to deliver a uniquely high level of service to our customers.

Proprietary Databases. We maintain sophisticated databases containing information on several million pieces of equipment sold at auctions around the world, detailed information regarding new equipment prices and listings of stolen equipment. Together with our unique and comprehensive information about the flow of equipment coming to market, these databases allow us to identify market trends and estimate equipment values.

We also maintain a proprietary customer information database containing detailed information on more than 400,000 companies and individuals from over 200 countries, including each customer's auction attendance, trade association memberships, buying and travel habits and banking information. This database enables us to identify customers that might be interested in the equipment being sold at any particular auction.

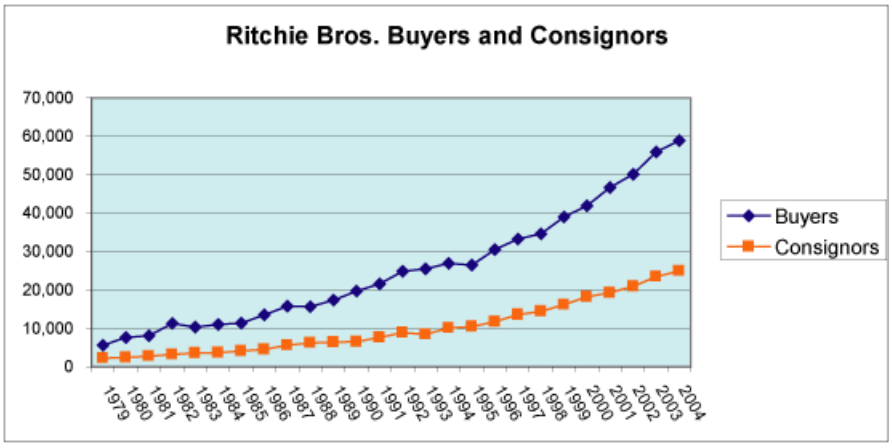
Internet Services. We believe that our extensive Internet presence and the tools available on our website are valuable to buyers and sellers of equipment and represent a distinct competitive advantage for Ritchie Bros. Our *rbauctionBid-Live* internet bidding service has had a positive impact on our ability to transcend local market conditions and offer international scope to equipment buyers and sellers. It has also increased the number of bidders participating in our auctions, which we believe has led to higher selling prices. We launched the *rbauctionBid-Live* service in 2002, and by the end of 2004 we had over 25,000 customers from 110 countries registered to use the service and customers bidding in our live auctions over the Internet were the buyer or runner-up bidder on more than 15% of the available items. The average size of the bidding audiences at our industrial auctions has increased 28% to 1,378 registered bidders from 1,080 bidders in 2001, prior to the implementation of the *rbauctionBid-Live* service.

Size and Financial Resources. In addition to being the world's largest auctioneer of industrial equipment, we believe that we sell more used trucks and equipment than any other company, including non-auction companies such as manufacturers, dealers and brokers, making us the largest participant in this highly fragmented market. In addition to our strong market position, we have the financial resources to offer our consignors guarantee and outright purchase contracts, to invest in new technologies and to expand into new markets.

Dedicated and Experienced Workforce. Our sales and support team is a key part of our customer service effort. We had 615 full-time employees at December 31, 2004. All employees participate in performance bonus programs that tie their overall compensation to corporate and personal performance, and none are compensated on a commission basis. Our senior management team has extensive industry experience – the five members of our senior management Executive Committee have a combined experience of almost 100 years in the equipment auction industry.

These competitive advantages have enabled us to hold successful auctions that are appealing to both buyers and consignors alike, as evidenced by the growth in the number of buyers and consignors participating in our auctions, set out in the graph below, and the resulting growth in our gross auction sales. We believe that our auctions generally draw a larger number of bidders than most other industrial equipment auctions. Also, the majority of the bidders at our auctions are end-users of equipment (typically retail buyers) rather than brokers or dealers (typically wholesale buyers). In recent periods, approximately 80% of our gross auctions sales have been to end-users. Large end-user bidder audiences, including international bidders and Internet bidders, enable us to deliver world market prices. This potential for high proceeds on the sale of trucks and equipment is a core part of our value proposition and helps to attract consignments, which further attracts larger bidder audiences in a self-reinforcing process. In addition, the success of one auction helps to attract a greater volume and selection of consigned equipment to the next auction, which attracts more bidders, which attracts more consignments, and so on.

We view this as a self-reinforcing process that we believe has been working in our favor for over 40 years. We believe that this momentum, together with our size and reputation, gives our customers confidence in our auction services, which contributes to our growth and acts as a barrier to entry for potential competitors.



Growth Strategies

We intend to take advantage of our momentum and extensive infrastructure to continue to grow our gross auction sales by making further inroads into markets and regions that we have already entered. In addition, we intend to continue to seek opportunities to expand into new market segments and to broaden our geographic reach by entering new countries and regions.

Because of the large size of our potential market, it is our view that the most important factors influencing our future growth are internal factors, rather than external factors. We believe that our ability to design and implement an appropriate growth strategy is the most important factor influencing our future growth.

Key elements of our growth strategy are as follows:

- Increase our customer base and seek to continually improve the service we provide to our existing customers;
- Expand our geographic reach by developing new customer relationships and holding auctions in new markets;
- Further expand into related and complementary markets, such as agricultural, transportation, industrial plant and industrial marine segments;
- Use the Internet and other technologies to enhance our business;
- Improve sales force productivity by focusing on recruiting and training and by using technology to increase the efficiency and effectiveness of our sales force;
- Develop business processes that are efficient, consistent and scalable; and
- Continue to expand our network of auction sites at an average rate of one to two sites per year.

Operations

During the year ended December 31, 2004, we conducted 147 unreserved industrial auctions at locations in North America, Europe, the Middle East and Australia. We also conducted 93 smaller unreserved agricultural auctions in 2004. Although our auctions vary in size, the average Ritchie Bros. industrial auction in 2004 attracted over 1,300 bidders and featured approximately 1,200 lots consigned by about 170 consignors. The average gross auction sales at our industrial auctions in 2004 was approximately $12.0 million.

In 2004, approximately 88% of our gross auction sales came from auctions held at our permanent auction sites and regional auction units, which is roughly consistent with our experience in recent periods. Permanent auction sites are located on land that we own. Our permanent auction sites average over 60 acres in size and typically include an equipment display yard, an auction theatre, administrative offices, customer parking, and an environmentally certified refurbishing facility. Regional auction units are auction sites located on leased land that typically have more modest facilities than a permanent auction site. The remaining 12% of our gross auction sales in 2004 came from “off-site” auctions, typically held on rented or consignor-owned land. The decision about whether to hold a particular auction at one of our sites versus an off-site location is influenced by the nature, amount and location of the equipment to be sold. In 2004, approximately 57% of our gross auction sales was earned in the United States, with approximately 20% earned in Canada and 15% in Europe.

Our gross auction sales and auction revenues are affected by the seasonal nature of the auction business. Our gross auction sales and auction revenues tend to increase during the second and fourth calendar quarters, during which time we generally conduct more business than in the first and third calendar quarters.

Some of the key elements of our auction process include:

Attracting Bidders. We believe our proprietary customer database, which contains over 400,000 customer names from more than 200 countries, significantly enhances our ability to market our auctions effectively. We typically send up to 50,000 full-color auction brochures for each auction to strategically selected customers. We also conduct targeted regional and industry-specific advertising and marketing campaigns. In addition, we post information about all of the consigned equipment at upcoming auctions on our website so that potential bidders can review equipment descriptions and view photographs of many of the items to be sold. 202,571 bidders registered to bid at our industrial auctions in 2004 compared to 181,039 in 2003.

Attracting Equipment. We solicit equipment consignments ranging from single pieces of equipment consigned by local owner-operators to large equipment fleets offered by multi-national consortiums upon the completion of major construction projects. For substantial consignments, our service typically begins with an equipment appraisal that gives the prospective consignor a credible estimate of the value of the appraised equipment. We believe that our consignors choose to sell their equipment at our auctions, rather than through other channels or other auctioneers, because they believe that selling at a Ritchie Bros. auction is the best way to maximize the net proceeds on the sale of their assets. During 2004 we received 24,868 consignments at our industrial auctions, typically comprised of multiple lots, compared to 23,480 consignments in 2003.

Our willingness to take consignment of a customer’s full equipment fleet, including ancillary assets such as inventories, parts, tools, attachments and construction materials, rather than only accepting selected items, is another valued service that we offer to consignors that sets us apart from most of our competitors.

Attractive Contract Options. We offer consignors several contract options to meet their individual needs. These can include a straight commission contract, where the consignor receives the gross proceeds on the sale minus an agreed upon commission rate, as well as alternate arrangements including guarantee contracts (where the consignor receives a guaranteed minimum amount plus an additional amount if proceeds exceed a specified level) or an outright purchase of the equipment by us for resale. We refer to guarantee and outright purchase contracts as our underwritten business. Guarantee contracts have generally represented about 15% of our gross auction sales on an annual basis in recent periods, while outright purchases have averaged about 10% of our gross auction sales on an annual basis in recent periods.

Our commission structure reflects the degree of risk we assume with respect to the equipment being sold. In general, on similar packages of equipment, we charge lower commissions for straight commission sales than for guarantee contracts. In the case of outright purchases, pricing takes into account the risks we assume. We typically offer guarantee and purchase contract options only on large, diverse fleets of equipment. We manage the risk associated with our underwritten business by performing detailed appraisals of the equipment and involving senior levels of management in the decision making process.

Value-Added Services. We provide a wide array of services to make the auction process convenient for buyers and sellers of equipment. Examples of these services include:

- conducting title searches on consigned equipment, where registries are commercially available, to ensure the equipment is sold with clear title;
- making consigned equipment available for inspection by prospective buyers;
- providing access to representatives of finance companies, transportation companies, customs brokerages and other service providers;
- providing facilities for on-site cleaning, painting and refurbishment of equipment; and
- handling all marketing, as well as collection and disbursement of proceeds.

Marketing and Sales

At December 31, 2004, we employed 198 sales representatives. These representatives are deployed by geographic region around the world. Each sales representative is primarily responsible for the development of customer relationships and sourcing consignments in the representative's region. Sales representatives are also involved in the appraisal and proposal presentation process. To encourage global teamwork and superior customer service, none of our employees is paid on a commission basis. All of our employees are compensated primarily by a combination of base salary and performance bonus.

Sales force productivity is an important measure of our relative operating performance between periods. Productivity is measured as gross auction sales per sales representative. Over the long term, we have experienced average annual gross auction sales of approximately $8 million per sales representative. However, our sales force productivity dropped following our IPO, mainly because we significantly increased the size of our sales force. By 2003 our average gross auction sales per sales representative had returned to a rate of approximately $8 million. It generally takes between two and three years for a new sales representative to achieve the level of productivity we expect, and our sales force productivity is returning to historic levels as the sales representatives we added over the last five years become fully productive.

To support our sales representatives, we follow a dual marketing strategy, promoting Ritchie Bros. and the unreserved auction process in general, as well as marketing specific auctions. This dual strategy is designed to attract both consignors and bidders to our auctions. Our advertising and promotional efforts include the use of trade journals and magazines and attendance at numerous trade shows held around the world. We also participate in international, national and local trade associations. The rbauction.com website is another important component of our marketing effort.

In addition to regional marketing through our sales representatives, we market through our national accounts team to large national customers, including rental companies, manufacturers and finance companies, who have equipment disposition requirements in various regions and countries and can therefore benefit from our international network of auction sites.

International Network of Auction Sites

We attempt to establish our auction sites in industrial areas close to major cities. Although we lease some auction sites, we prefer to purchase land and construct purpose-built facilities once we have determined that a region can generate sufficient financial returns to justify the investment. We generally do not construct a permanent auction site in a particular region until we have conducted a number of offsite sales in the area, and often we will operate from a regional auction unit for several years before considering a more permanent investment. This process allows us to evaluate the market potential before we make a significant investment. We will not invest in a permanent auction site unless we believe there is an opportunity for significant, profitable growth in a particular region. Our average expenditure on a permanent auction site has been between $10 million and $15 million in recent years, including land, improvements and buildings.

We operated from the following auction sites at February 21, 2005:

Permanent Auction Sites:

Canada	***Size (Acres)***	***Year Placed in Service***
Vancouver, British Columbia	8	1979
Prince George, British Columbia	60	2003
Grande Prairie, Alberta	31	2002
Edmonton, Alberta	125	2002
Toronto, Ontario	65	1998
Montreal, Quebec	60	2000
Halifax, Nova Scotia	26	1997
United States		
Olympia, Washington	79	1994
Perris, California	67	2000
Sacramento, California (1)	90	2005
Phoenix, Arizona	48	2002
Albuquerque, New Mexico	11	1999
Denver, Colorado	39	1985
Fort Worth, Texas	114	1994
Houston, Texas	54	1993
Minneapolis, Minnesota	29	1991
Morris, Illinois	91	2000
Atlanta, Georgia	85	1996
Statesville, North Carolina	40	1999
Orlando, Florida	99	2002
North East, Maryland	80	2001
Other Countries		
Moerdijk, The Netherlands	53	1999
Brisbane, Australia	42	1999

Regional Auction Units:

Valencia, Spain	Dubai, United Arab Emirates
Kansas City, Missouri	Singapore
Toluca, Mexico	Melbourne, Australia

(1) The Sacramento, California permanent auction site replaced the Stockton, California regional auction unit effective January 1, 2005. The first sale at the Sacramento site is scheduled for March 2005.

At certain of our auction sites we own additional property that may be available for future expansion or sale. We also own land in other areas not listed above that may be available for future expansion or sale.

Competition

Both the international used industrial equipment market and the auction segment of that market are highly fragmented. We compete for potential purchasers of industrial equipment with other auction companies and with non-auction competitors such as equipment manufacturers, distributors and dealers, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies, equipment dealers and brokers, and equipment owners who have traditionally disposed of equipment through private sales.

Governmental and Environmental Regulations

Our operations are subject to a variety of federal, provincial, state and local laws, rules and regulations relating to, among other things, the auction business, imports and exports of equipment, worker safety and the use, storage, discharge and disposal of environmentally sensitive materials. In addition, our development or expansion of auction sites depends upon

the receipt of required licenses, permits and other governmental authorizations, and we are subject to various local zoning requirements with regard to the location of our auction sites, which vary from location to location.

Under some of the laws regulating the use, storage, discharge and disposal of environmentally sensitive materials, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, such property, as well as related costs of investigation and property damage. These laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances.

We obtain Phase I environmental assessment reports prepared by independent environmental consultants in connection with our site acquisitions. A Phase I assessment consists of a site visit, historical record review, interviews and reports, with the purpose of identifying potential environmental conditions associated with the subject property. There can be no assurance, however, that acquired or leased sites have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of environmental liability upon us or expose us to third-party actions such as tort suits.

There are restrictions in the United States and Europe that may affect the ability of equipment owners to transport certain equipment between specified jurisdictions. One example of these restrictions is environmental certification requirements in the United States, which prevent non-certified equipment from being entered into commerce in the U.S.

We believe that we are in compliance in all material respects with all laws, rules, regulations and requirements that affect our business, and that compliance with such laws, rules, regulations and requirements does not impose a material impediment on our ability to conduct our business.

Risk Factors

Disclosure relating to risk factors concerning us and our business is included under “Risk Factors” in our Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004, which has been filed on SEDAR at www.sedar.com, and is incorporated in this document by reference.

Dividends

We currently pay a regular quarterly cash dividend of $0.11 per common share. We currently intend to continue to declare and pay a regular quarterly cash dividend in this amount on our common shares. However, any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors, after taking into account our operating results, financial condition, cash requirements, financing agreement restrictions and other factors our Board may deem relevant. In 2004 we paid total cash dividends of $0.37 per common share, compared to $0.15 per share in 2003 and nothing in 2002.

Because Ritchie Bros. Auctioneers Incorporated is a holding company with no material assets other than the shares of its subsidiaries, our ability to pay dividends on our common shares depends on the income and cash flow of our subsidiaries. No financing agreements to which our subsidiaries are party currently restrict those subsidiaries from paying dividends.

Capital Structure

We have the following shares authorized for issuance and issued and outstanding:

Description	Number Authorized	Number Issued and Outstanding
Common shares, without par value	Unlimited	34,262,300
Senior preferred shares, without par value, issuable in series	Unlimited	None
Junior preferred shares, without par value, issuable in series	Unlimited	None

Our Board of Directors is authorized to determine the designations, rights and restrictions to be attached to the Senior preferred shares and Junior preferred shares (together, the preferred shares) upon issuance. No preferred shares have been issued.

Holders of our common shares are entitled to one vote for each share held on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any preferred shares outstanding at the time, holders of common shares are entitled to receive ratably any dividends as may be declared from time to time by our Board of Directors out of funds legally available for dividends. See “Dividends” section. In the event of a liquidation, dissolution or winding up, holders of common shares are entitled to share ratably in all assets of the Company remaining after payment of liabilities and any liquidation preferences of any outstanding preferred shares.

Market for Securities

Our common shares are listed for trading on the New York Stock Exchange, or the NYSE, and, since January 27, 2004, on the Toronto Stock Exchange, or the TSX, on both exchanges under the ticker symbol “RBA”. The closing price of our common shares on February 21, 2005 on the NYSE was $31.67 and on the TSX was CA$38.80.

Our trading volumes and price ranges on the NYSE and the TSX for the year ended December 31, 2004 are as follows:

	NYSE (US$)				TSX (CA$)			
Date	High Price	Low Price	Closing Price	Total Volume	High Price	Low Price	Closing Price	Total Volume
December-04	$ 33.25	$ 29.72	$ 33.06	685,000	$ 40.75	$ 35.60	$ 39.79	60,833
November-04	31.10	28.06	29.90	1,158,400	37.21	34.60	35.49	187,820
October-04	31.40	29.60	30.51	524,200	39.50	36.40	37.14	31,421
September-04	30.65	27.07	30.65	453,200	38.00	35.40	37.85	38,864
August-04	30.00	27.20	27.93	357,000	39.00	35.90	36.83	165,723
July-04	30.35	28.50	29.58	538,500	40.00	37.96	39.80	38,397
June-04	29.15	25.92	29.11	727,900	39.50	35.40	38.97	68,641
May-04(1)	30.45	26.40	27.11	747,000	41.50	36.35	37.05	144,564
April-04(1)	29.63	28.20	29.38	952,000	40.44	40.50	40.50	51,908
March-04(1)	28.5	26.25	28.10	1,990,100	38.01	34.91	37.10	115,412
February-04(1)	27.75	26.00	27.01	1,520,800	37.00	34.50	36.15	240,460
January-04(1)	26.63	25.01	26.53	1,805,600	35.35	33.73	35.06	377,260

(1) For ease of comparison, the prices and volumes have been adjusted to give retroactive effect to the two-for-one stock split that took effect on May 4, 2004.

Directors and Executive Officers

Under our Articles of Amalgamation, our number of directors is set at a minimum of three and a maximum of ten and the directors are authorized to determine the actual number of directors to be elected from time to time. We currently have seven directors. Each of our directors is elected annually and holds office until our next annual meeting of shareholders unless he or she ceases to hold office before that date. Information concerning our directors is as follows:

Directors

Name and Municipality of Residence	Position with the Company	Principal Occupation or Employment (1)	Previous Service as a Director
David E. Ritchie Leduc, Alberta, Canada	Chairman of the Board and a Director(2)	Chairman of the Board	Director since December 12, 1997
Peter J. Blake Vancouver, B.C., Canada	Chief Executive Officer and a Director(2)	Chief Executive Officer of the Company	Director since December 12, 1997
C. Russell Cmolik(3) Surrey, B.C., Canada	Director	Businessman(6)	Director since December 12, 1997
Charles E. Croft(3)(4) Vancouver, B.C., Canada	Director	President and Director of Falcon Pacific Financial Corp. and its Subsidiaries	Director since June 17, 1998
G. Edward Moul(3)(5) West Vancouver, B.C., Canada	Director	Director and officer of The McEmcy Company of Canada Ltd., Peace Portal Properties Ltd. and certain other private real estate Companies	Director since June 17, 1998
Eric Patel(4)(5) Vancouver, B.C., Canada	Director	Business Consultant(7)	Director since April 14, 2004
Beverley A. Briscoe(4)(5) Vancouver, B.C., Canada	Director	Business Consultant(8)	Director since October 29, 2004

NOTES:

(1) This information has been provided by the respective director as of February 8, 2005.

(2) Mr. Ritchie retired from the position of our Chief Executive Officer effective October 31, 2004, a position he had held since 1997. Mr. Blake was appointed our Chief Executive Officer effective November 1, 2004. Prior to being appointed CEO, Mr. Blake was our Senior Vice-President and Chief Financial Officer and prior to that, our Vice-President Finance and Chief Financial Officer.

(3) We have a compensation committee and Messrs. Croft, Moul and Cmolik are members of the Compensation Committee.

(4) We have a nominating and corporate governance committee and Messrs. Patel and Croft and Ms. Briscoe are members of the Nominating and Corporate Governance Committee.

(5) We have an audit committee and Messrs. Patel and Moul and Ms. Briscoe are members of the Audit Committee.

(6) Mr. Cmolik was our President and Chief Operating Officer until his retirement in July 2002.

(7) Prior to becoming a business consultant in 2004, Mr. Patel was Chief Financial Officer (or CFO) of Crystal Decisions, Inc., a privately held software company. Mr. Patel joined Crystal Decisions in 1999 after holding executive level positions, including that of CFO, with University Games, Inc., a privately held manufacturer of educational toys and games. Before 1997, Mr. Patel worked for Dreyer's Grand Ice Cream as Director of Strategy, for Marakon Associates strategy consultants and for Chemical Bank.

(8) Beverley Briscoe was appointed to the Company's Board effective October 29, 2004. Ms. Briscoe is currently a business consultant. Until 2004, Ms. Briscoe was the president of her own transportation services company, Hiway Refrigeration Ltd., which she acquired in 1997. Prior to that she held senior executive positions with Wajax Industries Ltd., the Rivtow Group of Companies, and the Jim Pattison Group. Ms. Briscoe is Chair of the British Columbia Government's Industry Training Authority, a member of the Boards of BC Rail Corporation, Dental Technologies Inc. and Westminster Savings Credit Union, as well as a Director of the Boys and Girls Club of Greater Vancouver. She also sits on the British Columbia Government's Accounting Policy Advisory Committee. Ms. Briscoe is a Chartered Accountant.

Mr. Moul is our Lead Independent Director. His role is to assist the Chairman of our Board to ensure our Board discharges its responsibilities in an efficient and effective manner. Mr. Moul can be reached at (604) 233-6153 or by email at leaddirector@rbauction.com.

Executive Officers

The following Executive Officers are appointed by our Board of Directors:

Name and Municipality of Residence	Position with the Company
Peter J. Blake Vancouver, British Columbia, Canada	Chief Executive Officer(1)
Randall J. Wall Burnaby, British Columbia, Canada	President and Chief Operating Officer
Robert K. Mackay Delta, British Columbia, Canada	Executive Vice-President
Robert K. Whitsit Newnan, Georgia, U.S.A.	Senior Vice-President, Southeast and Northeast Divisions
Roger W. Rummel Paradise Valley, Arizona, U.S.A.	Senior Vice-President
Robert S. Armstrong New Westminster, British Columbia, Canada	Chief Financial Officer and Corporate Secretary (1)

(1) Mr. Blake was appointed CEO and Mr. Armstrong was appointed CFO effective November 1, 2004. Mr. Ritchie retired from the position of CEO effective October 31, 2004. Prior to being appointed CEO, Mr. Blake was our Senior Vice-President and Chief Financial Officer and prior to that, our Vice-President Finance and Chief Financial Officer. Prior to being appointed CFO, Mr. Armstrong was our Vice-President Finance and Corporate Secretary.

As of February 21, 2005, our directors and Executive Officers as a group beneficially owned, directly or indirectly, or exercised control or direction over approximately 28% of our issued and outstanding common shares.

Audit Committee Information

Our Audit Committee primarily assists our Board of Directors in overseeing:

- the integrity of our financial statements,
- our compliance with legal and regulatory requirements,
- the independent auditor's qualifications and independence,
- the performance of our internal audit function and independent auditor.

In particular, our Audit Committee's role includes, among other things, ensuring that management properly develops and adheres to a sound system of disclosure controls and procedures and internal controls. The full text of our Audit Committee charter, which complies with the NYSE and TSX corporate governance standards and applicable securities laws, is included in Appendix A of this document and is available on our website.

Our Audit Committee is composed of the following members:

Member	Independent	Financially Literate	Relevant Education and Experience
G. Edward Moul(1)	Yes	Yes	• Chartered Accountant • Regional Executive Partner – Thorne Ernst and Whinney (predecessor firm of KPMG) – retired in 1989 • President, Officer and Director of a number of private companies
Eric Patel(2)	Yes	Yes	• Chief Financial Officer – Crystal Decisions, Inc., a privately held software company – 1999 to 2004 • Executive positions, including CFO – University Games, Inc., a privately held manufacturer of educational toys and games – 1997 to 1999 • Director of Strategy – Dreyer's Grand Ice Cream • Strategy consultant – Marakon Associates • MBA degree from Stanford University
Beverley A. Briscoe(2)	Yes	Yes	• Chartered Accountant • President and owner – Hiway Refrigeration – 1997 to 2004 • Vice President and General Manager – Wajax Industries Ltd. • Vice President of Finance – Rivtow Group of Companies • Chief Financial Officer – various operating divisions of The Jim Pattison Group in British Columbia and Geneva, Switzerland • Auditor – Predecessor firm of PricewaterhouseCoopers • Ms. Briscoe sits on a number of Boards, including the British Columbia Government's Accounting Policy Advisory Committee • Bachelor of Commerce degree from University of British Columbia

(1) Mr. Moul is the Chairman of our Audit Committee and has been since the Committee was created in 1997.

(2) Mr. Patel and Ms. Briscoe were appointed to the Audit Committee in 2004, replacing Charles E. Croft and C. Russell Cmolik.

In fulfilling its responsibilities, our Audit Committee held regular meetings in 2004 with our external auditors and with management. In these meetings, the Audit Committee discussed with management and the external auditors, among other things, the quality and acceptability of accounting principles and significant transactions or issues encountered during the period. In addition, our Audit Committee met with our external auditors independent of management to provide for independent and confidential assessment of management and the internal controls as they relate to the quality and reliability of our financial statements.

In addition to retaining KPMG LLP to audit our consolidated financial statements for the year ended December 31, 2004, we retained KPMG LLP to provide various non-audit services in 2004. Fees billed by KPMG LLP and its affiliates during fiscal 2004 and 2003 were U.S.$902,000 and U.S.$717,000, respectively. The aggregate fees billed for professional services by KPMG LLP during fiscal 2004 and 2003 are as follows:

	Fiscal 2004	Fiscal 2003
Audit Fees	$ 404,000	$ 259,000
Audit-Related Fees	92,000	76,000
Tax Fees	406,000	382,000
All Other Fees	—	—
Total Fees	$ 902,000	$ 717,000

The nature of each category of fees is as follows:

Audit Fees:
Audit fees were paid for professional services rendered by the auditors for the audit of our annual consolidated financial statements or services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees:
Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the Audit Fees item above.

Tax Fees:
Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of original and amended tax returns; assistance with questions regarding tax audits; assistance in completing routine tax schedules and calculations; and tax planning and advisory services relating to common forms of domestic and international taxation (i.e., income tax, capital tax, Goods and Services Tax and Value Added Tax).

The Audit Committee is responsible for the appointment, compensation and oversight of the work of our independent auditor and is required to pre-approve all non-audit related services performed by KPMG LLP. Accordingly, the Audit Committee has adopted a pre-approval policy. The policy outlines the procedures and the conditions pursuant to which permissible services proposed to be performed by KPMG LLP are pre-approved, provides a general pre-approval for certain permissible services and outlines a list of prohibited services.

All requests for KPMG LLP to provide services that do not require specific approval by the Audit Committee are reported to and documented by our Corporate Secretary. If the proposed services are not covered by a pre-approval and the estimated fees for the proposed engagement are more than CA$5,000, the engagement of KPMG LLP to provide such services requires specific approval by the Audit Committee. Any proposed engagement to provide services that requires specific approval by the Audit Committee pursuant to the terms of the policy is submitted to the Corporate Secretary for presentation to the Audit Committee for its consideration.

Additional information regarding our corporate governance practices is included in our Information Circular for our 2005 Annual Meeting of Shareholders and on our website.

Legal Proceedings

From time to time we have been, and expect to continue to be, subject to legal proceedings and claims in the ordinary course of our business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on us or on our financial condition or results of operation or that involve a claim for damages, excluding interest and costs, in excess of 10% of our current assets.

Interest of Management and Others in Material Transactions

During the year ended December 31, 2004, we paid approximately $0.8 million to D.E.R. Resorts Ltd. (or Resorts), a company controlled by David E. Ritchie, the Chairman of our Board of Directors and our former Chief Executive Officer. The costs were incurred pursuant to agreements, approved by our Board of Directors, by which Resorts agrees to provide meeting rooms, accommodations, meals and recreational activities at its facilities on Stuart Island in British Columbia, Canada, for certain of our customers and guests. The agreements set forth the fees and costs per excursion, which are based on market prices for similar types of facilities and excursions. We believe that the terms of the agreements were at least as favorable to us as we could have obtained from a third party. We have entered into similar agreements with Resorts in the past and intend to do so in the future.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics (Code of Conduct) that applies to all of our employees, officers and directors. Our Code of Conduct includes, among other things, written standards for our principal executive officer, principal financial officer and principal accounting officer that are required by the SEC for a code of ethics applicable to such officers. Our Code of Conduct is available on our internet website, www.rbauction.com. We intend to disclose on our website within five days following the date of any such amendment or waiver, any amendment or waiver of the code of ethics portion of our Code of Conduct applicable to these officers that is required by SEC rules or regulations to be disclosed publicly, and to keep such disclosure available on our website for at least a 12-month period.

Transfer Agent

Our transfer agent for our common shares in Canada is Computershare Trust Company of Canada. The register of transfers of our common shares maintained by Computershare is located at their offices in Vancouver, British Columbia, Canada and Toronto, Ontario, Canada.

Interests of Experts

Our consolidated financial statements for the years ended December 31, 2004 and 2003 have been audited by KPMG LLP, Chartered Accountants, our external auditors.

Additional Information

Additional information, including our directors' and officers' remuneration and indebtedness to us, principal holders of our securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in our Information Circular for our most recent Annual Meeting of Shareholders that involved the election of directors.

Additional financial information is provided in our consolidated financial statements and our management's discussion and analysis of financial condition and results of operations for our most recently completed financial year. This and other information about our company can be found on the SEDAR website at www.sedar.com. None of the information on the SEDAR website is incorporated by reference into this document by this or any other reference, unless otherwise specified.

Copies of these documents may be obtained upon request from our Corporate Secretary, 6500 River Road, Richmond, British Columbia, V6X 4G5 (telephone number: (604) 273-7564).

Appendix A

Ritchie Bros. Auctioneers Incorporated

Audit Committee Charter

RITCHIE BROS. AUCTIONEERS INCORPORATED

AUDIT COMMITTEE CHARTER

Adopted February 26, 2004

Purpose and Authority:

The Audit Committee (the "*Committee*") shall assist the Company's Board of Directors (the "Board") in oversight of:

(1) the integrity of the Company's financial statements and other periodic public disclosure documents,

(2) the Company's compliance with legal and regulatory requirements,

(3) the independent auditor's nomination, qualifications, compensation and independence,

(4) the performance and work of the Company's internal audit function and independent auditor

The Committee shall have all authority necessary to fulfill the duties and responsibilities assigned to the Committee in this Charter or otherwise assigned to it by the Board.

As the Committee deems appropriate, it may retain independent counsel, accounting and other professionals to assist the Committee, without seeking Board approval with respect to the selection, fees or terms of engagement of any such advisors. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to any outside legal, accounting or other advisors retained by the Committee, and for the Committee's ordinary administrative expenses. The Committee shall also have the power to communicate directly with the internal audit function and independent auditor, as well as determine and approve the independent auditor's compensation (for the purpose of preparing or issuing an audit report or performing other audit, review or attest services).

As the Committee deems appropriate, and as permitted by applicable securities legislation, it may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee shall provide an open avenue of communication between the independent auditor, financial and executive management, the internal audit function and the Board.

Composition:

Independence

The Committee shall be composed of three or more directors, as determined by the Board, each of whom shall, following the Company's 2004 Annual Meeting, meet the independence requirements established by the Board, the New York Stock Exchange, the Toronto Stock Exchange and any other laws or regulations governing independence applicable to the Company from time to time.

Financial Literacy/Expertise

Each Committee member shall be financially literate in the business judgment of the Board. At least one Committee member, in the business judgment of the Board, shall have accounting or related financial management expertise, and shall qualify as an "audit committee financial expert," in accordance with SEC and other applicable laws, regulations and listing standards from time to time.

Service on Other Public Company Audit Committees

No member of the Committee shall serve on more than two audit committees of publicly traded companies, other than the Company, at the same time such member serves on this Committee, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on this Committee. If a Committee member serves on the audit committees of both a public company and a wholly owned subsidiary of such company, such service shall be counted as service on one audit committee, rather than two.

Appointment and Removal of Members

The members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee or, in the absence of such committee, by the Board based on its own assessment. The Board may remove any member from the Committee at any time with or without cause.

Duties and Responsibilities:

The Committee shall have the following duties and responsibilities, in addition to any duties and responsibilities assigned to the Committee from time to time by the Board.

Engagement of Independent Auditor

- Select, appoint and retain the independent auditor, subject to annual shareholder approval; determine and approve compensation of the independent auditor; oversee the work of the independent auditor and resolve any disagreements between management and the independent auditor concerning financial reporting; evaluate and, where appropriate, replace the independent auditor, with the understanding that the independent auditor shall report directly to and be directly overseen by the Committee. These duties are direct responsibilities of the Committee.

- Pre-approve the retention of the independent auditor for all audit and such non-audit services as the independent auditor is permitted to provide the Company and approve the fees for such services, other than any *de minimus* non-audit services allowed by applicable law or regulation. Pre-approval of audit and non-audit services shall not be delegated to management, but may be delegated to one or more members of the Committee so long as that member or members report their decisions to the Committee at the next scheduled meeting following the pre-approval and the pre-approval policies and procedures are detailed as to the particular service. In considering whether to pre-approve any non-audit services, the Committee or its delegees shall consider whether the provision of such services is compatible with maintaining the independence of the auditor.

Evaluate Independent Auditor's Qualifications, Performance and Independence

- At least annually, evaluate the independent auditor's qualifications, performance and independence, including that of the lead partner.

- At least annually, obtain, review and discuss a report by the independent auditor describing the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, relating to one or more audits carried out by the firm, and any steps taken to deal with any such issues.

- At least annually, obtain, review and discuss the letter and written disclosures from the independent auditor consistent with Independence Standards Board Standard No. 1, including a formal written statement by the independent auditor delineating all relationships between the auditor and the Company; discuss with the auditor that firm's independence and all relationships and services that may impact the objectivity and independence of the auditor; and take, or recommend that the Board take, appropriate action to satisfy itself of the independence of the outside auditor.

- Discuss with the independent auditor any matters required for public disclosure or otherwise under applicable laws, rules and regulations.

- Ensure that the independent auditor's lead partner and reviewing partner are replaced on a periodic basis in accordance with applicable laws, rules, and regulations. Consider, from time to time, whether a rotation of the independent auditing firm would be in the best interests of the Company and its shareholders.

- Present the Committee's conclusions regarding the performance, qualifications and independence of the independent auditor to the full Board on an annual basis and submit an appointment of auditors proposal for consideration by shareholders at the Company's annual meeting of shareholders.

- Periodically meet privately with the independent auditor to discuss (a) internal controls and special steps adopted in light of material control deficiencies, and (b) completeness and accuracy of the Company's financial statements.

Review Financial Statements and Financial Disclosure

- Meet with management and the independent auditor to review and discuss the annual audited consolidated financial statements and quarterly unaudited consolidated financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the report of the independent auditor thereon, before the Company publicly discloses such statements, reports or information, and to discuss any significant issues encountered in the course of the audit work, including any restrictions on the scope of activities, access to required information or the adequacy of internal controls.

- Review and discuss with the independent auditor any audit problems or difficulties and management's response, including any restrictions on the scope of the independent auditors' activities or access to required information, and significant disagreements with management.

- Review and discuss with the independent auditor, as the Committee deems appropriate, any accounting adjustments noted or proposed by the independent auditor but not taken by management; communications between the audit team and their national office concerning auditing or accounting issues; and any management or internal control letters issued or proposed to be issued.

- Review and discuss earnings press releases (including the type and presentation of information to be included therein) before their release to the public, as well as the financial information and earnings guidance provided to analysts and rating agencies. The review of earnings guidance may be done generally and does not require the Committee to discuss in advance each instance in which the Company may provide earnings guidance.

Periodic Assessment of Accounting Practices and Policies and Risk and Risk Management

- Obtain, review and discuss timely reports from the independent auditor regarding (1) all critical accounting policies to be used, (2) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (3) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

- Review, including with management and the independent auditor, if appropriate:

    - major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;

    - analyses prepared by management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and

    - the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Company.

- Review and discuss changes in promulgated accounting and auditing standards that may materially affect the Company's financial reporting practices.

- Discuss guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

Disclosure Controls and Procedures

- Review the activities of the Company's Disclosure Committee to ensure that such Committee has complied with its charter and has performed the necessary reviews of the Company's disclosure controls and procedures.

- Meet with the chair of the Disclosure Committee on a quarterly basis to discuss the disclosure contained in all periodic reports and to address any significant or sensitive disclosure items.

Internal Audit Review

- Review and discuss the responsibilities, functions and performance of the Company's internal audit function, including internal audit plans, budget, staffing and the scope and results of internal audits.

- Review and discuss any reports by management regarding the effectiveness of, or any deficiencies in, the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls. Review any report issued by the Company's independent auditor regarding management's assessment of the Company's internal controls.

Compliance Oversight

- Review periodically with management and, if applicable, the independent auditor any material correspondence with, or other material action by, regulators or governmental agencies, any material legal affairs of the Company, and the Company's compliance with applicable laws and listing standards.

Related Party Transactions

- Review all related-party transactions, including transactions between the Company and its officers or directors or affiliates of officers or directors.

Hiring Policies

- Review and approve the Company's policies for hiring partners, employees and former partners and employees of the present and former independent auditor, and ensure that such policies comply with any regulations applicable to the Company from time to time.

Ethics Compliance and Complaint Procedures

- Oversee the development and periodic review of a Code of Business Conduct and Ethics for all Company employees, officers and directors pursuant to and to the extent required by regulations and listing standards applicable to the Company from time to time.

- Oversee the establishment of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

- Oversee the establishment of procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

- Periodically review the Company's corporate securities trading policies.

Reports to Board

- Report regularly to the Board any significant matters arising from the Committee's activities, including, to the extent the Committee deems appropriate, any issues that arise with respect to the quality and integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the qualification and independence of the independent auditor and the performance of the internal audit function and independent auditor.

- Prepare any report of the Committee required by the SEC or other applicable rules or regulations to be included in the Company's Annual Information Form.

Meetings:

The Committee shall establish a meeting calendar annually, which shall include at least quarterly meetings. The Committee may hold such other meetings as are necessary or appropriate in order for the Committee to fulfill its responsibilities. In the absence of a member designated by the Board to serve as chair, the members of the Committee may appoint from among their number a person to preside at their meetings.

The Committee shall meet at least quarterly with management, internal audit personnel and the independent auditor to discuss matters that the Committee or the other groups believe warrant Committee attention.

Evaluation:

The Committee shall review and reassess this Charter at least annually and, if appropriate, propose changes to the Board.

The Committee shall obtain or perform an annual evaluation of the Committee's performance in relation to the requirements of this Charter and make applicable recommendations for improvement.

Although the Committee has the responsibilities and powers set forth above it is not the responsibility of the Committee to plan or conduct audits or to determine whether the Company's financial statements and disclosures are complete and accurate or in accordance with generally accepted accounting principles and applicable rules and regulations.

EXHIBIT NO. 2

Consolidated Financial Statements of

RITCHIE BROS. AUCTIONEERS INCORPORATED

Years ended December 31, 2004 and 2003

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Ritchie Bros. Auctioneers Incorporated (the "Company") as at December 31, 2004 and 2003 and the consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

/s/ KPMG LLP
Chartered Accountants

Vancouver, Canada

February 11, 2005

RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Statements of Operations
(Expressed in thousands of United States dollars, except share and per share amounts)

Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Auction revenues	$ 182,257	$ 161,542	$ 133,552
Direct expenses	23,472	22,099	19,684
	158,785	139,443	113,868
Expenses:			
Depreciation and amortization	12,708	11,773	9,208
General and administrative	85,667	71,265	63,786
	98,375	83,038	72,994
Earnings from operations	60,410	56,405	40,874
Other income (expenses):			
Interest	(3,217)	(4,772)	(4,302)
Other	1,053	1,060	2,455
	(2,164)	(3,712)	(1,847)
Earnings before income taxes	58,246	52,693	39,027
Income taxes (note 9):			
Current	22,251	14,738	8,097
Future	1,096	1,361	2,559
	23,347	16,099	10,656
Net Earnings	$ 34,899	$ 36,594	$ 28,371
Net earnings per share (notes 1(l) and 7(e)):			
Basic	$ 1.02	$ 1.08	$ 0.84
Diluted	1.01	1.07	0.84
Weighted average number of shares outstanding	34,160,678	33,795,978	33,586,404

Approved on behalf of the Board:

/s/ G. Edward Moul
G. Edward Moul
Director

/s/ Peter J. Blake
Peter J. Blake
Director

See accompanying notes to consolidated financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Balance Sheets
(Expressed in thousands of United States dollars)

December 31, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	$132,632	$119,009
Accounts receivable	19,281	17,064
Inventory	13,091	9,580
Advances against auction contracts	968	110
Funds committed for debt repayment (note 6)	1,857	13,000
Prepaid expenses and deposits	2,323	2,553
Net investment in lease (note 4)	654	—
Current future income tax asset (note 9)	496	354
	171,302	161,670
Capital assets (note 3)	226,624	210,416
Net investment in lease (note 4)	1,267	—
Funds committed for debt repayment (note 6)	5,108	5,107
Other assets	609	537
Goodwill	37,499	35,632
	$442,409	$413,362
Liabilities and Shareholders' Equity		
Current liabilities:		
Auction proceeds payable	$ 47,581	$ 44,186
Accounts payable and accrued liabilities	45,334	35,150
Income taxes payable	6,383	3,196
Current portion of long-term debt (note 6)	35,133	43,438
	134,431	125,970
Long-term debt (note 6)	10,792	27,350
Other liabilities (note 5)	1,563	2,375
Future income tax liability (note 9)	6,359	4,888
	153,145	160,583
Shareholders' equity:		
Share capital (note 7)	76,445	72,794
Additional paid-in capital	7,859	6,075
Retained earnings	183,438	161,183
Foreign currency translation adjustment	21,522	12,727
	289,264	252,779
	$442,409	$413,362

Commitments and contingencies (note 10)
Subsequent events (note 7(c))

See accompanying notes to consolidated financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Statements of Shareholders' Equity
(Expressed in thousands of United States dollars)

	Share Capital	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Total Shareholders' Equity
Balance, December 31, 2001	$69,134	$ 4,332	$101,311	$ (8,844)	$ 165,933
Net proceeds on stock options exercised	365	—	—	—	365
Stock compensation tax adjustment	—	314	—	—	314
Net earnings	—	—	28,371	—	28,371
Foreign currency translation adjustment	—	—	—	4,391	4,391
Balance, December 31, 2002	69,499	4,646	129,682	(4,453)	199,374
Net proceeds on stock options exercised	3,295	—	—	—	3,295
Stock compensation tax adjustment	—	382	—	—	382
Stock compensation expense	—	1,047	—	—	1,047
Net earnings	—	—	36,594	—	36,594
Cash dividends paid	—	—	(5,093)	—	(5,093)
Foreign currency translation adjustment	—	—	—	17,180	17,180
Balance, December 31, 2003	72,794	6,075	161,183	12,727	252,779
Net proceeds on stock options exercised	3,651	—	—	—	3,651
Stock compensation tax adjustment	—	317	—	—	317
Stock compensation expense	—	1,467	—	—	1,467
Net earnings	—	—	34,899	—	34,899
Cash dividends paid	—	—	(12,644)	—	(12,644)
Foreign currency translation adjustment	—	—	—	8,795	8,795
Balance, December 31, 2004	$76,445	$ 7,859	$183,438	$ 21,522	$ 289,264

See accompanying notes to consolidated financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)

Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Cash provided by (used in):			
Operations:			
Net earnings	$ 34,899	$ 36,594	$ 28,371
Items not involving cash:			
Depreciation	12,708	11,773	9,208
Stock compensation expense	1,467	1,047	—
Future income taxes	1,329	1,361	2,559
Net gain on disposition of capital assets	(229)	(17)	(758)
Changes in non-cash working capital:			
Accounts receivable	(2,217)	(3,364)	(1,325)
Inventory	(3,511)	(2,357)	(4,283)
Advances against auction contracts	(858)	69	(92)
Prepaid expenses and deposits	230	(493)	(733)
Income taxes payable	3,504	3,578	—
Income taxes recoverable	—	2,485	(761)
Auction proceeds payable	3,395	26,826	5,553
Accounts payable and accrued liabilities	10,184	1,606	10,270
Other	(2,245)	(1,276)	(653)
	58,656	77,832	47,356
Investing activities:			
Acquisition of business	(1,265)	—	(8,743)
Capital asset additions	(23,448)	(16,273)	(29,037)
Proceeds on disposition of capital assets	2,151	5,368	4,789
Investment in lease	(1,921)	—	—
Increase in other assets	(72)	(116)	(421)
	(24,555)	(11,021)	(33,412)
Financing activities:			
Issuance of share capital	3,651	3,295	365
Dividends on common shares	(12,644)	(5,093)	—
Issuance of long term debt	32,500	—	5,000
Repayment of long term debt	(58,459)	(3,747)	(3,628)
Decrease in other liabilities	(812)	(383)	2,758
Decrease in short term debt	—	(2,758)	(2,556)
Decrease (increase) in funds committed for debt repayment	11,142	(5,107)	(5,107)
	(24,622)	(13,793)	(3,168)
Effect of foreign currency rates on cash and cash equivalents	4,144	3,769	1,913
Increase in cash and cash equivalents	13,623	56,787	12,689
Cash and cash equivalents, beginning of year	119,009	62,222	49,533
Cash and cash equivalents, end of year	$132,632	$119,009	$ 62,222
Supplemental information:			
Interest paid	$ 3,092	$ 4,675	$ 3,951
Income taxes paid	$ 18,831	$ 8,675	$ 8,861

See accompanying notes to consolidated financial statements.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements present the financial position, results of operations and changes in shareholders' equity and cash flows of Ritchie Bros. Auctioneers Incorporated (the "Company"), a company incorporated in July 1997 under the Canada Business Corporations Act, and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada which, except as disclosed in note 12, also comply, in all material respects, with generally accepted accounting principles in the United States.

(b) Cash and cash equivalents:

Cash equivalents consist of highly liquid investments having an original term to maturity of three months or less when acquired.

(c) Inventory:

Inventory is primarily represented by goods held for auction and has been valued at the lower of cost, determined by the specific identification method, and net realizable value.

(d) Capital assets:

All capital assets are stated at cost and include capitalized interest on property under development. Depreciation is provided to charge the cost of the assets to operations over their estimated useful lives based on their usage as follows:

Asset	Basis	Rate/term
Buildings	straight-line	30 years
Improvements	declining balance	10%
Automotive equipment	declining balance	30%
Yard equipment	declining balance	20-30%
Office equipment	declining balance	20%
Computer equipment	straight-line	3 years
Computer software	straight-line	3 years
Leasehold improvements	straight-line	Terms of leases

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In such situations, long-lived assets are considered impaired when undiscounted estimated future cash flows resulting from the use of the asset and its eventual disposition are less than the asset's carrying amount.

1. Significant accounting policies (continued):

(e) Goodwill:

Goodwill represents non-identifiable intangible assets acquired on business combinations. Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the goodwill against its implied fair value. To the extent that the carrying amount of goodwill exceeds its fair value, an impairment loss is charged against earnings.

(f) Revenue recognition:

Auction revenues earned by the Company acting as an agent for consignors of equipment are comprised mostly of auction commissions, but also include net profits on the sale of inventory, incidental interest income, Internet and proxy purchase fees, and handling fees on the sale of certain lots. All revenue is recognized when the auction sale is complete and the Company has determined that the auction proceeds are collectible.

Auction commissions represent the percentage earned by the Company on the gross proceeds from equipment sold at auction. The majority of auction commissions is earned as a fixed rate of the gross selling price. Other commissions are earned when the Company guarantees a certain level of proceeds to a consignor. This type of commission includes a percentage of the guaranteed gross proceeds plus a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, commission is reduced; if proceeds are sufficiently lower, the Company can incur a loss on the sale. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed. If a loss relating to a guarantee contract to be sold after a period end is known at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company's exposure from these guarantee contracts fluctuates over time (see note 10(b)).

Auction revenues also include net profit on the sale of inventory items. In some cases, incidental to its regular commission business, the Company temporarily acquires title to items for a short time prior to a particular auction sale. The auction revenue recorded is the net gain or loss on the sale of the items.

(g) Income taxes:

Income taxes are accounted for using the asset and liability method, whereby future taxes are recognized for the tax consequences of temporary differences by applying substantively enacted or enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on future taxes of a change in tax rates is recognized in earnings in the period in which the new tax rate is substantively enacted. Future tax benefits, such as non-capital loss carry forwards, are recognized to the extent that realization of such benefits is considered more likely than not.

1. Significant accounting policies (continued):

(h) Foreign currency translation:

The Company's reporting currency is the United States dollar. The functional currency for each of the Company's operations is usually the currency of the country of residency; in some cases it is the United States dollar. Each of the Company's operations is considered to be self-sustaining. Accordingly, the financial statements of the Company's operations that are not located in the United States have been translated into United States dollars using the exchange rate at the end of each reporting period for asset and liability amounts and the average exchange rate for each reporting period for amounts included in the determination of earnings. Any gains or losses from the translation of asset and liability amounts have been included in the foreign currency translation adjustment account, which is included as a separate component of shareholders' equity. Monetary assets and liabilities recorded in foreign currencies are translated into the appropriate functional currency at the rate of exchange in effect at the balance sheet date. Foreign currency denominated transactions are translated into the appropriate functional currency at the exchange rate in effect on the date of the transaction. Any exchange gain and losses on these transactions are included in the determination of earnings.

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant financial statement items requiring the use of estimates include the determination of useful lives for depreciation, the valuation of goodwill and capital assets, and the estimation of future income tax balances. Actual results could differ from such estimates and assumptions.

(j) Financial instruments:

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, income taxes recoverable, income taxes payable, auction proceeds payable, accounts payable and accrued liabilities and short-term debt, approximate their fair value due to their short terms to maturity. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of its bank term loans approximates fair value.

(k) Credit risk:

The Company is not exposed to any significant credit risk because it does not extend credit to buyers at its auctions. In addition, items purchased at the Company's auctions are not normally released to the buyers until they are paid for in full.

(l) Net earnings per share:

Net earnings per share has been calculated based on the weighted average number of common shares outstanding. Diluted net earnings per share has been calculated after giving effect to outstanding dilutive options calculated by the treasury stock method (note 7(e)).

1. Significant accounting policies (continued):

(m) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 7(c) and (d). The Company recognizes compensation expense using the fair value method at the date of grant (note 2). Under the fair value based method, compensation cost attributable to options granted to employees and directors is measured at the fair value of the underlying option at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized over the vesting period of the underlying option. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

(n) Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

2. Change in accounting policy:

Prior to January 1, 2003, the Company recognized stock-based compensation expense using the intrinsic value method at the date of grant of the underlying option. Under the intrinsic value method, no compensation costs were recognized in the financial statements for stock options granted to employees and directors at market value. The Company adopted, on a prospective basis, the fair value based method to account for employee stock based compensation effective January 1, 2003. Under the fair value based method, compensation cost is measured using the Black-Scholes option pricing model at the date of grant of the option and is expensed over the award's vesting period (note 7(d)).

For the year ended December 31, 2004, the stock-based compensation expense (net of future income tax impact of $476,000) was $991,000, or $0.03 per common share basic and diluted (2003 — $880,000 or $0.03 per common share basic and diluted). No fair value stock-based compensation expense has been recognized for any stock option grants in any years prior to January 1, 2003.

3. Capital assets:

2004	Cost	Accumulated depreciation	Net book value
Buildings	$113,742	$ 18,588	$ 95,154
Land and improvements	100,154	4,125	96,029
Land and buildings under development	13,538	—	13,538
Automotive equipment	11,389	4,272	7,117
Yard equipment	9,540	4,685	4,855
Office equipment	6,169	3,799	2,370
Computer equipment	5,784	2,940	2,844
Computer software	11,114	8,766	2,348
Leasehold improvements	3,321	952	2,369
	$274,751	$ 48,127	$226,624

2003	Cost	Accumulated depreciation	Net book value
Buildings	$112,133	$ 15,198	$ 96,935
Land and improvements	94,253	3,453	90,800
Land and buildings under development	3,143	—	3,143
Automotive equipment	10,219	3,766	6,453
Yard equipment	8,558	3,951	4,607
Office equipment	5,716	3,245	2,471
Computer equipment	4,076	2,032	2,044
Computer software	8,751	5,531	3,220
Leasehold improvements	1,430	687	743
	$248,279	$ 37,863	$210,416

During the year, interest of $297,000 (2003 — $161,000) was capitalized to the cost of land and buildings under development.

4. Net investment in lease:

During the year ended December 31, 2004, the Company entered into a sales type lease with a term of two years for the sale of certain redundant property. Finance income in respect of this lease for the year ended December 31, 2004 was not significant.

5. Acquisition:

On August 1, 2002, the Company acquired certain assets of All Peace Auctions (2001) Ltd., an industrial and agricultural equipment auctioneer, and All Peace Auctions Ltd., the owner of the property on which the majority of the auction business was conducted (collectively, “All Peace”). All Peace was based in Grande Prairie, Alberta, Canada.

The aggregate purchase price of $9,190,000 was settled through the payment of $5,409,000 of cash and future annual installments totalling $3,781,000 with a present value of $3,255,000 at the date of acquisition. To reflect the fact that the future payments are due over time, $526,000 was recorded as a discount to the long-term liability and is being amortized to interest expense over the four-year term of repayment. The future installments are unsecured and non-interest bearing.

Other liabilities are as follows:

	2004	2003
Present value of future payments	$ 2,752	$ 3,338
Current portion	(1,189)	(963)
	$ 1,563	$ 2,375

6. Long-term debt:

	2004	2003
Term loans, unsecured, bearing interest between 5.95% and 7.91%, due in minimum annual installments of $2.9 million ($1.0 million towards principal, $1.9 million towards a sinking fund), with final payments occurring in 2005 and 2006.	$ 17,000	$ 17,250
Revolving loans, denominated in Canadian dollars, unsecured, bearing interest at the Canadian Prime Rate plus 0.25%, due in monthly installments of interest only, with the full amount of the principal due in 2005.	12,505	11,568
Revolving loans, unsecured, bearing interest between 3.165% and 3.175%, due in monthly installments of interest only, with the full amount of the principal due in 2005.	15,500	—
Term loan, denominated in Australian dollars, secured by deeds of trust on specific property, bearing interest between the Australian prime rate and 6.5%, due in quarterly installments of AUD75,000, plus interest, with final payment occurring in 2008.	920	1,111
Revolving loans, unsecured, bearing interest at 1.95%, due in minimum annual installments of $5 million ($1.75 million towards principal, $3.25 million towards a sinking fund) plus interest, with the final payment occurring in 2004.	—	28,000
Term loans, unsecured, bearing interest between 2.60% and 7.91%, due in minimum annual installments of $500,000 plus interest, with final payment occurring in 2005. The loans were repaid in full in 2004.	—	8,500
Term loan denominated in Euros, secured by deeds of trust on specific property, bearing interest at the Amsterdam Interbank Offered Rate plus 0.88%, due in quarterly installments of EUR56,723 including interest, with the final payment occurring in 2013. The loan was repaid in full in 2004.	—	4,359
	45,925	70,788
Current portion	(35,133)	(43,438)
Non-current portion	10,792	27,350
Funds committed for debt payments	(6,965)	(18,107)
	$ 3,827	$ 9,243

6. Long-term debt (continued):

As at December 31, 2004, principal repayments including sinking fund requirements are as follows for the next five years:

2005	$35,133
2006	10,342
2007	235
2008	215
2009	—
	$45,925

The Company expects to refinance certain of its long-term debt in 2005. If this occurs, the funds committed for debt repayment recorded in current assets on the balance sheet, in excess of any amounts used to repay debt, will become cash and cash equivalents and available for general purposes.

7. Share capital:

(a) Authorized:

Unlimited number of common shares, without par value.
Unlimited number of senior preferred shares, without par value, issuable in series.
Unlimited number of junior preferred shares, without par value, issuable in series.

(b) Issued:

No preferred shares have been issued.

Common shares issued and outstanding are as follows:

Issued and outstanding, December 31, 2001	33,534,460
Issued for cash, pursuant to stock options exercised	84,204
Issued and outstanding, December 31, 2002	33,618,664
Issued for cash, pursuant to stock options exercised	348,980
Issued and outstanding, December 31, 2003	33,967,644
Issued for cash, pursuant to stock options exercised	294,656
Issued and outstanding, December 31, 2004	34,262,300

During 2004, the Company's common shares were split on a two-for-one basis. All share, per share and stock option information in the consolidated financial statements gives effect to the stock split on a retroactive basis.

7. Share capital (continued):

(c) Stock option plan:

The Company has a stock option plan that provides for the award of stock options to selected employees, directors and officers of the Company and to other persons approved by the Board of Directors. Stock options are granted at the fair market value of the Company's common shares at the grant date, with various vesting periods and a term not exceeding 10 years. At December 31, 2004, there were 1,326,034 (2003 – 1,616,234) shares authorized and available for grants of options under the stock option plan. Stock option activity for 2002, 2003 and 2004 is presented below:

	Number of options outstanding	Weighted average exercise price
Outstanding, December 31, 2001	753,438	$ 9.81
Granted	186,400	13.05
Exercised	(84,204)	4.34
Outstanding, December 31, 2002	855,634	11.06
Granted	308,800	15.53
Cancelled	(2,000)	15.53
Exercised	(348,980)	9.45
Outstanding, December 31, 2003	813,454	13.32
Granted	292,000	26.47
Cancelled	(1,800)	26.46
Exercised	(294,656)	12.39
Outstanding, December 31, 2004	808,998	$ 18.38
Exercisable, December 31, 2004	534,798	$ 14.44

The options outstanding at December 31, 2004 expire on dates ranging to September 22, 2014.

The following is a summary of stock options outstanding and exercisable at December 31, 2004:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$11.675 - $13.050	222,800	6.6	$ 12.30	214,800	$ 12.30
$13.344 - $15.525	295,998	7.3	15.01	295,998	15.01
$26.460 - $28.170	290,200	9.1	26.47	24,000	26.46
	808,998			534,798	

Subsequent to December 31, 2004, the Company granted options to purchase a total of 200,800 of its common shares to certain employees and directors of the Company. The options have an exercise price of $32.41 and an expiry date of January 25, 2015.

7. Share capital (continued):

(d) Stock-based compensation:

Prior to January 1, 2003, the Company used the intrinsic value method to account for stock-based compensation awards. This method did not result in any compensation expense in 2002. Had compensation expense for option grants made under the Company's stock option plan during the year ended December 31, 2002 been recorded in accordance with the fair value method at the applicable grant dates, the Company's net earnings for 2002 would have been as indicated by the pro forma amounts below:

	Net Earnings	Per share amount Basic	Per share amount Diluted
Net earnings — as reported	$28,371	$ 0.84	$ 0.84
Stock-based compensation expense	(727)	(0.02)	(0.02)
Net earnings — pro forma	$27,644	$ 0.82	$ 0.82

During 2004, the Company recognized compensation cost of $1,467,000 (2003 - $1,047,000) in respect of options granted under its stock option plan. This amount was calculated in accordance with the fair value method of accounting.

For the purposes described above, the fair value of the stock option grants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	2004	2003	2002
Risk free interest rate	3.0%	3.1%	4.9%
Expected dividend yield	1.15%	0%	0%
Expected lives of options	5 years	5 years	5 years
Expected volatility	19.6%	18.3%	27.0%

The weighted average grant date fair value of options granted during the year ended December 31, 2004 was $5.34 per option (2003 - $3.67; 2002 - $4.37). The fair value method requires that this amount be amortized over the relevant vesting periods of the underlying options.

(e) Net earnings per share:

Year ended December 31, 2004	Earnings	Shares	Per share amount
Basic net earnings per share	$34,899	34,160,678	$ 1.02
Effect of dilutive securities:			
Stock options	—	338,544	(0.01)
Diluted net earnings per share	$34,899	34,499,222	$ 1.01

7. Share capital (continued):

(e) Net earnings per share:

Year ended December 31, 2003	Earnings	Shares	Per share amount
Basic net earnings per share	$36,594	33,795,978	$ 1.08
Effect of dilutive securities:			
Stock options	—	341,574	(0.01)
Diluted net earnings per share	$36,594	34,137,552	$ 1.07

Year ended December 31, 2002	Earnings	Shares	Per share amount
Basic net earnings per share	$28,371	33,586,404	$ 0.84
Effect of dilutive securities:			
Stock options	—	244,444	—
Diluted net earnings per share	$28,371	33,830,848	$ 0.84

8. Segmented information:

The Company's principal business activity is the sale of consignment and self-owned equipment at auctions. This business represents a single reportable segment.

The Company determines its activities by geographic segment based on the location of its auctions. Summarized information by geographic segment is as follows:

	United States	Canada	Europe	Other	Combined
Year ended December 31, 2004:					
Auction revenues	$ 104,618	$36,258	$26,988	$14,393	$182,257
Capital assets and goodwill	145,208	78,354	26,048	14,513	264,123
Year ended December 31, 2003:					
Auction revenues	$ 92,273	$30,752	$21,262	$17,255	$161,542
Capital assets and goodwill	136,624	72,277	24,086	13,061	246,048
Year ended December 31, 2002:					
Auction revenues	$ 84,348	$17,650	$15,678	$15,876	$133,552
Capital assets and goodwill	135,921	60,177	20,189	11,559	227,846

9. Income taxes:

Income tax expense differs from that determined by applying the United States statutory tax rates to the Company's results of operations as follows:

	2004	2003	2002
Statutory federal and state tax rate in the United States	40%	40%	40%
Expected income tax expense	$23,298	$21,077	$15,611
Differences:			
Earnings taxed in low rate jurisdictions	(3,014)	(4,806)	(5,175)
Realized foreign exchange gain	2,106	—	—
Other	957	(172)	220
Actual income tax expense	$23,347	$16,099	$10,656

Future income tax assets and liabilities are as follows:

	2004	2003
Future income tax assets (liabilities):		
Working capital	$ 496	$ 354
Capital assets	680	513
Stock-based compensation	277	251
Unused tax losses	1,326	1,070
Other	1,407	926
Total future income tax assets	4,186	3,114
Valuation allowance	(168)	(168)
Net future income tax assets	4,018	2,946
Future income tax liabilities arising from temporary differences between the tax basis of net assets and their carrying value:		
Capital assets	(3,754)	(1,328)
Goodwill	(3,555)	(4,319)
Other	(2,572)	(1,833)
Total future income tax liabilities	(9,881)	(7,480)
Net future income tax liability	(5,863)	(4,534)
Net current future income tax asset	496	354
Net non-current future income tax liability	$ (6,359)	$ (4,888)

10. Commitments and contingencies:

(a) Operating leases:

The Company is party to certain operating leases. These operating leases relate to auction sites and offices located in the United Arab Emirates, Mexico, the United States, Canada, Australia, China and Singapore. The future minimum lease payments as at December 31, 2004 are approximately as follows:

2005	$ 1,330
2006	1,080
2007	519
2008	483
2009	242
Thereafter	—

Total rent expenses in respect of these leases for the year ended December 31, 2004 was $1,406,000 (2003 — $1,304,000; 2002 — $1,069,000).

(b) Contingencies:

Certain of the Company's operating leases for auction sites contain clauses that require the Company to return the auction site to the state and condition in which it was at the inception of the lease if the Company terminates the lease or does not renew it at the end of the lease term. The occurrence and amount of the potential liability for these site restoration costs is not determinable at the date of these financial statements.

The Company is subject to legal and other claims that arise in the ordinary course of its business. The Company does not believe that the results of these claims will have a material effect on the Company's financial position or results of operations.

In the normal course of its business, the Company will in certain situations guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment. At December 31, 2004 the Company had outstanding guarantees under contract totaling $6,202,000 (undiscounted and before estimated proceeds from sale at auction) for industrial equipment to be sold prior to March 31, 2005 (December 31, 2003 — $5,650,000). The Company also had guarantees under contract totaling $14,726,000 relating to agricultural sales to be held prior to June 16, 2005 (December 31, 2003 — $4,136,000). The Company has not recorded a liability with respect to these guarantee contracts.

11. Transactions with related parties:

During the year ended December 31, 2004, the Company paid $758,000 (2003 - $597,000; 2002 - $537,000) to a company controlled by the Chairman of the Company's Board of Directors. The costs were incurred pursuant to agreements, approved by the Company's Board of Directors, by which the related company agrees to provide meeting rooms, accommodations, meals and recreational activities at its facilities on Stuart Island in British Columbia, Canada, for certain of the Company's customers and guests. The agreements set forth the fees and costs per excursion, which are based on market prices for similar types of facilities and excursions. The Company believes that the terms of the agreements were at least as favorable as could have been obtained from an independent third party. The Company has entered into similar agreements with the related party in the past and intends to do so in the future.

12. United States generally accepted accounting principles:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada which differ, in certain respects, from accounting practices generally accepted in the United States and from requirements promulgated by the Securities and Exchange Commission. However, for the years ended December 31, 2004, 2003 and 2002, net earnings in accordance with Canadian GAAP was not significantly different from net earnings had they been presented in accordance with United States GAAP.

US GAAP requires the preparation of a statement of comprehensive income. Comprehensive income is defined as the change in equity of a business enterprise during the period from transactions and other events and circumstances from non-owner sources. The statement of comprehensive income reconciles the reported net earnings to the comprehensive income amount as follows:

	2004	2003	2002
Net earnings in accordance with Canadian and United States GAAP	$ 34,899	$36,594	$28,371
Other comprehensive income:			
Foreign currency translation adjustment	8,795	17,180	4,391
Comprehensive income in accordance with United States GAAP	$ 43,694	$53,774	$32,762

Accumulated other comprehensive income (loss), which under United States GAAP is presented as a separate component of shareholders' equity, is comprised of the following:

	2004	2003	2002
Foreign currency translation adjustment:			
Balance, beginning of year	$ 12,727	$ (4,453)	$ (8,844)
Current period change	8,795	17,180	4,391
Balance, end of year	$ 21,522	$12,727	$ (4,453)

EXHIBIT NO. 3

RITCHIE BROS. AUCTIONEERS INCORPORATED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

Overview

The following discussion summarizes significant factors affecting the consolidated operating results and financial condition of Ritchie Bros. Auctioneers Incorporated ("Ritchie Bros.", the "Company", "we" or "us") for the year ended December 31, 2004 compared to the year ended December 31, 2003. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this document, and with the disclosures below regarding forward-looking statements and risk factors. The date of this discussion is as of February 21, 2005. Additional information relating to our company, including our Annual Information Form, is available by accessing the SEDAR website at www.sedar.com. None of the information on the SEDAR website is incorporated by reference into this document by this or any other reference.

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in Canada, or Canadian GAAP. There are no material measurement differences between those financial statements and the financial position and results of operations that would be reported under generally accepted accounting principles in the United States, or U.S. GAAP. Amounts discussed below are based on our consolidated financial statements prepared in accordance with Canadian GAAP and are presented in United States dollars. Unless indicated otherwise, all dollar amounts discussed below are expressed in thousands of dollars, except per share amounts.

Ritchie Bros. is the world's largest auctioneer of industrial equipment. Our world headquarters are located in Richmond, British Columbia, Canada, and at December 31, 2004 we operated from 110 locations, including 29 auction sites, in 25 countries around the world. We sell, through unreserved public auctions, a broad range of industrial assets, including equipment used in the construction, transportation, mining, forestry, petroleum, material handling, marine and agricultural industries.

We operate mainly in the auction segment of the global industrial equipment marketplace. Our primary target markets within the global industrial equipment market are the used truck and equipment sectors, which are large and fragmented. The world market for used trucks and equipment continues to grow, primarily as a result of the increasing, cumulative supply of used trucks and equipment, which is driven by the ongoing production of new trucks and equipment. Analysts estimate that approximately $100 billion of the type of equipment we sell changes hands each year; our share of this market is less than 2%.

In recent periods, an average of approximately 80% of the buyers at our auctions have been end users of equipment (retail buyers), such as contractors, with the remainder being primarily truck and equipment dealers and brokers (wholesale buyers). Consignors to our auctions represent a broad mix of equipment owners, the majority being end users of equipment. Consignment volume at our auctions is affected by a number of factors, including regular fleet upgrades and reconfigurations, financial pressure, retirements, and inventory reductions, as well as by the timing of the completion of major construction and other projects.

We compete directly for potential purchasers of industrial equipment with other auction companies. Our indirect competitors include truck and equipment manufacturers, distributors and dealers that sell new or used trucks and equipment, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies, truck and equipment dealers and brokers, and equipment owners that have traditionally disposed of equipment through private sales. Private sales between truck and equipment owners are still the dominant type of transaction in the used truck and equipment markets.

We believe that we have several key strengths that will enable us to continue to attract increasing numbers of consignors and bidders to our auctions. Our principal strengths are our reputation for conducting only unreserved auctions and our highly publicized commitment to fair dealing. Other important strengths include our size, the international scope of our operations, our extensive network of auction sites, our Internet tools and our in-depth experience in the marketplace.

Strict adherence to the unreserved auction process is one of our founding principles and, we believe, one of our most significant competitive advantages. When we say “unreserved” we mean that there are no minimum prices for anything sold at a Ritchie Bros. auction – each item sells to the highest bidder on sale day, regardless of the price. In addition, consignors (or their agents) are not allowed to bid on or buy back or in any way influence the selling price of their equipment. We have maintained our commitment to the unreserved auction process since our first industrial auction in 1963.

We attract a broad base of bidders from around the world to our auctions. Our worldwide marketing efforts help to attract them to the auction, and they are willing to travel long distances because of our reputation for conducting fair auctions. These multinational bidding audiences provide a global marketplace that allows our auctions to transcend local market conditions. Evidence of this is the fact that in recent periods, an average of over 50% of the equipment sold at any particular auction leaves the region of the sale. We believe that our ability to consistently draw significant numbers of local and international bidders to our auctions, most of whom are end users of trucks and equipment rather than resellers, is appealing to sellers of used equipment and generates a greater volume of consigned equipment than our competitors. Higher consignment volumes attract more bidders, which in turn attract greater consignments, and so on. During the year ended December 31, 2004, we had more than 202,000 bidder registrations at our auctions, compared to approximately 181,000 in 2003. We received nearly 25,000 consignments in 2004, compared to almost 23,000 in 2003. A consignment is typically comprised of multiple lots.

One of our primary goals is to continue to grow our gross auction sales, which is the total proceeds from all items sold. Our strategies for accomplishing this objective include, among others, continued development of markets and regions in which we already operate and expansion into new and emerging markets and regions, particularly within Europe, North America and Asia. We intend to continue to look for ways to capitalize on our competitive advantages outlined above. Where there are opportunities for us to bring some or all of these factors into play and assist an owner in realizing the best possible return on the sale of their assets, we will pursue that opportunity.

We are also using the Internet to increase our level of service and to extend further the geographic reach of our auctions and the multinational character of our bidding audiences. Nearly 20% of the bidders at our auctions in 2004 participated over the Internet. In addition, we continue to develop our technical and physical infrastructure, as well as our recruiting and training programs, in order to improve the productivity of our employees and to enhance the service we provide to our customers. A key aspect of our plans for the future is a recently launched strategic initiative (referred to internally as Mission 2007 or M07) that has as its goal the development of more efficient, consistent and scalable business processes to support our growth objectives. We are aiming to have the core aspects of this initiative completed by the end of 2007.

During the year ended December 31, 2004, we conducted 147 unreserved industrial auctions at locations in North America, Europe, the Middle East and Australia. Although our auctions vary in size, the average Ritchie Bros. industrial auction in 2004 attracted over 1,300 bidders and featured approximately 1,200 lots consigned by nearly 170 consignors. The average gross auction sales at these auctions was approximately $12.0 million. We also held 93 smaller unreserved agricultural auctions in 2004. Approximately 57% of our auction revenues was earned from operations in the United States (2003 – 57%), 20% was earned in Canada (2003 – 19%) and the remaining 23% was earned from operations in countries other than the United States and Canada (primarily Europe, the Middle East and Australia) (2003 – 24%). We had 615 full-time employees at December 31, 2004, including 198 sales representatives.

We are a public company and our common shares are listed under the symbol “RBA” on the New York Stock Exchange and, since January 27, 2004, the Toronto Stock Exchange (the TSX). At February 21, 2005 we had 34,277,300 common shares issued and outstanding and stock options outstanding to purchase a total of 994,798 common shares. On May 4, 2004, our issued and outstanding common shares were split on a two-for-one basis. All share and per share amounts in this document reflect the stock split on a retroactive basis.

Sources of Revenue and Revenue Recognition

A key indicator of our operating performance is gross auction sales, representing the total proceeds from all items sold at our auctions during the period. Gross auction sales is not a measure of revenue and is not presented in our consolidated financial statements. However, we believe that gross auction sales provides an important comparative measure of our relative operating performance between periods. Auction revenues are reported as the top line of our Statement of Operations and, as with certain other Statement of Operations line items, are best understood by considering their relationship to gross auction sales.

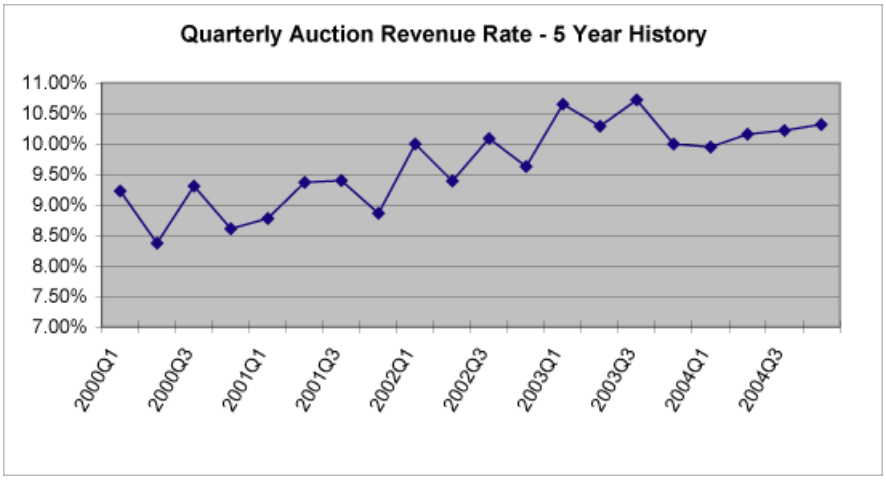
Auction revenues are comprised of auction commissions earned from consignors through straight commission and guarantee contracts, net profits on the sale of inventory items, incidental interest income, handling fees on the sale of certain lots, and the Internet purchase fee and proxy purchase fee applicable to purchases through our Internet and proxy bidding systems. All revenue is recognized when the auction sale is complete and we have determined that the auction proceeds are collectible.

Straight commissions are our most common type of auction revenues and are generated by us when we act as agent for consignors and earn a pre-negotiated, fixed commission rate on the gross sales price of the consigned equipment at auction. In recent periods, this type of sale has generally represented approximately 75% of our gross auction sales volume on an annual basis.

In certain other cases, we guarantee minimum sales proceeds to the consignor and earn a commission based on the actual results of the auction, including a negotiated percentage of any sales proceeds in excess of the guaranteed amount. If the actual auction proceeds are less than the guaranteed amount, our commission is reduced and, if proceeds are sufficiently lower, we can incur a loss on the sale. We factor in a higher rate of commission on these sales to compensate for the increased risk we assume. Our exposure from these guarantee contracts fluctuates over time, but industrial auction guarantees are generally outstanding for less than 45 days. Agricultural auction guarantees are generally outstanding for a longer period of time, because many of the contracts are signed in the fall of one year for auctions to be held in the spring of the next year. The combined exposure at any time from all outstanding guarantees is usually less than $30 million. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed. In recent periods, guarantee contracts have generally represented in the range of 15% of gross auction sales on an annual basis.

Auction revenues also include the net profit or loss on the sale of inventory in cases where we acquire ownership of equipment for a short time prior to an auction sale. When purchased, this equipment is assigned to a specific auction sale and sold at that auction in the same manner as consigned equipment. During the period that we retain ownership, the cost of the equipment is recorded as inventory on our balance sheet. The net gain or loss on the sale is recorded as auction revenues. In recent periods, sales of inventory have generally represented in the range of 10% of gross auction sales on an annual basis.

The choice by consignors between straight commission, guarantee, or outright purchase arrangements depends on many factors, including the consignor’s risk tolerance and sale objectives. As a result, the mix of contracts in a particular quarter or year is not necessarily indicative of future performance. The composition of our auction revenues and our auction revenue rate (i.e. auction revenues as a percentage of gross auction sales) depend on the mix and performance of contracts entered into with consignors in any particular period and fluctuate from period to period. Our auction revenue rate performance is presented below.



Prior to 2002, our long-term expected average auction revenue rate was approximately 8.80%. With the introduction of a handling fee in 2002 and proxy and Internet purchase fees in 2003, our long-term expected average auction revenue rate increased to approximately 9.30%. At the end of the second quarter of 2003, we determined that we were achieving a sustainably higher average auction revenue rate and we increased our long-term expected average auction revenue rate to 9.50%. At the end of 2003 we estimated that our average expected auction revenue rate for 2004 would be in the range of 9.50% to 10.00%, and the actual rate was 10.19%. Although we achieved a higher than expected auction revenue rate in 2004, we do not believe that this level is sustainable and continue to expect that our auction revenue rate in 2005 will be in the range of 9.50% to 10.00%.

The largest contributor to the variability in our auction revenue rate is the performance of our underwritten business (guarantee and inventory contracts). In a period when our underwritten business performs better than average, our auction revenue rate typically exceeds the expected average rate. Conversely, if our underwritten business performs below average, our auction revenue rate will typically be below the expected average rate. See further discussion of our auction revenue rate under “Results of Operations – Auction Revenue.”

Our gross auction sales and auction revenues are affected by the seasonal nature of the auction business. Our gross auction sales and auction revenues tend to increase during the second and fourth calendar quarters, during which time we generally conduct more business than in the first and third calendar quarters.

Our gross auction sales and auction revenues are also affected on a period-to-period basis by the timing of major auctions. In newer markets where we are developing operations, the number and size of auctions and, as a result, the level of gross auction sales and auction revenues, are likely to vary more dramatically from period-to-period than in our established markets where the number, size and frequency of our auctions are more consistent. In addition, economies of scale are achieved as our operations in a region evolve from conducting intermittent auctions, establishing a regional auction unit, and ultimately to developing a permanent auction site. Economies of scale are also achieved when our auctions increase in size.

Because of these seasonal and period-to-period variations, we believe that our gross auction sales and auction revenues are best compared on an annual basis, rather than on a quarterly basis.

Recent Developments

In January 2005 we hired our first sales representative in Poland. We also moved into our new permanent auction site in Sacramento, California. In February 2005 we held the largest auction in our history, at our permanent auction site in Orlando, Florida, with gross auction sales of $79 million.

Developments in 2004

Our primary goals for 2004 were to grow gross auction sales, improve sales force productivity, and increase our customer base. Our related goals included continued expansion into related markets and regions, and use of the Internet and other technology to enhance our business. All of these goals were achieved in 2004, as discussed throughout this report.

David E. Ritchie, our current Chairman, retired from his position as our Chief Executive Officer, or CEO, effective October 31, 2004. Our Board of Directors appointed Peter J. Blake, our former Senior Vice-President and Chief Financial Officer, to become CEO when Mr. Ritchie retired. Robert S. Armstrong, our former Vice-President Finance and Corporate Secretary, was appointed Vice-President Finance, Chief Financial Officer and Corporate Secretary effective November 1, 2004. Mr. Ritchie will continue as Chairman of our Board of Directors.

During the fourth quarter of 2004 we established a presence in China, opening a representative office in Beijing with three full-time employees, and we hired a sales representative in India, who is our first full-time representative in this country. Also during the fourth quarter, we purchased 75 acres of land in Nashville, Tennessee, on which we intend to build a permanent auction site. In addition in 2004 we opened a representative office in Jakarta, Indonesia and an office in Tehran, Iran.

On October 29, 2004, our Board of Directors appointed Beverley Briscoe to the Board. Ms. Briscoe has an extensive background working in industries complementary to the auction business, most recently as the president of her own transportation services company, Hiway Refrigeration Ltd. Prior to purchasing Hiway Refrigeration in 1997, Ms. Briscoe held senior executive positions with Wajax Industries Ltd., the Rivtow Group of Companies, and the Jim Pattison Group. Ms. Briscoe is Chair of the British Columbia Government's Industry Training Authority, a member of the Boards of BC Rail Corporation, Dental Technologies Inc. and Westminster Savings Credit Union, as well as a Director of the Boys and Girls Club of Greater Vancouver.

On April 16, 2004, Eric Patel was elected to our Board of Directors. Mr. Patel has extensive business and financial experience, most recently as the CFO of Crystal Decisions, Inc., a privately held software company. Prior to joining Crystal Decisions in 1999, Mr. Patel held executive level positions, including that of CFO, with University Games, Inc., and worked for Dreyer's Grand Ice Cream, Marakon Associates strategy consultants and Chemical Bank.

With the addition of Ms. Briscoe and Mr. Patel, our Board of Directors is now comprised of a majority of independent directors. Ms. Briscoe and Mr. Patel joined Edward Moul on our Audit Committee; Chuck Croft and Russell Cmolik stepped down from the Audit Committee during the year. Ms. Briscoe, Mr. Patel and Mr. Croft were appointed to the newly created Nominating and Corporate Governance Committee effective October 29, 2004.

In 2004 we set several Company gross auction sales records, including achieving the highest level of full-year gross auction sales ever. Our record-breaking performance started in February 2004 at our permanent auction site in Orlando, Florida, when we sold over $64 million in trucks and equipment, setting a new record for the largest auction in Ritchie Bros.' history. In December we broke the record that had been set in February and set a new benchmark for our largest auction with a $68 million sale at our permanent auction site in Moerdijk in The Netherlands. During 2004 we set eight new regional records, including the largest Canadian sale in the Company's history.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in conformity with Canadian GAAP, we must make decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances and historical experience. On an ongoing basis, we evaluate these judgments and estimates, including consideration of uncertainties relating to revenue recognition criteria, recoverability of capital assets, goodwill and future income tax assets, and the assessment of possible contingent assets or liabilities that should be recognized or disclosed in our consolidated financial statements. Actual amounts could differ materially from those estimated by us at the time our consolidated financial statements are prepared.

The following discussion of critical accounting policies and estimates is intended to supplement the significant accounting policies presented as note 1 to our consolidated financial statements. Note 1 summarizes the accounting policies and methods used in the preparation of our consolidated financial statements. The policies and the estimates discussed below are included here because they require more significant judgments and estimates in the preparation and presentation of our consolidated financial statements than other policies and estimates.

Valuation of Goodwill

We assess the possible impairment of goodwill in accordance with standards issued by the Canadian Institute of Chartered Accountants in Canada (known as the CICA) and the Financial Accounting Standards Board in the United States. The standards stipulate that reporting entities test the carrying value of goodwill for impairment annually at the reporting unit level using a two-step impairment test; if events or changes in circumstances indicate that the asset might be impaired, the test is conducted more frequently.

In the first step of the impairment test, the net book value of each reporting unit is compared with its fair value. We operate as a single reporting unit, which is the consolidated public company. As a result, we are able to refer to the stock market for a third party indicator of our company's fair value. As long as the fair value of the reporting unit exceeds its net book value, goodwill is considered not to be impaired and the subsequent step of the impairment test is unnecessary. Changes in the market value of our common shares may impact our assessment as to whether goodwill has been impaired. These changes may result from changes in our business plans or other factors, including those that are outside our control. We perform the goodwill test each year as at September 30, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. We performed the test as at September 30, 2004 and determined that no impairment had occurred.

Accounting for Income Taxes

We record income taxes relating to our business in each of the jurisdictions in which we operate. We estimate our actual current tax exposure and the temporary differences resulting from differing treatment of items for tax and book accounting purposes. These differences result in future income tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our future income tax assets will be recovered from future taxable income. If recovery of these future tax assets is considered unlikely, we must establish a valuation allowance. To the extent we either establish or increase a valuation allowance in a period, we must include an expense within the tax provision in the consolidated statement of operations. Significant management judgment is required in determining our provision for income taxes, our measurement of future tax assets and liabilities, and any valuation allowance recorded against our net future tax assets. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish a valuation allowance that could materially impact the presentation of our financial position and results of operations.

New Accounting Policies

Stock-based Compensation

Prior to January 1, 2003, we recognized stock-based compensation expense using the intrinsic value method of accounting at the date of grant of the underlying stock option. Under the intrinsic value method, no compensation costs were recognized in the financial statements for stock options granted to employees and directors when they were issued at market value.

In 2003 we adopted on a prospective basis the fair value based method of accounting for all employee and director stock options granted, modified or settled on or after January 1, 2003. Under the fair value based method of accounting, compensation cost is measured using the Black-Scholes option pricing model at the date of underlying option grant and is expensed over the underlying award's vesting period. For the year ended December 31, 2004, we recorded stock-based compensation expense (net of future income tax impact of $0.5 million) of $1.0 million, or $0.03 per common share, basic and diluted (2003 – $0.9 million, or $0.05 per common share, basic and diluted). No fair value stock-based compensation expense has been recognized for any stock option grants in any years prior to January 1, 2003.

Recent Accounting Pronouncements

In March 2003 the Accounting Standards Board in Canada issued Handbook Section 3110, Asset Retirement Obligations, effective for years beginning on or after January 1, 2004. The new section establishes standards for the recognition and measurement of liabilities for obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operations of the assets. We adopted this standard effective January 1, 2004 and it did not have a material impact on the presentation of our financial condition or results of operations.

Overall Performance

For the year ended December 31, 2004 we recorded auction revenues of $182.3 million and net earnings of $34.9 million, or $1.01 per diluted common share. This performance compares to auction revenues of $161.5 million and net earnings of $36.6 million, or $1.07 per diluted common share, in 2003. Although our auction revenues increased compared to the prior year, we experienced a decrease in our net earnings, mainly as a result of higher general and administration costs and income taxes. In addition, although we had growth in our gross auction sales, we experienced an auction revenue rate of 10.19% in 2004, which was lower than the rate of 10.36% achieved in the prior year. We ended the year with working capital of $36.9 million, compared to $35.7 million at the end of 2003.

Selected Annual Information

The following selected consolidated financial information as at December 31, 2004, 2003 and 2002 and for each of the years in the three-year period ended December 31, 2004 has been derived from our audited consolidated financial statements. This data should be read together with those financial statements and the risk factors described below.

Our consolidated financial statements are prepared in United States dollars in accordance with Canadian GAAP. These principles conform in all material respects with U.S. GAAP, except as disclosed in note 12 of our consolidated financial statements for the year ended December 31, 2004. All dollar amounts in the following table and related notes are in thousands of United States dollars, except per share data.

	Year Ended December 31,		
	2004	2003	2002
Statement of Operations Data:			
Auction revenues (1)	$182,257	$161,542	$133,552
Direct expenses	(23,472)	(22,099)	(19,684)
	158,785	139,443	113,868
Operating expenses (2)(3)	100,539	86,750	74,841
Earnings before income taxes	58,246	52,693	39,027
Income taxes (4)	23,347	16,099	10,656
Net earnings	$ 34,899	$ 36,594	$ 28,371
Net earnings per share — basic	$ 1.02	$ 1.08	$ 0.84
Net earnings per share — diluted	1.01	1.07	0.84
Cash dividends declared per share (5)	$ 0.37	$ 0.15	$ –
Balance Sheet Data (period end):			
Working capital (including cash)	$ 36,871	$ 35,700	$ 25,443
Capital assets	226,624	210,416	193,490
Total assets	442,409	413,362	329,136
Long-term liabilities	18,714	34,613	67,336

(1) Auction revenues are comprised of commissions earned from consignors through straight commission and guarantee contracts, the net profit on the sale of inventory items, fees charged to buyers and incidental interest income.

(2) Operating expenses include depreciation and amortization, general and administrative and other income and expenses.

(3) We adopted the fair value method of accounting for stock-based compensation in 2003, in accordance with amended accounting pronouncements in Canada and the United States. General and administrative expenses include stock-based compensation charges in 2004 of $1,467 ($991, or $0.03 per share basic and diluted, net of taxes) and in 2003 of $1,047 ($880, or $0.05 per share basic and diluted, net of taxes).

(4) Income taxes in 2004 include taxes of $2,106 recorded in connection with realized foreign exchange gains at the subsidiary level relating to certain term debt that came due in 2004.

(5) In addition to the cash dividends declared and paid in 2004, we declared a cash dividend of $0.11 per common share on January 28, 2005 relating to the quarter ended December 31, 2004, which is not included in this amount.

Results of Operations

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

We conduct operations around the world in a number of different currencies, but our reporting currency is the United States dollar. In 2004, approximately 35% of our revenues and approximately 40% of our operating costs were denominated in currencies other than the United States dollar, which is roughly consistent with the relative proportions in recent periods.

The main currencies other than the United States dollar in which our revenues and operating costs are denominated are the Canadian dollar, the Euro, and the Australian dollar. In the past, fluctuations in the value of these currencies have not had a material impact on the presentation of our results of operations. However, in recent periods there has been a significant increase in the value of these currencies relative to the United States dollar. This increase, which we refer to in this discussion as the currency fluctuation, has

resulted in higher reported auction revenues and operating costs than would have been reported had there been no currency fluctuation, as discussed in more detail below. However, the higher reported auction revenues and operating expenses in our consolidated financial statements largely offset, making the impact of the currency fluctuation on our net earnings essentially neutral.

United States Dollar Exchange Rate Comparison

Years ended December 31,	2004	% Change	2003	% Change	2002
Value of one U.S. dollar:					
Year-end exchange rate:					
Canadian dollar	$1.1995	-7.5%	$1.2965	-17.8%	$1.5776
Euro	€0.7371	-7.1%	€0.7938	-16.7%	€0.9530
Average exchange rate:					
Canadian dollar	$1.3013	-7.1%	$1.4010	-10.8%	$1.5703
Euro	€0.8048	-9.1%	€0.8853	-16.6%	€1.0613

Auction Revenues

Years ended December 31,	2004	2003	% Change
Auction revenues – United States(1)	$ 104,618	$ 92,273	13%
Auction revenues – Canada(1)	36,258	30,752	18%
Auction revenues – Europe(1)	26,988	21,262	27%
Auction revenues – Other(1)	14,393	17,255	-17%
Total auction revenues	$ 182,257	$ 161,542	13%
Gross auction sales	$1,789,402	$1,559,393	15%
Auction revenue rate	10.19%	10.36%	

Note:

(1) Information by geographic segment based on auction location.

The increase in auction revenues in 2004 was attributable to higher gross auction sales and the impact of the currency fluctuation. Gross auction sales in 2004 increased in the United States, Canada and Europe compared to the year ended December 31, 2003. Gross auction sales for the year ended December 31, 2004 include $45.2 million relating to agricultural auctions held during the year (2003 — $22.4 million). The decrease in the auction revenue rate in 2004 can be attributed mainly to the performance of our guarantee and inventory contracts. The auction revenue rate performance of these contracts was not as strong as their unusually strong performance in 2003. This underwritten business represented 23% of our total gross auction sales in 2004, which is in a similar range to the levels experienced in prior years (26% in 2003 and 20% in 2002).

Our auction revenue rate of 10.19% for 2004 was only slightly above our expected range of 9.50% to 10.00%. We expect that our auction revenue rate will be within the range of 9.50% to 10.00% for 2005. Past experience has shown that our auction revenue rate is difficult to estimate precisely, and therefore, the actual auction revenue rate in the future may be above or below this range.

A small change in our auction revenue rate can have a material impact on our auction revenues and therefore, our net earnings. For example, a 10 basis point (0.1%) increase or decrease in our auction revenue rate would have impacted auction revenues by approximately $1.8 million in 2004, of which approximately $1.1 million or $0.03 per share would have flowed through to net earnings in our statement of operations, assuming no other changes. This factor is important to consider when evaluating our current and past performance, as well as when judging future prospects.

Direct Expenses

Years ended December 31,	2004	2003	% Change
Direct expenses	$23,472	$22,099	6%
Direct expenses as a percentage of gross auction sales	1.31%	1.42%	

Direct expenses consist of costs incurred as a direct result of an auction sale being held. Direct expenses include the costs of hiring personnel to assist in conducting the auction, advertising specifically related to the auction, travel costs for employees to attend and work at the auction, security hired to safeguard equipment at the auction site and rental expenses for temporary auction sites.

Direct expenses as a percentage of gross auction sales, or the direct expense rate, fluctuate based on the size and location of auctions held each period. As the size of auctions increases, the direct expense rate generally decreases. Moreover, auctions held at permanent auction sites tend to have lower direct expense rates than auctions held at temporary locations due mainly to the economies of scale and other efficiencies typically achieved at permanent auction sites. During 2004 we had eight auctions that achieved record-breaking gross auction sales and this contributed to an increase in the average size of our auctions for the year. The average gross auction sales at our industrial auctions in 2004 increased to $12.0 million, from an average of $10.9 million in 2003. These factors contributed to a lower direct expense rate compared to the prior year. We expect that the direct expense rate will be in the range of 1.30% for 2005.

Depreciation Expense

Years ended December 31,	2004	2003	% Change
Depreciation expense	$12,708	$11,773	8%

Depreciation is calculated on either a straight line or a declining balance basis on capital assets employed in our business, including buildings and site improvements, automobiles, yard equipment, and computer hardware and software. Depreciation expense grew primarily as a result of the depreciation of new auction facilities constructed over the past few years and increasing charges related to capitalized software development costs. In addition, the currency fluctuation resulted in higher depreciation expense on assets denominated in currencies other than the United States dollar.

We anticipate that depreciation expense will continue to increase in the future as existing auction sites are improved and additional permanent auction sites are acquired and developed, and as capitalized expenditures relating to our M07 strategic initiative are depreciated.

General and Administrative Expenses

Years ended December 31,	2004	2003	% Change
General and administrative expenses	$85,667	$71,265	20%
G&A as a percentage of gross auction sales	4.79%	4.57%	

General and administrative expenses, or G&A, include items such as employee expenses (salaries, wages, performance bonuses and benefits), non-auction related travel, information technology, repairs and maintenance, telecommunications, insurance, rent and lease payments, professional fees, utilities, and institutional advertising. The increase in G&A is attributable to a number of factors, including the currency fluctuation and increased costs incurred in 2004 to support our growth initiatives (such as salaries and wages, information technology, and repairs and maintenance). We also recorded higher employee performance bonus accruals as a result of our executive long-term incentive plan (known as the ELTIP) adopted during the year. The ELTIP was introduced to ensure that our senior managers have meaningful investments in our common shares and to align better their interests with those of our shareholders. In addition, G&A expenses increased as a result of a change in our method of allocating costs to internal software development projects, which caused a lower level of costs to be capitalized to such projects in 2004. Although we expect G&A as a percentage of gross auction sales to decrease going forward, future levels of G&A will continue to be affected by the expansion of infrastructure and workforce necessary to support our growth plans, as well as other factors including fluctuations in foreign exchange rates.

Interest Expense

Years ended December 31,	2004	2003	% Change
Interest expense	$ 3,217	$ 4,772	(33%)

Interest expense is comprised mainly of interest and bank charges paid on long term and revolving debt and operating credit lines. Interest expense decreased in 2004 because of lower average debt balances and lower average interest rates applicable to that debt. During 2004, we capitalized $0.3 million of interest related to properties under development, compared to $0.2 million in 2003.

Income Taxes

Years ended December 31,	2004	2003	% Change
Income taxes	$23,347	$16,099	45%
Effective income tax rate	40.1%	30.6%	

Income taxes have been computed based on rates of tax that apply in each of the tax jurisdictions in which we earn our income. The effective tax rate for the year ended December 31, 2004 was higher than the rate we experienced in 2003 as a result of differences in earnings within the various tax jurisdictions in which we earn our income. In addition, realized foreign exchange gains at the subsidiary level on certain term debt that came due in 2004 resulted in an increase of $2.1 million in our income tax provision for the year. This portion of the income tax provision is unrelated to our operations and we do not expect to incur an equivalent charge in future periods. Absent this component, our income tax rate for 2004 would have been 36.5%. Income tax rates in future periods will fluctuate depending upon the impact of unusual items and the level of earnings in the different tax jurisdictions in which we earn our income.

Net Earnings

Years ended December 31,	2004	2003	% Change
Net earnings before income taxes	$58,246	$52,693	11%
Net earnings	34,899	36,594	(5%)
Net earnings per share — basic	1.02	1.08	(6%)
Net earnings per share — diluted	1.01	1.07	(6%)

Excluding the impact of charges of $2.1 million to our income tax provision in 2004 that we do not expect to recur in future periods (as discussed above), our net earnings for 2004 would have been $37.0 million, or $1.08 per basic share and $1.07 per diluted share. The currency fluctuation did not have a material net effect on earnings for the year ended December 31, 2004 or 2003.

Summary of Fourth Quarter Results

We earned auction revenues of $57.1 million and net earnings of $11.3 million, or $0.34 per basic share and $0.33 per diluted share, during the fourth quarter of 2004, which compares to auction revenues of $47.7 million and net earnings of $12.4 million, or $0.37 per basic share and $0.36 per diluted share, in the fourth quarter of 2003. Excluding the $1.2 million impact of income taxes attributable to realized foreign exchange gains at the subsidiary level on certain term debt that came due in the second half of 2004, which we do not expect to recur in future periods, net earnings for the fourth quarter of 2004 would have been $12.6 million, or $0.37 per basic share and $0.36 per diluted share. The fourth quarter is typically one of our stronger quarters, because of the seasonality inherent in our business, as discussed above. Our gross auction sales were $549.8 million for the quarter ended December 31, 2004, which is an increase of 15% compared to the same period in 2003. We achieved growth in all of our main markets during the fourth quarter of 2004 compared to the same period in 2003.

Although our fourth quarter auction revenue rate increased to 10.39% from 10.00% in the fourth quarter of 2003, we experienced a 9% decrease in our earnings because higher auction revenues were offset by increased G&A and higher income taxes resulting from charges unrelated to our operations that we do not expect to incur in future periods, as discussed above. Our G&A increased because of higher costs associated with ongoing growth in our business, for example employee performance bonus accruals, employee wages and property-related costs, and accruals in connection with the ELTIP implemented in 2004. Currency fluctuations contributed further to the increase in G&A.

We repaid long-term debt of $51.6 million during the fourth quarter of 2004, and borrowed $32.5 million. Capital asset additions were $8.2 million for the quarter, compared to $4.6 million in the comparable quarter in 2003. Our capital expenditures in 2004 related primarily to the construction of our new permanent auction site in Sacramento, California and to the purchase of land in Nashville, Tennessee. Exchange rate changes relating to capital assets held in currencies other than the United States dollar resulted in a further increase in our reported capital assets on our consolidated balance sheet of $6.2 million in the fourth quarter of 2004 compared to an increase of $5.2 million in the equivalent period in 2003.

Summary of Quarterly Results

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight quarters. This data has been derived from our unaudited consolidated financial statements, which were prepared on the same basis as the annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for the fair presentation of such information. These unaudited quarterly results should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2004. All dollar amounts in the following tables and related footnotes are stated in thousands of United States dollars, except per share data.

	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Gross auction sales (1)	$549,796	$307,188	$553,776	$378,642
Auction revenues	$ 57,142	$ 31,449	$ 55,996	$ 37,670
Net earnings (2)	11,335	1,810	15,164	6,590
Net earnings per share — basic	$ 0.34	$ 0.05	$ 0.44	$ 0.19
Net earnings per share — diluted	0.33	0.05	0.44	0.19

	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Gross auction sales (1)	$477,107	$277,832	$462,979	$341,475
Auction revenues	$ 47,719	$ 29,785	$ 47,657	$ 36,381
Net earnings	12,417	2,721	12,881	8,575
Net earnings per share — basic	$ 0.37	$ 0.08	$ 0.38	$ 0.25
Net earnings per share — diluted	0.36	0.08	0.38	0.25

(1) Gross auction sales represents the total proceeds from all items sold at our auctions. Gross auction sales is not a measure of revenue and is not presented in our consolidated financial statements. See further discussion above under “Sources of Revenue and Revenue Recognition.”

(2) Net earnings in the third and fourth quarters of 2004 reflect income taxes of $888 and $1,218, respectively, recorded in connection with realized foreign exchange gains at the subsidiary level on certain term debt that came due in the second half of 2004. Excluding this charge, which we do not expected to recur in future periods, net earnings would have been $2,698, or $0.08 per share basic and diluted, for the third quarter and $12,553, or $0.37 per basic share and $0.36 per diluted share, for the fourth quarter.

Liquidity and Capital Resources

December 31,	2004	2003	% Change
Working capital	$36,871	$35,700	3%

Our cash position can fluctuate significantly from period to period, largely as a result of differences between the timing, size and number of auctions, the timing of the receipt of auction sale proceeds from buyers, and the timing of the payment of net amounts due to consignors. We usually collect auction proceeds from buyers within seven days of the auction and generally pay out auction proceeds to consignors approximately 21 days following an auction. If auctions are conducted near a period end, we may hold cash in respect of those auctions that will not be paid to consignors until after the period end. Accordingly, we believe that working capital, including cash, is a more meaningful measure of our liquidity than cash alone. In our opinion, our working capital balance at December 31, 2004 is adequate to meet our needs.

	Payments Due by Year				
Contractual Obligations	Total	In 2005	In 2006 and 2007	In 2008 and 2009	After 2009
Long-term debt	$45,925	$35,133	$ 10,577	$ 215	$ —
Operating leases	3,654	1,330	1,599	725	—
Other long term obligations	2,752	1,189	1,563	—	—
Total contractual obligations	$52,331	$37,652	$ 13,739	$ 940	$ —

Our long-term debt due within one year in the table above includes certain revolving loans that we expect to extend when they come due and certain term loans that we expect to renegotiate. Our current assets at December 31, 2004 included funds committed for debt repayment of $1.9 million, which could be used to reduce the amount payable on any of the term loans that may be repaid in 2005 (see further discussion of long-term debt below). Our operating leases related primarily to land on which we operate regional auction units. These properties are located in the United States, Australia, Singapore, Mexico, Canada and the United Arab Emirates.

Future interest expenses over the next five years are as follows:

	In 2005	In 2006	In 2007	In 2008	In 2009
Interest expense on long-term debt	$ 1,183	$ 286	$ 22	$ 14	$ —

In the normal course of our business, we will sometimes guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment. Our total exposure at December 31, 2004 from these guarantee contracts was $20.9 million (compared to $9.8 million at December 31, 2003), which will be offset by the proceeds that we receive from the sale at auction of the related equipment. We do not record any liability in our financial statements in respect of these guarantee contracts, and they are not reflected in the contractual obligations table above.

December 31,	2004	2003	% Change
Cash provided by (used in):			
Operations	$ 58,656	$ 77,832	(25%)
Investing	(24,555)	(11,021)	(123%)
Financing	(24,622)	(13,793)	(79%)

Capital asset additions were $23.5 million for the year ended December 31, 2004 compared to $16.3 million in 2003. Our capital expenditures in 2004 related primarily to the construction of our new permanent auction site in Sacramento, California. Exchange rate changes relating to capital assets held in currencies other than the United States dollar resulted in a further increase in our reported capital assets on our consolidated balance sheet of $7.4 million in 2004 compared to an increase of $17.8 million in 2003.

During the year ended December 31, 2004 we completed the following property acquisitions and disposals:

- In October we entered into an agreement to dispose of our property in Ocala, Florida for proceeds approximating its book value of $2.1 million. The proceeds will be received over a period not to exceed three years and the transaction is being treated as a sales-type lease. The land was no longer being used in our operations.

- In November we purchased a parcel of land in Nashville, Tennessee for approximately $1.9 million. We intend to develop the property for a new permanent auction site.

We also have options to purchase certain other parcels of land in the United States, but because we were not obligated to purchase any of this land, the options were not recorded as liabilities in our financial statements. Subsequent to December 31, 2004 we disposed of a parcel of land in Lake Worth, Texas with a book value of $0.5 million for proceeds of $6.0 million. The land was not being used in our operations.

We intend to add additional permanent auction sites in selected locations around the world as appropriate opportunities arise, though actual expenditure levels in the future will depend on our ability to identify, acquire and develop suitable auction sites. We expect that capital expenditures, including maintenance capital expenditures, will be in the range of $15 million to $20 million per year on average for the next few years. Additional expenditures may also be required to achieve our Mission 2007 strategic initiatives, depending on the scope of our required system improvements.

We paid regular quarterly cash dividends totaling $0.37 per share in 2004, for total dividend payments of $12.6 million, compared to total dividend payments of $5.1 million in 2003. On January 25, 2005, our Board of Directors declared a quarterly cash dividend of $0.11 per common share relating to the quarter ended December 31, 2004. The dividend will be payable on March 18, 2005 to shareholders of record on February 25, 2005. The total dividend payment is expected to be approximately $3.8 million.

December 31,	2004	2003	% Change
Long-term debt (including current portion of long-term debt)	$ 45,925	$ 70,788	(35)%
Credit facilities — total available:	$159,923	$199,603	
Credit facilities — total unused:	$113,998	$128,815	

We have established credit facilities with financial institutions in the United States, Canada, The Netherlands, and Australia. We had no floating rate debt at December 31, 2004 (December 31, 2003 – $4.4 million). However, certain of our long-term debt at December 31, 2004 consisted of revolving loans drawn on credit facilities, most of which were recorded in current liabilities in our financial statements. Some of these revolving loans will be extended in 2005 when they come due, and are subject to short-term interest rates until their due dates. During the year ended December 31, 2004 we repaid long-term debt of $58.5 million, compared to $3.7 million in 2003, and borrowed $32.5 million. We had no new borrowings in 2003. At December 31, 2004, we were in compliance with all of the financial covenants applicable to our long-term debt.

Quantitative and Qualitative Disclosure about Market Risk

Although we cannot accurately anticipate the future effect of inflation on our financial condition or results of operations, inflation historically has not had a material impact on our operations.

We are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the United States dollar, which is our reporting currency. We cannot accurately predict the future effects of foreign currency fluctuations on our financial condition or results of operations. For the year ended December 31, 2004, approximately 35% of our revenues were earned in currencies other than the United States dollar and approximately 40% of our operating costs were denominated in currencies other than the United States dollar. We have not hedged against foreign currency rate fluctuations associated with our operations denominated in currencies other than the United States dollar.

During the year ended December 31, 2004 we recorded an increase in our foreign currency translation adjustment balance of $8.8 million, compared to $17.2 million in 2003. Our foreign currency translation adjustment arises from the translation of our net assets denominated in currencies other than the United States dollar into our reporting currency. Increases in this balance arise primarily from the strengthening of non-United States currencies against the United States dollar.

Transactions with Related Parties

During the year ended December 31, 2004, we paid approximately $0.8 million to D.E.R. Resorts Ltd. (or Resorts), a company controlled by David E. Ritchie, the Chairman of our Board of Directors and our former Chief Executive Officer. The costs were incurred pursuant to agreements, approved by our Board of Directors, by which Resorts agrees to provide meeting rooms, accommodations, meals and recreational activities at its facilities on Stuart Island in British Columbia, Canada, for certain of our customers and guests. The agreements set forth the fees and costs per excursion, which are based on market prices for similar types of facilities and excursions. We believe that the terms of the agreements were at least as favorable to us as we could have obtained from a third party. We have entered into similar agreements with Resorts in the past and intend to do so in the future.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. These statements are based on current expectations and estimates about our business, and include, among others, statements relating to:

- our future performance;
- growth of our operations;
- expansion of the markets and market segments (geographic and otherwise) in which we conduct auctions, including the international used industrial equipment market;
- increases in the number of consignors and bidders participating in our auctions and the average size of our auctions;
- our competitive strengths;
- the anticipated improvement, acquisition and development by us of auction sites;
- our gross auction sales, auction revenues and auction revenue rates, including expected auction revenue rates and the sustainability of those rates, and the seasonality of gross auction sales and auction revenues;
- our direct expense rates, depreciation expenses and potential changes in income taxes;
- the effect on our general and administrative expenses of expanded infrastructure and workforce;
- our future capital expenditures;
- income taxes in future periods;
- our Internet initiatives and the contribution to our operating results from Internet-based auction purchases;
- amounts of our revenues and operating costs denominated in currencies other than the U.S. dollar and the effect of any currency exchange fluctuations;
- renegotiating and extending existing indebtedness; and
- financing available to us.

In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "continue," "estimate," "expect," "intend," "may," "might," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms, and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While we have not described all potential risks related to our business and owning our common shares, the important factors listed under "Risk Factors" are among those that may affect our performance and could cause our actual financial and operational results to differ significantly from our predictions. We do not intend to update publicly any forward-looking statements, even if our predictions have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of these and other relevant factors.

Risk Factors

Our business is subject to a number of risks and uncertainties, and our past performance is no guarantee of future performance. Some of the more important risks we face are outlined below and should be considered by holders of our common shares. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition would suffer.

We may incur losses related to our guarantee and outright purchase contracts and advances to consignors.

We generally offer our services to consignors on a straight commission basis. In some cases we will, subject to our evaluation of the items being consigned, either offer to:

- guarantee the consignor a minimum level of sale proceeds, regardless of the ultimate results of the auction; or
- purchase the equipment directly from the consignor for sale in a particular auction.

If auction proceeds are less than the guaranteed amount, our commission will be reduced or, if sufficiently lower, we will incur a loss. If auction proceeds are less than the purchase price we paid, we will incur a loss. Because all of our auctions are unreserved, we cannot protect against these types of losses by bidding on or acquiring any items at the auctions. In recent periods, guarantee contracts and our direct purchases and sales of inventory have generally represented approximately 25% of our annual gross auction sales.

Occasionally we advance to consignors a portion of the estimated auction proceeds prior to the auction. We generally make these advances only after taking possession of the assets to be auctioned and upon receipt of a security interest in the assets to secure the obligation. If we were unable to auction the assets or if auction proceeds were less than amounts advanced, we could incur a loss.

We may incur losses related to our guarantees of clear title on the assets sold at our auctions.

We guarantee that each item purchased at our auctions is free of liens and other encumbrances up to the purchase price paid by the buyer, where title registries are commercially available. While we expend considerable effort ensuring that all liens have been identified and, if necessary, discharged prior to the auction sale, occasionally we have not properly identified or discharged liens and have had to make payments to the relevant lienholders or purchasers. If we are unable to recover sufficient funds from the consignors to offset these payments, we will incur a loss; aggregate losses from these payments could be material.

We may incur losses as a result of legal and other claims.

We are subject to legal and other claims which arise in the ordinary course of our business. While the results of these claims have not historically had a material adverse effect on our financial condition or results of operations, we may not be able to defend ourselves adequately against these claims in the future and we may incur a loss. Aggregate losses from these claims could be material.

Our operating results are subject to quarterly variations.

Our revenues and operating results historically have fluctuated from quarter to quarter. Among the factors that we expect will continue to cause these fluctuations are:

- the timing, frequency and size of auctions;

- the seasonal nature of the auction business in general, with peak results typically in the second and fourth calendar quarters, primarily due to the seasonal nature of the construction and natural resources industries;
- the performance of our underwritten business (guarantee and outright purchase contracts);
- general economic conditions in our markets; and
- the timing of acquisitions and development of auction sites and related costs.

Additionally, we generally incur substantial costs when entering new markets, and the profitability of operations at a new location is uncertain due to heightened variability in the number and size of auctions at these sites. These and other factors may cause our future results to fall short of investor expectations or to not compare favorably to past results.

Decreases in the supply of, demand for, or market values of industrial assets, primarily used industrial equipment, would harm our business.

Significant erosion in the supply of, demand for, or market values of used trucks and equipment could reduce our auction revenues and impact our financial condition and results of operations. Most of the factors that affect the supply of, and demand for, used trucks and equipment are beyond our control, and market values for used trucks and equipment fluctuate based on circumstances beyond our control. In addition, price competition for new trucks and equipment has a direct impact on the supply of, demand for, and market value of used trucks and equipment.

We may be unable to sustain and manage our growth.

A principal component of our strategy is to continue our growth, primarily by increasing earnings from operations in existing markets and by expanding into new geographic markets and into auction market segments that we have not historically emphasized. We may not be successful in growing our business or in managing this growth. Our growth depends on our ability to accomplish a number of things, including:

- identifying and developing new markets and market segments;
- identifying and acquiring, on favorable terms, suitable new auction sites and, possibly, businesses that are suitable acquisition candidates;
- successfully integrating new sites and any acquired businesses with our existing operations;
- achieving acceptance by potential consignors and buyers of the auction process generally;
- establishing and maintaining favorable relationships with consignors and bidders in new markets and market segments, and maintaining these relationships in existing markets;
- capitalizing on changes in the supply of and demand for industrial assets, both on a local and global basis;
- receiving required governmental authorizations for proposed development or expansion;
- designing and implementing business processes that are able to profitably support our growth; and
- successfully managing expansion and obtaining required financing.

Any growth we achieve may require additional employees and increase the scope of both our operating and financial systems and the geographic area of our operations. This will increase our operating complexity and the level of responsibility of existing and new management personnel. We may be unable to attract and retain qualified managers and employees, and our existing operating and financial systems and controls may not be adequate to support our growth. Our ability to improve our systems and controls may be limited by increased costs, technological challenges, or lack of qualified employees. Our past results and growth may not be indicative of our prospects or our ability to penetrate new markets, many of which may have different competitive conditions and demographic characteristics than our current markets.

Our substantial international operations expose us to foreign exchange rate fluctuations and political and economic instability, which could harm our operating results.

We conduct business globally and intend to continue expanding our international presence. Fluctuating currency exchange rates, acts of terrorism or war, and changing social, economic and political conditions and regulations may adversely affect our business in international markets and our related operating results. Fluctuations in currency exchange rates between the different countries in which we conduct auctions impact the purchasing power of buyers, the motivation of consignors, asset values and asset flows between different countries. These factors and other global economic conditions may impair our business and harm our operating results.

Although we report our financial results in United States dollars, a significant portion of our auction revenues are generated at auctions held outside the United States, mostly in currencies other than the United States dollar. Changes in currency exchange rates against the United States dollar, particularly for the Canadian dollar or the Euro, could affect the results presented in our financial statements and cause our earnings to fluctuate.

Competition in our core markets may lead to reduced revenues and profitability.

The used truck and equipment sectors of the global industrial equipment market, and the auction segment of those markets, are highly fragmented. We compete directly for potential purchasers of industrial equipment with other auction companies. Our indirect competitors include equipment manufacturers, distributors and dealers that sell new or used equipment, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies, equipment dealers and brokers, and equipment owners that have traditionally disposed of equipment in private sales.

Our direct competitors are primarily regional auction companies. Some of our indirect competitors have significantly greater financial and marketing resources and name recognition than we do. New competitors with greater financial and other resources may enter the industrial equipment auction market in the future. Additionally, existing or future competitors may succeed in entering and establishing successful operations in new geographic markets prior to our entry into those markets. They may also compete against us through Internet-based services. If existing or future competitors seek to gain or retain market share by reducing commission rates, we may also be required to reduce commission rates, which may reduce our revenue and harm our operating results and financial condition.

We depend on a number of key personnel, and our business could be harmed if we lost the services of one or more of them. We also have a new CEO effective November 1, 2004

Our future performance and development will depend to a significant extent on the efforts and abilities of our executive officers and senior managers. The loss of the services of one or more of these individuals could harm our business. We do not maintain key man insurance on the lives of any of our executive officers. Our success will depend largely on our continuing ability to attract, develop and retain skilled employees in all areas of our business. Peter J. Blake, our former Senior Vice-President and Chief Financial Officer, became CEO effective November 1, 2004, replacing David E. Ritchie, who had been CEO for many years and is one of our founders. Although Mr. Blake has been with Ritchie Bros. for 14 years, he does not have the same years of experience as Mr. Ritchie and has not previously been in the CEO role.

Our operations are subject to substantial environmental and other regulations, which may significantly increase our expenses or limit our operations and ability to expand.

A variety of federal, provincial, state and local laws, rules and regulations apply to our business. These relate to, among other things, the auction business, imports and exports of equipment, worker safety, privacy of customer information, and the use, storage, discharge and disposal of environmentally sensitive materials. Failure to comply with applicable laws, rules and regulations could result in substantial liability

to us, suspension or cessation of some or all of our operations, restrictions on our ability to expand at present locations or into new locations, requirements for the acquisition of additional equipment or other significant expenses or restrictions.

The development or expansion of auction sites depends upon receipt of required licenses, permits and other governmental authorizations. Our inability to obtain these required items could harm our business. Additionally, changes or concessions required by regulatory authorities could result in significant delays in, or prevent completion of, this development or expansion.

Under some laws regulating the use, storage, discharge and disposal of environmentally sensitive materials, an owner or lessee of real estate may be liable for the costs of removal or remediation of hazardous or toxic substances located on or in, or emanating from, the real estate, and related costs of investigation and property damage. These laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of the hazardous or toxic substances. Environmental contamination may exist at our owned or leased auction sites from prior activities at these locations or from neighboring properties. In addition, auction sites that we acquire or lease in the future may be contaminated, and future use of or conditions on any of our properties or sites could result in contamination. The costs related to environmental contamination of any of the properties we own or lease could harm our financial condition and results of operations.

There are restrictions in the United States and Europe that may affect the ability of equipment owners to transport certain equipment between specified jurisdictions. One example of these restrictions is environmental certification requirements in the United States, which prevent non-certified equipment from being entered into commerce in the United States. If these restrictions were to materially inhibit the ability of customers to ship equipment to or from our auction sites, they could reduce our gross auction sales and harm our business.

International bidders and consignors could be deterred from participating in our auctions if governmental bodies impose additional export or import regulations or additional duties, taxes or other charges on exports or imports. Reduced participation by international bidders and consignors could reduce our gross auction sales and harm our business, financial condition and results of operations.

Our insurance may be insufficient to cover losses that may occur as a result of our operations.

We maintain property and general liability insurance. This insurance may not remain available to us at commercially reasonable rates, and the amount of our coverage may not be adequate to cover any liability we incur. Our auctions generally involve the operation of large equipment close to a large number of people, and an accident could damage our facilities or injure auction attendees. Any major accident could harm our reputation and business. In addition, if we were held liable for amounts exceeding the limits of our insurance coverage or for claims outside the scope of our coverage, the resulting costs could harm our results of operations and financial condition.

Our Internet-related initiatives may not improve our results over the long term and are subject to technological obsolescence and potential service interruptions; in addition, we may not be able to compete with our competitors' technologies.

We have invested significant resources in the development of our Internet presence, including our *rbauctionBid-Live* Internet bidding service. In spite of our investment, these new technologies may not result in any material improvement in our financial condition or results of operations over the long term and may require further investment. We may also not be able to continue to adapt our business to Internet commerce, our Internet technologies may become obsolete, and we may not be able to compete effectively against Internet auction services offered by our competitors.

The success of our rbauctionBid-Live service and other services offered over the Internet, including equipment-searching capabilities, will depend largely on the continued development and maintenance of our infrastructure and the Internet in general. The performance of the Internet, as well as some of our internal hardware and software systems, is critical to our ability to offer online services. “Viruses”, “worms” and other similar programs, which have in the past caused periodic outages and other Internet access delays, may in the future interfere with the performance of the Internet and some of our internal systems. These outages and delays could reduce the level of service we are able to offer over the Internet. If we were unable to provide services over the Internet at an acceptable level of performance or reliability, our reputation could be damaged, which might result in us losing customers, which could result in adverse consequences for our business.

Our business is dependent on the availability and performance of our internal technology infrastructure

The satisfactory performance, reliability and availability of our website, processing systems and network infrastructure are important to our reputation and our business. We will need to continue to expand and upgrade our technology, transaction processing systems and network infrastructure both to meet increased usage of our rbauctionBid-Live service and other services offered on our website and to implement new features and functions. If we are unable to expand and upgrade our systems and infrastructure to accommodate any increases in the use of our Internet services in a timely fashion, or should we lose access to or the functionality of our systems for any reasons, our business could be harmed.

We use both internally developed and licensed systems for transaction processing and accounting, including billing and collections processing. We may need to improve these systems in order to accommodate the growth in our business. Any inability to upgrade our technology, transaction processing systems or network infrastructure to accommodate increased transaction volumes could have adverse consequences on our business. These difficulties could harm or limit our ability to expand our business.

We do not currently have a formal disaster recovery plan. If we were subject to a serious security breach or a threat to business continuity, it could damage our business and lead to financial losses, which could be material.

Our business is subject to risks relating to our ability to safeguard the security and privacy of our customers’ confidential information.

We maintain proprietary databases containing confidential personal information regarding our customers and the results of our auctions, and we must safeguard the security and privacy of this information. Despite our efforts to protect this information, we face the risk of inadvertent disclosure of this sensitive information or an intentional breach of our security measures.

Security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. We may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by any breaches. Our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

EXHIBIT NO. 4

INDEPENDENT AUDITORS' CONSENT

The Board of Directors

Ritchie Bros. Auctioneers Incorporated

We consent to the use of our reports, both dated February 11, 2005, included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such reports in the Registration Statements (Nos. 333 – 65533 and 333 – 71577) on Form S-8 of Ritchie Bros. Auctioneers Incorporated.

/s/ KPMG LLP
Chartered Accountants

Vancouver, Canada
February 11, 2005

COMMENTS BY AUDITOR FOR THE U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCE

The Board of Directors

Ritchie Bros. Auctioneers Incorporated

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the company's financial statements, such as the change described in Note 2 to the financial statements. Our report to the shareholders dated February 11, 2005 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

/s/ KPMG LLP
Chartered Accountants

Vancouver, Canada
February 11, 2005

EXHIBIT NO. 31

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter J. Blake, certify that:

1. I have reviewed this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this annual report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Omitted in accordance with the guidance of SEC Release No. 33-8238];

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 21, 2005

/s/ Peter J. Blake
Peter J. Blake
Chief Executive Officer

I, Robert S. Armstrong, certify that:

1. I have reviewed this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this annual report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Omitted in accordance with the guidance of SEC Release No. 33-8238];

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 21, 2005

/s/ Robert S. Armstrong
Robert S. Armstrong
Chief Financial Officer

EXHIBIT NO. 32

CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated for the period ended December 31, 2004, I, Peter J. Blake, Chief Executive Officer of the issuer, certify that:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: February 21, 2005

/s/ Peter J. Blake
Peter J. Blake
Chief Executive Officer

In connection with this annual report on Form 40-F of Ritchie Bros. Auctioneers Incorporated for the period ended December 31, 2004, I, Robert S. Armstrong, Chief Financial Officer of the issuer, certify that:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: February 21, 2005

/s/ Robert S. Armstrong
Robert S. Armstrong
Chief Financial Officer

These certifications accompany the annual report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the issuer for purposes of Section 18 of the Securities Exchange Act of 1934.