RITCHIE BROS AUCTIONEERS INC

FORM 40-F
(Annual Report (foreign private issuer))

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 40-F

(Check One)

☐ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

☑ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2005 **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:

☑ Annual information form ☑ 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: 34,423,900

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 ☐ No ☑

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 ☑ No ☐

Forward-Looking Statements

This Annual Report on Form 40-F and documents incorporated by reference contain forward-looking statements (as such term is defined under the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. These statements are based on current expectations and estimates about the Company's business and include, among others, statements relating to :

- the Company's future performance;
- growth of the Company's operations;
- expansion of the geographic markets and market segments in which the Company conducts auctions, including the world market for used industrial equipment;
- increases in the number of consignors and bidders participating in the Company's auctions and the average size of the Company's auctions;
- the Company's key strengths;
- the Company's ability to draw consistently significant numbers of local and international bidders to its auctions;
- the anticipated improvement, acquisition and development by the Company of auction sites;
- the Company's 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;
- the Company's direct expense rates, depreciation expenses and income tax rates;
- the effect on the Company's general and administrative expenses and operating leverage of expanded infrastructure and workforce, the Company's "Mission 2007" initiative and growth of the Company's business;
- the Company's future capital expenditures;
- the Company's "Mission 2007" strategic initiative, the timing of its implementation and its effect on the Company's business, results of operations and capital expenditures;
- the Company's internet initiatives and the level of participation in Company auctions by internet bidders;
- the proportion of the Company's revenues and operating costs denominated in currencies other than the U.S. dollar or the effect of any currency exchange fluctuations on the Company's results of operations; and
- financing available to the Company and the sufficiency of the Company's working capital to meet its financial needs.

In some cases, forward-looking statements can be identified 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. The Company's forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While the Company has not described all potential risks related to its business, the important factors listed under "Risk Factors" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" attached as Exhibit 3 to this Report on Form 40-F are among those factors that may affect the Company's performance and could cause actual financial and operational results to differ significantly from the Company's predictions. The Company does not intend to update publicly any forward-looking statements, even if its predictions have been affected by new information, future events or other developments.

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, 2005. 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 changes in Ritchie Bros.' internal control over financial reporting that occurred during the fiscal year ended December 31, 2005 that has materially affected or is reasonably likely to materially affect Ritchie Bros.' internal control over financial reporting. 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 and procedures or internal control over financial reporting 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.

Mr. Moul has indicated that he will not stand for re-election to the Company's Board of Directors at the Company's Annual Meeting of Shareholders to be held on April 13, 2006. It is intended that another member of the Audit Committee will be determined to be the audit committee financial expert after the Annual Meeting.

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. The aggregate fees billed by KPMG LLP and its affiliates during fiscal 2005 and 2004 are detailed below.

	Fiscal 2005	Fiscal 2004
Audit Fees	$ 627,000	$496,000
Audit-Related Fees	105,000	—
Tax Fees	745,000	406,000
All Other Fees	—	—
Total Fees	$1,477,000	$902,000

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 and interim reviews of the Company's 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 2005, less than 5% of the fees for 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 Corporate Governance Information

Additional information regarding the Company's corporate governance practices is included in its Information Circular for the 2006 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, 2005:

	Payments Due by Year				
(in thousands)	**Total**	**In 2006**	**In 2007 and 2008**	**In 2009 and 2010**	**After 2010**
Long-term debt obligations	$43,542	$ 220	$ 422	$ 12,900	$ 30,000
Operating leases obligations	2,577	1,234	1,101	242	—
Other long-term obligations	516	—	516	—	—
Total contractual obligations	$46,635	$1,454	$ 2,039	$ 13,142	$ 30,000

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, Italy, 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. Mr. Moul has indicated to the Company's Board of Directors that he will not stand for reelection at the Company's Annual Meeting of Shareholders on April 13, 2006. The Board anticipates that, subject to her being re-elected to the Board at the Annual Meeting, Ms. Briscoe will be appointed Chair of the Audit Committee and a new member will be appointed to the Committee to replace Mr. Moul.

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: Chief Financial Officer and Corporate Secretary

Date: February 21, 2006

EXHIBIT INDEX

Exhibit No.	Description
1.	Annual Information Form of the Registrant dated February 21, 2006.
2.	The following audited consolidated financial statements of the Registrant, together with the independent auditors' report dated February 10, 2006 of KPMG LLP , Chartered Accountants: a. Consolidated Statements of Operations for the years ended December 31, 2005, 2004 and 2003; b. Consolidated Balance Sheets as of December 31, 2005 and 2004; c. Consolidated Statements of Shareholders' Equity for the years ended December 31, 2005, 2004 and 2003; d. Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003; and 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, 2005.
4.	Consent dated February 10, 2006 of KPMG LLP, Chartered Accountants.
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certificate of Chief Financial Officer 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, 2005
FEBRUARY 21, 2006

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:

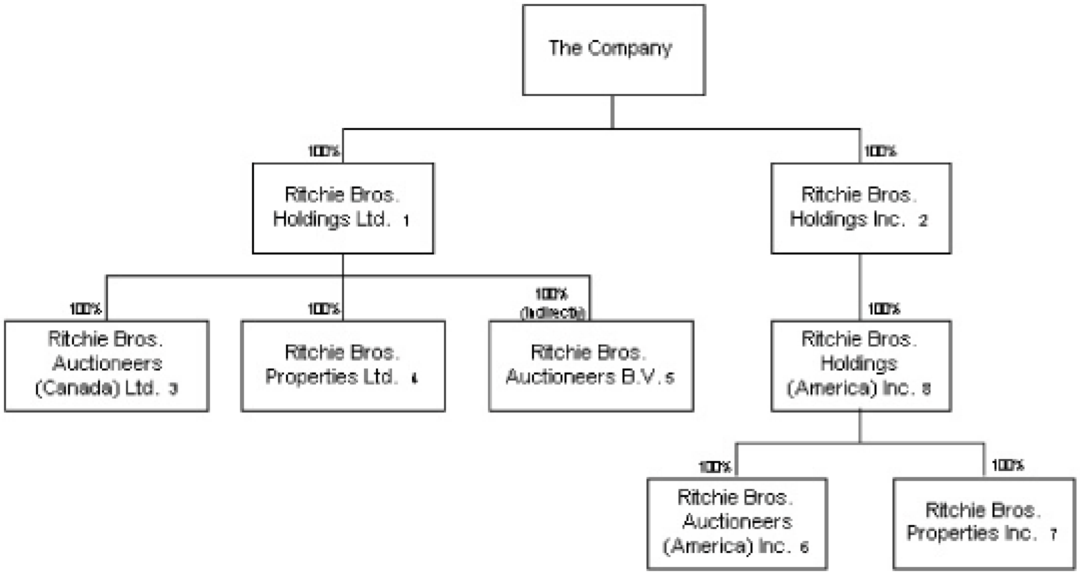
- our future performance;
- growth of our operations;
- expansion of the markets and market segments (geographic and otherwise) in which we conduct auctions, including the international used industrial equipment market;
- increases in the number of consignors and bidders participating in our auctions and the average size of our auctions;
- our competitive strengths;
- our ability to improve the efficiency, consistency and scalability of our business processes;
- the anticipated improvement, acquisition and development by us of auction sites; and
- 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, 2005, 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.
8. Ritchie Bros. Holdings (America) 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, 2005, we operated from over 110 locations, including 30 auction sites, in 25 countries around the world. We sell, through unreserved public auctions, a broad range of used and unused 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, such as contractors, and they also include equipment manufacturers, dealers, brokers and finance companies.

Our gross auction sales, which represent the total proceeds from all items sold at our auctions, were $2.09 billion for the year ended December 31, 2005, which is 17% higher than in 2004. We believe that we sell more used trucks and equipment than any other company in the world and that our annual gross auction sales are far greater than any of our auction competitors. 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.

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 because we believe that an unreserved auction is a fair auction.

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 Japan, the Philippines, Hong Kong, Thailand and Singapore. We held our first Mexican auction in 1995, our first Middle Eastern auction in Dubai, U.A.E. in 1997, and our first African auction in Durban, in the Republic of South Africa, in 2003.

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. We have 31 auction sites as of the date of this discussion, of which four have been built or put into service since December 31, 2004 (our 32nd site, in Nashville, is expected to have its grand opening sale in the first half of 2006).

In March 1998, we completed an initial public offering (or IPO) of our common shares. 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 global industrial equipment marketplace. Our primary target markets within this 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 truck and equipment 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 2005 gross auction sales represented only 2% of the estimated total annual 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:

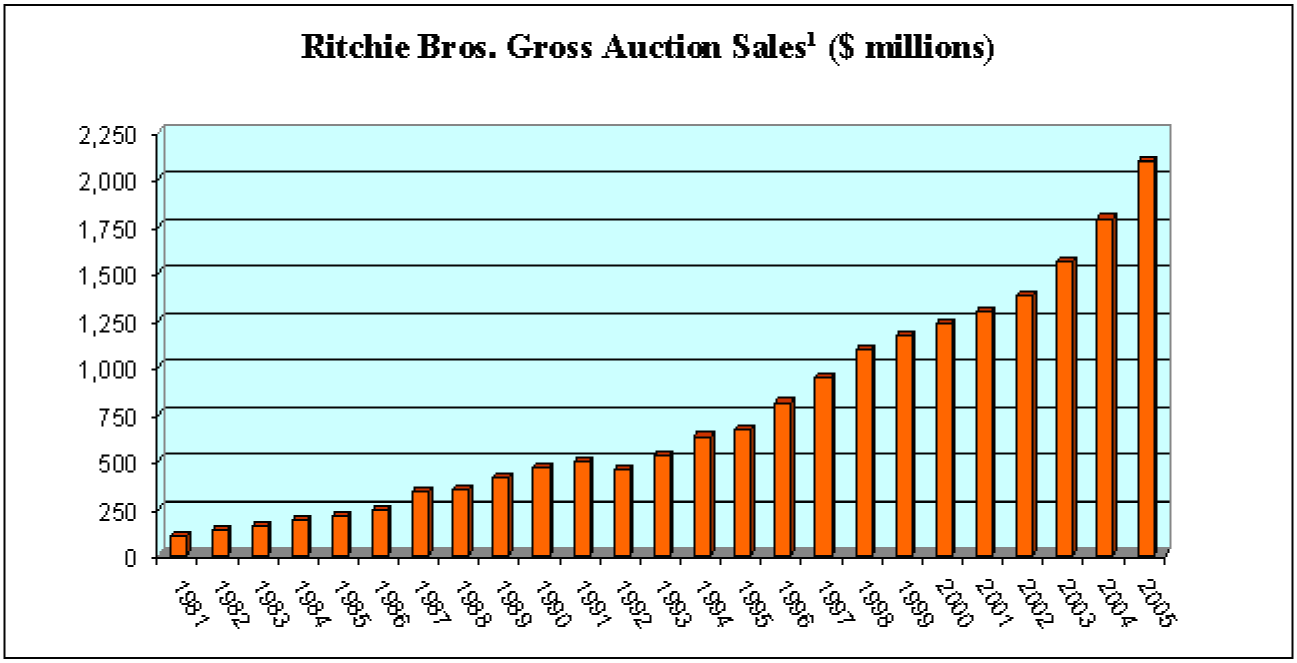
- The ability of auctioneers to sell a wide range of equipment and related assets and therefore offer a comprehensive and convenient service to buyers and sellers;
- The increasing transparency of the international used equipment market due in large part to the depth of information now available on the internet;
- The increasing preference of sellers to access the auction marketplace 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 13.6% 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. We believe that gross auction sales provides an important comparative assessment of our relative operating performance between periods. Auction revenues, which are reported as the top line of our Statement of Operations, and certain other items, are best understood by considering their relationship to gross auction sales.

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 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.

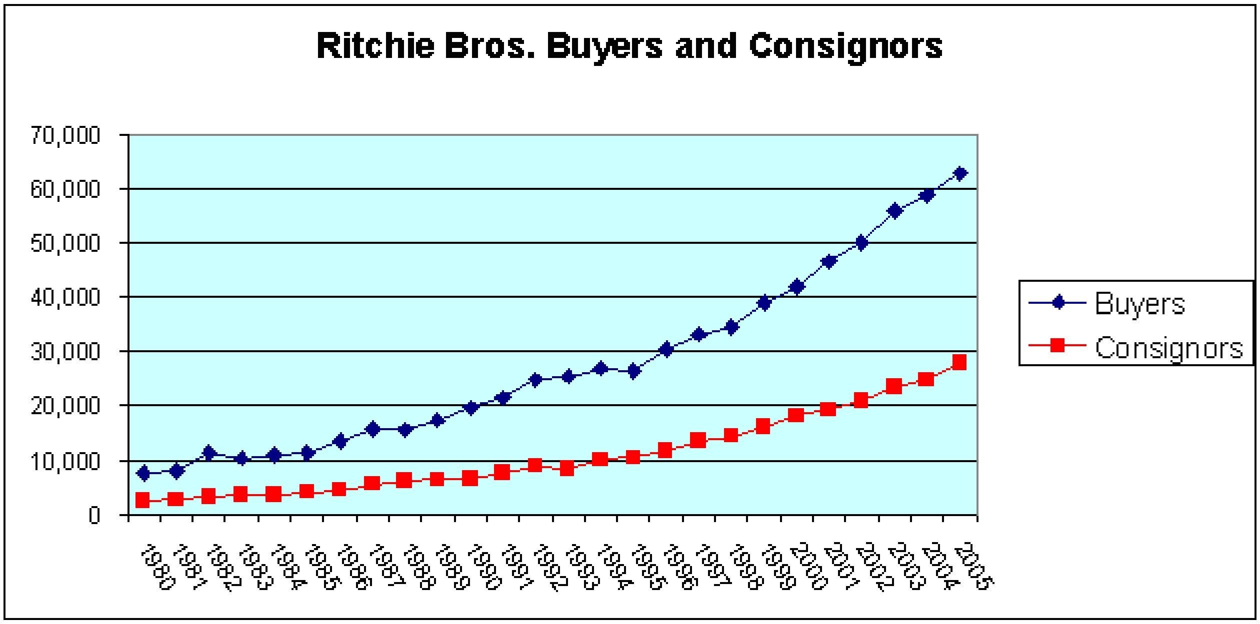
We also maintain a proprietary customer information database containing detailed information on more than 400,000 companies and individuals from over 200 countries, including each customer's auction attendance, trade association memberships, buying and travel habits and banking information. This database 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 enhanced 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 2005 we had over 38,000 customers from 137 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 29% to 1,398 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 675 full-time employees at December 31, 2005, including 211 members of our sales force, none of whom are compensated on a commission basis. Our senior management team has extensive industry experience – the six members of our senior management Executive Council have a combined experience of more than 110 years in the equipment auction industry.

These competitive advantages have enabled us to hold successful auctions that are appealing to both buyers and consignors, 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 2005, approximately 80% of the buyers at our auctions were end-users. Large end-user bidder audiences, including international bidders and internet bidders, enable us to deliver world market prices. The ability to deliver high proceeds on the sale of trucks and equipment is a core part of our value proposition and helps to attract consignments, which attracts larger bidder audiences in 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, we believe 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 include:

- Increasing our customer base and seeking to improve continually the service we provide to our existing customers;
- Expanding our geographic reach by developing new customer relationships and holding auctions in new markets;
- Further expanding into related and complementary markets, such as agriculture and transportation;
- Using the internet and other technologies to enhance our business;
- Improving sales force productivity by focusing on recruiting and training and by using technology to increase the efficiency and effectiveness of our sales force;
- Developing business processes that are efficient, consistent and scalable; and
- Continuing to expand our network of auction sites at an average rate of at least one to two sites per year.

Operations

During 2005 we conducted 153 unreserved industrial auctions at locations in North America, Europe, the Middle East, Asia, Africa and Australia. We also conducted 99 unreserved agricultural auctions in 2005, primarily in Canada. Although our auctions vary in size, the average Ritchie Bros. industrial auction in 2005 had the following characteristics:

Gross auction sales	$13.2 million
Bidder registrations	1,398
Lots offered for sale	1,332
Consignors	182

Approximately 58% of our gross auction sales in 2005 was generated in the United States, with approximately 23% generated in Canada and 11% in Europe. The remaining 8% of our gross auction sales was generated in the United Arab Emirates, Australia, Mexico and other countries.

In 2005, approximately 90% 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 typically located on leased land with more modest facilities than a permanent auction site.

The remaining 10% of our gross auction sales in 2005 came from “off-site” auctions, typically held on rented or consignor-owned land. The decision as to whether to hold a particular auction at one of our sites instead of at an off-site location is influenced by the nature, amount and location of the equipment to be sold.

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. We had 213,896 bidder registrations at our industrial auctions in 2005 compared to 202,571 in 2004.

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 larger 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 2005 we received 27,912 consignments to our industrial auctions, typically comprised of multiple lots, compared to 24,868 consignments in 2004.

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 valuable 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%.

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 factor in a lower commission rate 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 free and clear of all liens and encumbrances (if we are not able to deliver clear title, we provide a full refund of the purchase price to the buyer);
- 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 pre-auction marketing, as well as collection and disbursement of proceeds.

Marketing and Sales

At December 31, 2005, we employed 211 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 members of our sales force are compensated primarily by a combination of base salary and incentive bonus.

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 $20 million in recent years, including land, improvements and buildings.

We operated from the following auction sites at February 21, 2006:

Permanent Auction Sites:

Canada	*Size (Acres)*	*Year Placed in Service*
Vancouver, British Columbia	12	1979
Prince George, British Columbia	60	2003
Grande Prairie, Alberta	31	2002
Edmonton, Alberta	125	2002
Toronto, Ontario	63	1998
Montreal, Quebec	60	2000
Halifax, Nova Scotia	28	1997
United States		
Olympia, Washington	79	1994
Los Angeles, California	59	2000
Sacramento, California	90	2005
Phoenix, Arizona	48	2002
Albuquerque, New Mexico	11	1999
Denver, Colorado (1)	39	1985
Fort Worth, Texas	113	1994
Houston, Texas (2)	54	1993
Buxton, North Dakota (3)	25	2006
Minneapolis, Minnesota	29	1991
Chicago, Illinois	51	2000
Nashville, Tennessee (4)	76	2006
Atlanta, Georgia	64	1996
Statesville, North Carolina	40	1999
Orlando, Florida	124	2002
North East, Maryland	85	2001
Other Countries		
Moerdijk, The Netherlands	53	1999
Brisbane, Australia	42	1999

Regional Auction Units:

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

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(1) During 2005 we purchased approximately 160 acres of land in Denver, Colorado, on which we intend to build a new permanent auction site to replace our existing permanent auction site in that region.

(2) During 2005 we purchased approximately 125 acres of land in Houston, Texas, on which we intend to build a new permanent auction site to replace our existing permanent auction site in that region.

(3) We acquired our Buxton property as part of or acquisition of the business of Dennis Biliske Auctioneers, described more fully in our Management's Discussion and Analysis for the year ended December 31, 2005.

(4) We expect to hold our first sale at our new permanent auction site in Nashville, Tennessee in March 2006.

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 typically 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, 2005, 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 $0.18 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 2005 we paid total cash dividends of $0.58 per common share, compared to $0.37 per share in 2004 and $0.15 per share in 2003.

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	34,437,400
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, 2006 on the NYSE was $47.60 and on the TSX was CA$54.50.

Our trading volumes and price ranges on the NYSE and the TSX for the year ended December 31, 2005 are as follows:

Date	NYSE (US$) High Price	Low Price	Closing Price	Total Volume	TSX (CA$) High Price	Low Price	Closing Price	Total Volume
December-05	$43.03	$38.89	$42.25	1,199,600	$50.05	$45.28	$49.23	777,600
November-05	41.95	37.56	39.05	1,657,500	49.50	44.50	45.56	381,800
October-05	45.40	38.93	41.02	889,200	53.08	45.61	48.50	174,500
September-05	44.19	42.15	43.99	925,200	51.81	49.76	50.98	332,200
August-05	44.48	38.60	41.91	1,138,200	53.70	47.10	49.51	75,000
July-05	41.85	38.53	38.76	1,027,700	50.74	47.17	47.50	113,700
June-05	38.75	35.75	38.55	1,245,200	47.09	44.00	47.09	80,700
May-05	37.41	33.82	37.2	1,273,100	46.89	42.29	46.71	160,600
April-05	34.02	30.00	34.01	969,900	42.50	37.30	42.50	53,700
March-05	32.27	30.81	31.60	1,671,700	39.89	37.50	38.15	90,400
February-05	32.75	30.68	30.99	564,900	40.80	38.10	38.44	91,400
January-05	33.10	31.35	31.65	424,500	40.50	37.85	39.39	78,500

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	Chairman of the Board	Director since December 12, 1997
Charles E. Croft [2][3][6] Vancouver, B.C., Canada	Vice-Chairman of the Board and a Director	President and Director of Falcon Pacific Financial Corp. and its	Director since June 17, 1998
Peter J. Blake Vancouver, B.C., Canada	Chief Executive Officer and a Director	subsidiaries Chief Executive Officer of the Company	Director since December 12, 1997
C. Russell Cmolik [2] Surrey, B.C., Canada	Director	Businessman [5]	Director since December 12, 1997
G. Edward Moul [2][4] West Vancouver, B.C., Canada	Director	Director and officer of The McEmcy Company of Canada Ltd., Peace Portal Properties Ltd.	Director since June 17, 1998

Name and Municipality of Residence	Position with the Company	Principal Occupation or Employment (1)	Previous Service as a Director
		and certain other private real estate companies	
Eric Patel (3)(4) Vancouver, B.C., Canada	Director	Business Consultant	Director since April 14, 2004
Beverley A. Briscoe (3)(4) Vancouver, B.C., Canada	Director	Business Consultant	Director since October 29, 2004
Robert W. Murdoch (7) Salt Spring Island, B.C., Canada	Director	Businessman	Director since February 20, 2006

(1) This information has been provided by the respective director as of February 20, 2006.

(2) Our Board of Directors has a compensation committee comprised of Messrs. Croft (Chairman), Moul and Cmolik.

(3) Our Board of Directors has a nominating and corporate governance committee comprised of Messrs. Patel (Chairman), Croft and Ms. Briscoe.

(4) Our Board of Directors has an audit committee comprised of Messrs. Patel, Moul (Chairman) and Ms. Briscoe.

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

(6) Mr. Croft was a director of a Canadian private company that entered into a Plan of Arrangement in 2004, immediately following his resignation as a director of that company. The company subsequently emerged from protection in 2004.

(7) Mr. Murdoch was appointed to the Company's Board effective February 20, 2006. Mr. Murdoch was President and CEO of Lafarge Corporation and remains a director of that company. He is also a member of the international advisory board of Lafarge Corporation's majority shareholder Lafarge S.A. Mr. Murdoch is also a director of Sierra Systems Group Inc., Lallemand Inc. and Timberwest Forest Corp.

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. Mr. Moul has indicated to our Board his intention not to stand for re-election at our Annual Meeting on April 13, 2006. Our Board expects to appoint a new Lead Director immediately following our Annual Meeting.

Executive Officers

The following Executive Officers have been appointed by our Board of Directors:

Name and Municipality of Residence	Position with the Company
Peter J. Blake. Vancouver, B.C., Canada	Chief Executive Officer
Randall J. Wall. Burnaby, B.C., Canada	President — Canada, Europe and Middle East (1)
Robert K. Mackay. Delta, B.C., Canada	President — United States, Asia and Australia (2)
Robert K. Whitsit. Newnan, Georgia, U.S.A.	Senior Vice-President, Southeast and Northeast Divisions
David D. Nicholson. Humble, Texas, U.S.A.	Senior Vice-President, South Central, Mexico and South America Divisions (3)

Name and Municipality of Residence	Position with the Company
Guylain Turgeon. Kapellen, Belgium	Senior Vice-President and Managing Director, European Operations [(4)]
Robert S. Armstrong. New Westminster, B.C., Canada	Chief Financial Officer and Corporate Secretary

(1) Mr. Wall was appointed President — Canada, Europe and Middle East effective December 1, 2005. Prior to that date he was President and Chief Operating Officer.

(2) Mr. Mackay was appointed President — USA, Asia and Australia effective December 1, 2005. Prior to that date he was Executive Vice-President.

(3) Mr. Nicholson was appointed Senior Vice-President, South Central, Mexico and South America Divisions effective April 15, 2005. Prior to that date he was Vice-President, South Central Division.

(4) Mr. Turgeon was appointed Senior Vice-President and Managing Director, European Operations effective April 15, 2005. Prior to that date he was Managing Director, European Operations.

As of February 21, 2006, our directors and Executive Officers as a group beneficially owned, directly or indirectly, or exercised control or direction over, approximately 19% 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; and
- 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 rules and applicable securities laws, is included in Appendix A of this document and is available on our website.

As of February 21, 2006, the Audit Committee of our Board of Directors was composed of the following members:

Member	Independent	Financially Literate	Relevant Education and Experience
G. Edward Moul (Chairman) [(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	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

Member	Independent	Financially Literate	Relevant Education and Experience
Beverley A. Briscoe	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 does not intend to stand for re-election at our Annual Meeting of Shareholders on April 13, 2006. Our Board anticipates that, subject to her being re-elected to the Board at the Annual Meeting, Ms. Briscoe will be appointed Chair of the Audit Committee and a new member will be appointed to the Committee to replace Mr. Moul.

In fulfilling its responsibilities, our Audit Committee held regular meetings in 2005 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, 2005, we retained KPMG LLP to provide various non-audit services in 2005. The aggregate fees billed for professional services by KPMG LLP and its affiliates during 2005 and 2004 were as follows:

	Fiscal 2005	Fiscal 2004
Audit Fees	$ 627,000	$496,000
Audit-Related Fees	105,000	—
Tax Fees	745,000	406,000
All Other Fees	—	—
Total Fees	$1,477,000	$902,000

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 and interim reviews of our 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. Less than 5% of KPMG's fees, excluding audit and review fees, were subject to a waiver of the pre-approval requirement in 2005.

Additional information regarding our corporate governance practices is included in our Information Circular for our 2006 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, 2005, 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. The costs were incurred pursuant to agreements, approved by our Board of Directors, by which Resorts agreed 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 were 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 (the 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 U.S. Securities and Exchange Commission (or 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 thereof, 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.

Material Contracts

The Company entered into an underwriting agreement dated November 2, 2005 with a syndicate of underwriters represented by Raymond James Ltd. The agreement was in connection with a secondary offering of our common shares by the Chairman of our Board, David E. Ritchie. The secondary offering was completed on November 23, 2005.

Interests of Experts

Our consolidated financial statements for the years ended December 31, 2005 and 2004 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).

EXHIBIT NO. 2

Consolidated Financial Statements of

RITCHIE BROS. AUCTIONEERS INCORPORATED

Years ended December 31, 2005 and 2004

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Ritchie Bros. Auctioneers Incorporated (the "Company") as at December 31, 2005 and 2004 and the consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005. 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, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

February 10, 2006

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,	2005	2004	2003
Auction revenues	$ 212,633	$ 182,257	$ 161,542
Direct expenses	27,035	23,472	22,099
	185,598	158,785	139,443
Expenses:			
Depreciation and amortization	13,172	12,708	11,773
General and administrative	94,670	85,667	71,265
	107,842	98,375	83,038
Earnings from operations	77,756	60,410	56,405
Other income (expenses):			
Interest expense	(2,224)	(3,217)	(4,772)
Gain on disposition of capital assets	6,565	229	17
Other	417	824	1,043
	4,758	(2,164)	(3,712)
Earnings before income taxes	82,514	58,246	52,693
Income tax expense (note 6):			
Current	28,704	22,251	14,738
Future	230	1,096	1,361
	28,934	23,347	16,099
Net Earnings	$ 53,580	$ 34,899	$ 36,594
Net earnings per share (notes 1(l) and 4(e)):			
Basic	$ 1.56	$ 1.02	$ 1.08
Diluted	1.54	1.01	1.07
Weighted average number of shares outstanding	34,366,311	34,160,678	33,795,978

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

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

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

RITCHIE BROS. AUCTIONEERS INCORPORATED
Consolidated Balance Sheets
(Expressed in thousands of United States dollars)

December 31,	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	$169,249	$132,632
Accounts receivable	25,447	19,281
Inventory	9,991	13,091
Advances against auction contracts	255	968
Prepaid expenses and deposits	2,726	2,323
Other assets	1,188	654
Funds committed for debt repayment (note 3)	—	1,857
Future income tax asset (note 6)	601	496
	209,457	171,302
Capital assets (note 2)	250,645	226,624
Funds committed for debt repayment (note 3)	—	5,108
Other assets	1,537	1,876
Goodwill	38,397	37,499
Future income tax asset (note 6)	860	691
	$500,896	$443,100
Liabilities and Shareholders’ Equity		
Current liabilities:		
Auction proceeds payable	$ 62,392	$ 47,581
Accounts payable and accrued liabilities	50,969	45,334
Income taxes payable	11,308	6,383
Current portion of long-term debt (note 3)	220	35,133
Future income tax liability (note 6)	460	—
	125,349	134,431
Long-term debt (note 3)	43,322	10,792
Other liabilities	516	1,563
Future income tax liability (note 6)	6,526	7,050
	175,713	153,836
Shareholders’ equity:		
Share capital (note 4)	79,844	76,445
Additional paid-in capital	8,929	7,859
Retained earnings	217,080	183,438
Foreign currency translation adjustment	19,330	21,522
	325,183	289,264
	$500,896	$443,100

Commitments and contingencies (note 7)
Subsequent event (note 4(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, 2002	$69,499	$ 4,646	$129,682	($4,453)	$ 199,374
Exercise of stock options	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
Exercise of stock options	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
Exercise of stock options	3,399	(485)	—	—	2,914
Stock compensation tax adjustment	—	87	—	—	87
Stock compensation expense	—	1,468	—	—	1,468
Net earnings	—	—	53,580	—	53,580
Cash dividends paid	—	—	(19,938)	—	(19,938)
Foreign currency translation adjustment	—	—	—	(2,192)	(2,192)
Balance, December 31, 2005	$79,844	$ 8,929	$217,080	$ 19,330	$ 325,183

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,	2005	2004	2003
Cash provided by (used in):			
Operating activities:			
Net earnings	$ 53,580	$ 34,899	$ 36,594
Items not involving cash:			
Depreciation and amortization	13,172	12,708	11,773
Stock compensation expense	1,468	1,467	1,047
Future income taxes	230	1,329	1,361
Net gain on disposition of capital assets	(6,565)	(229)	(17)
Changes in non-cash working capital:			
Accounts receivable	(6,166)	(2,217)	(3,364)
Inventory	3,100	(3,511)	(2,357)
Advances against auction contracts	713	(858)	69
Prepaid expenses and deposits	(403)	230	(493)
Income taxes payable	5,012	3,504	3,578
Income taxes recoverable	—	—	2,485
Auction proceeds payable	14,811	3,395	26,826
Accounts payable and accrued liabilities	3,956	10,184	1,606
Other	2,163	(2,245)	(1,276)
	85,071	58,656	77,832
Investing activities:			
Acquisition of business	—	(1,265)	—
Capital asset additions	(42,737)	(23,448)	(16,273)
Proceeds on disposition of capital assets	9,929	2,151	5,368
Decrease (increase) in other assets	601	(1,993)	(116)
	(32,207)	(24,555)	(11,021)
Financing activities:			
Issuance of share capital	2,914	3,651	3,295
Dividends on common shares	(19,938)	(12,644)	(5,093)
Issuance of long-term debt	46,016	32,500	—
Repayment of long-term debt	(48,746)	(58,459)	(3,747)
Increase (decrease) in other liabilities	23	(812)	(383)
Decrease in short term debt	—	—	(2,758)
Decrease (increase) in funds committed for debt repayment	6,965	11,142	(5,107)
Other	(371)	—	—
	(13,137)	(24,622)	(13,793)
Effect of changes in foreign currency rates on cash and cash equivalents	(3,110)	4,144	3,769
Increase in cash and cash equivalents	36,617	13,623	56,787
Cash and cash equivalents, beginning of year	132,632	119,009	62,222
Cash and cash equivalents, end of year	$169,249	$132,632	$119,009
Supplemental information:			
Interest paid	$ 2,217	$ 3,092	$ 4,675
Income taxes paid	$ 22,696	$ 18,831	$ 8,675

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 amalgamated in December 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 9, 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.

Legal obligations to retire tangible long-lived assets and assets under operating leases are recorded at the fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made, with a corresponding increase in asset value. The liability is accreted to face value over the life of the asset. The Company does not have any significant asset retirement obligations.

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 are comprised mostly of auction commissions, which are earned by the Company acting as an agent for consignors of equipment, 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 pre-negotiated 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 pre-negotiated 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 7(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 foreign 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 gains and losses on these transactions, which are not considered to be significant, 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 the utilization of future income tax asset 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 payable, auction proceeds payable and accounts payable and accrued liabilities, 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 long-term debt 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 4(e)).

(Tabular dollar amounts expressed in thousands of United
States dollars, except share and per share amounts)

Years ended December 31, 2005, 2004 and 2003

1. Significant accounting policies (continued):

(m) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 4(c) and (d). The Company uses the fair value based method to account for employee stock-based compensation. 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 on a straight-line basis 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. Capital assets:

2005	Cost	Accumulated depreciation	Net book value
Buildings	$120,010	$ 21,184	$ 98,826
Land and improvements	114,493	4,566	109,927
Land and buildings under development	20,374	—	20,374
Automotive equipment	12,449	4,490	7,959
Yard equipment	10,334	5,440	4,894
Office equipment	6,604	4,226	2,378
Computer equipment	5,731	3,658	2,073
Computer software	12,977	10,850	2,127
Leasehold improvements	3,521	1,434	2,087
	$306,493	$ 55,848	$250,645

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

(Tabular dollar amounts expressed in thousands of United
States dollars, except share and per share amounts)

2. Capital assets (continued):

During the year, interest of $553,000 (2004 — $297,000) was capitalized to the cost of land and buildings under development.

3. Long-term debt:

	2005	2004
Term loan, unsecured, bearing interest at 5.61%, due in quarterly installments of interest only, with full amount of the principal due in 2011.	$ 30,000	$ —
Term loan, denominated in Canadian dollars, secured by a general security agreement, bearing interest at 4.429%, due in monthly installments of interest only, with the full amount of the principal due in 2010.	12,900	—
Term loan, denominated in Australian dollars, secured by deeds of trust on specific property, bearing interest between the prime rate and 6.5%, due in quarterly installments of AUD75,000, plus interest, with final payment occurring in 2008.	642	920
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. The loans were repaid in full in 2005.	—	17,000
Revolving loans, denominated in Canadian dollars, unsecured, bearing interest at prime rate plus 0.25%, due in monthly installments of interest only, with the full amount of the principal due in 2005. The loans were repaid in full in 2005.	—	12,505
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. The loans were repaid in full in 2005.	—	15,500
	43,542	45,925
Current portion	(220)	(35,133)
Non-current portion	$ 43,322	$ 10,792
Funds committed for debt repayment	—	(6,965)
	$ 43,322	$ 3,827

(Tabular dollar amounts expressed in thousands of United
States dollars, except share and per share amounts)

3. Long-term debt (continued):

As at December 31, 2005, principal repayments for the next five years are as follows:

2006	220
2007	220
2008	202
2009	—
2010	12,900
Thereafter	30,000
	$ 43,542

4. 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, 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
Issued for cash, pursuant to stock options exercised	161,600
Issued and outstanding, December 31, 2005	34,423,900

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.

(Tabular dollar amounts expressed in thousands of United
States dollars, except share and per share amounts)

4. 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, 2005, there were 1,125,834 (2004 — 1,326,034) shares authorized and still available for grants of options under the stock option plan.

Stock option activity for 2005, 2004 and 2003 is presented below:

	Common Shares Under Option	Weighted Average Exercise Price
Outstanding, December 31, 2002	855,634	$ 11.06
Granted	308,800	15.53
Exercised	(348,980)	9.45
Expired	(2,000)	15.53
Outstanding, December 31, 2003	813,454	13.32
Granted	292,000	26.47
Exercised	(294,656)	12.39
Expired	(1,800)	26.46
Outstanding, December 31, 2004	808,998	18.38
Granted	213,800	32.98
Exercised	(161,600)	18.03
Expired	(13,600)	32.41
Outstanding, December 31, 2005	847,598	$ 21.90
Exercisable, December 31, 2005	643,398	$ 18.50

The options outstanding at December 31, 2005 expire on dates ranging to October 6, 2015.

The following is a summary of stock options outstanding and exercisable at December 31, 2005:

	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	181,400	5.6	$ 12.35	177,400	$ 12.34
$13.344 - $15.525	227,998	6.2	14.97	227,998	14.97
$26.460 - $28.170	238,000	8.1	26.47	238,000	26.47
$31.540 - $42.690	200,200	9.1	33.02	—	—
	847,598			643,398	

Subsequent to December 31, 2005, the Company granted options to purchase a total of 205,950 of its common shares to certain employees of the Company. The options have an exercise price of $44.09 and an expiry date of January 24, 2016.

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

4. Share capital (continued):

(d) Stock-based compensation:

During 2005, the Company recognized compensation cost of $1,468,000 (2004 — $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.

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:

	2005	2004	2003
Risk free interest rate	3.7%	3.0%	3.1%
Expected dividend yield	1.41%	1.15%	0%
Expected lives of options	5 years	5 years	5 years
Expected volatility	20.1%	19.6%	18.3%

The weighted average grant date fair value of options granted during the year ended December 31, 2005 was $6.98 per option (2004 — $5.34; 2003 — $3.67). 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, 2005	Net earnings	Shares	Per share amount
Basic net earnings per share	$ 53,580	34,366,311	$ 1.56
Effect of dilutive securities:			
Stock options	—	365,629	(0.02)
Diluted net earnings per share	$ 53,580	34,731,940	$ 1.54

Year ended December 31, 2004	Net 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

Year ended December 31, 2003	Net 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

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

4. Share capital (continued):

For the year ended December 31, 2005, stock options to purchase 12,000 common shares were outstanding but were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

5. 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, 2005:					
Auction revenues	$ 121,253	$48,824	$26,609	$15,947	$212,633
Capital assets and goodwill	173,709	79,849	22,638	12,846	289,042
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

6. 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:

	2005	2004	2003
Statutory federal and state tax rate in the United States	40%	40%	40%
Expected income tax expense	$33,006	$23,298	$21,077
Differences:			
Earnings taxed in lower rate jurisdictions	(4,303)	(3,014)	(4,806)
Realized foreign exchange gain	—	2,106	—
Other	231	957	(172)
Actual income tax expense	$28,934	$23,347	$16,099

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

6. Income taxes (continued):

Temporary differences that give rise to future income taxes are as follows:

	2005	2004
Future income tax asset:		
Working capital	$ 601	$ 496
Capital assets	260	189
Stock-based compensation	381	277
Unused tax losses	1,352	1,326
Other	130	69
	2,724	2,357
Valuation allowance	(168)	(168)
Total future income tax asset	2,556	2,189
Current future income tax asset	601	496
Non-current future income tax asset	1,955	1,693
Future income tax liability:		
Capital assets	(3,034)	(3,263)
Goodwill	(4,530)	(3,555)
Other	(517)	(1,234)
Total future income tax liability	(8,081)	(8,052)
Current future income tax liability	(460)	—
Non-current future income tax liability	(7,621)	(8,052)
Net future income taxes	$ (5,525)	$ (5,863)
Presented on balance sheet as:		
Future income tax asset — current	$ 601	$ 496
Future income tax asset — non-current	860	691
Future income tax liability — current	(460)	—
Future income tax liability — non-current	(6,526)	(7,050)
	$ (5,525)	$ (5,863)

As at December 31, 2005, the Company has net operating and capital loss carryforwards of approximately $4,480,000 available to reduce future taxable income, of which $627,000 expire through 2015, and $3,853,000 remain indefinitely.

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

7. Commitments and contingencies:

(a) Operating leases:

The Company is party to certain operating leases relating to auction sites and offices located in the United Arab Emirates, Mexico, United States, Canada, Australia, China, Italy and Singapore. The future minimum lease payments as at December 31, 2005 are approximately as follows:

2006	$1,234
2007	616
2008	485
2009	242
2010	—
Thereafter	—

Total rent expenses in respect of these leases for the year ended December 31, 2005 was $1,574,000 (2004 — $1,406,000; 2003 — $1,304,000).

(b) Contingencies:

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, 2005, outstanding guarantees under contract for industrial equipment to be sold prior to April 26, 2006 totaled $10,277,000 (December 31, 2004 — $6,202,000) (undiscounted and before estimated proceeds from sale at auction). The Company also had guarantees under contract totaling $18,704,000 relating to agricultural auctions to be held prior to June 21, 2006 (December 31, 2004 — $14,726,000). No liability has been recorded with respect to these contracts.

8. Transactions with related parties:

During the year ended December 31, 2005, the Company paid $751,000 (2004 — $758,000; 2003 - $597,000) 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 a third party. The Company has entered into similar agreements with the related party in the past and intends to do so in the future.

(Tabular dollar amounts expressed in thousands of United
States dollars, except share and per share amounts)

9. 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, 2005, 2004 and 2003, net earnings in accordance with Canadian GAAP were not significantly different from net earnings had they been presented in accordance with United States GAAP.

United States 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:

	2005	2004	2003
Net earnings in accordance with Canadian and United States GAAP	$53,580	$34,899	$36,594
Other comprehensive income (loss):			
Foreign currency translation adjustment	(2,192)	8,795	17,180
Comprehensive income in accordance with United States GAAP	$51,388	$43,694	$53,774

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

	2005	2004	2003
Foreign currency translation adjustment:			
Balance, beginning of year	$21,522	$12,727	$ (4,453)
Change during the year	(2,192)	8,795	17,180
Balance, end of year	$19,330	$21,522	$12,727

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, 2005

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, 2005 compared to the year ended December 31, 2004. 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 17, 2006. 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 the date of this discussion, we operated from more than 110 locations, including 31 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 intend to use unreserved auctions to create and deliver a global marketplace.

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 roughly 2%.

In 2005, more than 80% of the buyers at our auctions were end users of equipment (retail buyers), such as contractors, with the remainder being primarily truck and equipment dealers and brokers (wholesale buyers). This is roughly consistent with the relative proportions in recent periods. 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 assets with other auction companies. Our indirect competitors include truck and equipment manufacturers, distributors and dealers that sell new or used industrial assets, 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 owners of industrial assets 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 marketing skills, 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 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 or in any way influence the selling price of their own equipment. We have maintained our commitment to the unreserved auction process since our first industrial auction in 1963 because we believe that an unreserved auction is a fair auction.

We attract a broad base of bidders from around the world to our auctions. Our worldwide marketing efforts help to attract bidders, and they are willing to travel long distances or participate online 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 industrial assets rather than resellers, is appealing to sellers of used trucks and equipment and helps us to attract consigned equipment to our auctions. Higher consignment volumes attract more bidders, which in turn attract greater consignments, and so on. During the year ended December 31, 2005, we had nearly 214,000 bidder registrations at our industrial auctions, compared to approximately 202,000 in 2004. We received nearly 28,000 industrial asset consignments in 2005, compared to almost 25,000 in 2004. A consignment is typically comprised of multiple lots.

Our principle goals are to grow our earnings per share at a manageable pace and to maintain the Ritchie Bros. culture. One of our primary strategies for increasing our earnings is to grow our gross auction sales, which is the total proceeds from all items sold at our auctions. 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. We intend to continue to look for ways to capitalize on our competitive advantages outlined above. Where there is an opportunity 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 his assets, we will pursue that opportunity.

We also intend to continue adding to our network of auction sites, as well as upgrading existing auction sites. This part of our strategy is discussed in more detail below.

Attracting and retaining the best people is another aspect of our strategy, and this is an important part of our goal of maintaining our corporate culture. In addition, we are continuing to develop our training programs and to implement tools to increase the productivity of our sales force and to enhance the service we provide to our customers.

In 2004 we launched a strategic initiative, which we call Mission 2007, or M07, with the goal of developing more efficient, consistent and scalable business processes to support our growth objectives. We are rethinking all of our business processes and systems, and this initiative has become an important component of our growth strategy. We expect that improvements we anticipate as a result of this initiative will provide a platform for growth well into the future, and will allow us to increase our earnings without an equivalent increase in our headcount or administrative expenses. We started implementing new systems and processes in 2005, including an Oracle enterprise resource planning, or ERP, system. The first stage of the Oracle implementation is expected to be complete in 2006, with the remaining stages to be substantially complete in 2007.

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. Approximately 20% of the bidders at our auctions in 2005 participated over the internet.

During 2005, we conducted 153 unreserved industrial auctions at locations in North America, Europe, the Middle East, Australia and Asia. We also held 99 unreserved agricultural auctions during the year, primarily in Canada. Although our auctions vary in size, the average industrial auction in 2005 had gross auction sales of $13.2 million, compared to approximately $12.0 million in 2004. Approximately 57% of our auction revenues was earned from operations in the United States (2004 – 57%), 23% was earned in Canada (2004 – 20%) and the remaining 20% was earned from operations in countries other than the United States and Canada (primarily Europe, the Middle East and Australia) (2004 – 23%). We had 675 full-time employees at December 31, 2005, including 211 sales representatives.

We are a public company and our common shares are listed under the symbol "RBA" on the New York Stock Exchange and the Toronto Stock Exchange (the TSX). At February 17, 2006 we had 34,437,400 common shares issued and outstanding and stock options outstanding to purchase a total of 834,089 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

An important indicator of our operating performance is gross auction sales. 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 assessment of our relative operating performance between periods. Auction revenues, which are reported as the top line of our Statement of Operations, and certain other 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 fees applicable to purchases made 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.

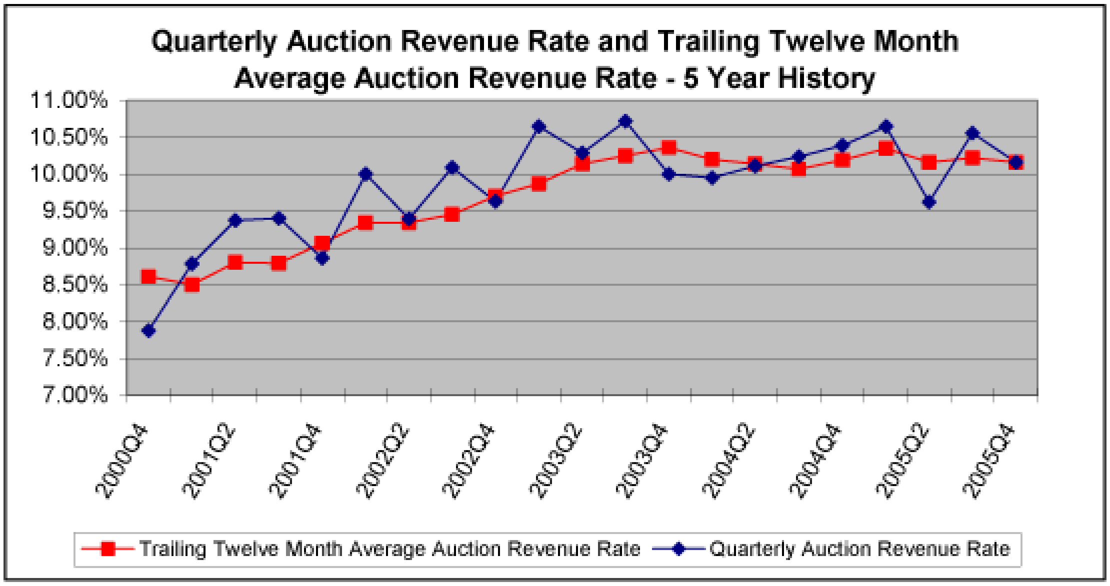
Straight commissions are our most common type of auction revenues and are generated by us when we act as agent for consignors and earn a pre-negotiated, fixed commission rate on the gross sales price of the consigned equipment at auction. In recent periods, this type of sale has generally represented 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 pre-negotiated percentage of any sales proceeds in excess of the guaranteed amount. The equipment is sold on an unreserved basis in the same manner as other consignments, and if the actual auction proceeds are less than the guaranteed amount, our commission is reduced. 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 guarantee contracts fluctuates over time, but industrial auction guarantees are outstanding for less than 45 days in most cases. 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 also fluctuates from period to period but is usually less than $35 million. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed, unless the loss is incurred after the period end but before the financial reporting date, in which case the loss is accrued in the financial statements for the period end. In recent periods, guarantee contracts have generally represented approximately 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 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 approximately 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 our future performance, and we do not have a target for the relative mix of contracts in any particular period. 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 in the table 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 increased our expected average auction revenue rate to be in the range of 9.50% to 10.00%, and we reaffirmed this expectation at the end of 2004. We achieved an auction revenue rate of 10.16% for 2005 and we believe that our sustainable average auction revenue rate continues to 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 (i.e. our 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. The variability can be more pronounced in the first and third calendar quarters because of the seasonality of our business.

Our gross auction sales and auction revenues are influenced by the seasonal nature of the auction business, which is determined mainly by the seasonal nature of the construction and natural resources industries. 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, as has occurred in recent periods.

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 2006 we completed the acquisition of the business and assets of Dennis Biliske Auctioneers, a North Dakota-based auctioneer of agricultural equipment and real estate. The acquisition is designed to expand our agricultural operations and establish our presence in the agricultural equipment and land markets in the United States. Included in the acquisition of the business was a 25-acre permanent agricultural auction facility in Buxton, North Dakota. Dennis Biliske, the founder and President of the acquired business, will lead our agricultural auction operations in North Dakota and surrounding states. We believe that the addition of the Biliske business will provide an initial platform for us to increase our agricultural equipment and real estate sales in the large and very fragmented U.S. market. Despite the operational benefits of the transaction, the financial terms are not considered to be material relative to our consolidated operations.

Developments in 2005

Highlights of the year ended December 31, 2005 included:

- We held the largest auction in our history, at our permanent auction site in Orlando, Florida, with gross auction sales of $79 million.
- We broke regional auction sales records in Denver, Colorado; Chicago, Illinois; Sacramento, California; Phoenix, Arizona; Atlanta, Georgia; North East, Maryland; Vancouver, B.C.; Edmonton, Alberta; Montreal, Quebec; and Melbourne, Australia. We also held our largest-ever Canadian auction, at our permanent auction site in Grande Prairie, Alberta.
- We held our 100th European industrial auction.
- We held our first auction at our new permanent auction site in Sacramento, California.
- We commenced construction on a new permanent auction site in Nashville, Tennessee.
- We purchased approximately 125 acres of land in Houston, Texas for consideration of $8.5 million and commenced construction on a new permanent auction site, which will replace our existing facility in Houston.
- We purchased approximately 160 acres of land in Denver, Colorado for consideration of $3.5 million on which we intend to build a new permanent auction site, which will replace our existing facility in Denver.
- We purchased approximately 62 acres of land in Saskatoon, Saskatchewan for consideration of $0.4 million, and we intend to construct a modest auction facility intended primarily for agricultural equipment auctions.
- We entered into a three-year lease for a property in Livorno, Italy, which became a new regional auction unit.

- We completed the sale of property that was not being used in our operations in Fort Worth, Texas, for proceeds of $6.0 million and a pre-tax gain of $5.5 million, and in Prince George, British Columbia, for proceeds of $1.3 million and a pre-tax gain of $0.9 million.
- We appointed our first sales representatives in Poland, Finland and Switzerland.
- Our Board of Directors appointed Randy J. Wall to the position of President – Canada, Europe and Middle East. Mr. Wall was previously President and Chief Operating Officer. Robert K. Mackay was appointed to the position of President – United States, Asia and Australia, having previously been Executive Vice-President.
- Our Board of Directors appointed David D. Nicholson to the position of Senior Vice-President, South Central, Mexico and South America Divisions, and Guylain Turgeon to the position of Senior Vice-President and Managing Director, European Operations.
- Roger Rummel, a Senior Vice-President and long-time member of our management team, retired effective March 31, 2005.

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.

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.

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, 2005 and determined that no impairment had occurred.

Recent Accounting Pronouncements

During 2005, the Canadian Institute of Chartered Accountants (the CICA) issued new accounting standards for financial instruments comprising Section 3855, "Financial Instruments – Recognition and Measurement", Section 3865, "Hedges", and Section 1530, "Comprehensive Income". There are also a number of significant consequential amendments to other Sections. Financial instruments include accounts receivable and payable, loans, investments and derivative contracts. Application of Section 3865 is optional unless an entity chooses to apply hedge accounting. These standards are effective January 2007. We have not completed our evaluation of the impact on our consolidated financial statements of the implementation of these standards.

Disclosure Controls and Procedures

Based on current securities legislation in Canada, our Chief Executive Officer and Chief Financial Officer are required to certify that they have assessed the effectiveness of our disclosure controls and procedures as at December 31, 2005.

We performed an evaluation under the supervision and with participation of our Chief Executive officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as at December 31, 2005. Based on that evaluation, we concluded that our disclosure controls and procedures were effective as of December 31, 2005.

Overall Performance

For the year ended December 31, 2005 we recorded auction revenues of $212.6 million and net earnings of $53.6 million, or $1.54 per diluted common share. Net earnings for the year would have been $49.5 million, or $1.43 per diluted share, had total after-tax gains of $4.1 million ($6.4 million before tax) recorded on the sale of excess properties in Texas and British Columbia been excluded. We have highlighted these gains because we do not believe that sales of properties are part of our normal recurring operations. For the year ended December 31, 2004, we had auction revenues of $182.3 million and net earnings of $34.9 million, or $1.01 per diluted common share. Earnings increased mainly as a result of higher gross auction sales in 2005, offset in part by higher operating costs and income tax expenses. We ended the year with working capital of $84.1 million, compared to $36.9 million at the end of 2004.

Selected Annual Information

The following selected consolidated financial information as at December 31, 2005, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2005 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 9 of our consolidated financial statements for the year ended December 31, 2005. All dollar amounts in the following table are in thousands of United States dollars, except per share data.

	Year Ended December 31,		
	2005	2004	2003
Statement of Operations Data:			
Auction revenues [1]	$ 212,633	$182,257	$161,542
Direct expenses	(27,035)	(23,472)	(22,099)
	185,598	158,785	139,443
Operating expenses [2]	(107,842)	(98,375)	(83,038)
Other income (expenses) [3]	4,758	(2,164)	(3,712)
Earnings before income taxes	82,514	58,246	52,693
Income taxes [4]	28,934	23,347	16,099
Net earnings	$ 53,580	$ 34,899	$ 36,594
Net earnings per share — basic	$ 1.56	$ 1.02	$ 1.08
Net earnings per share — diluted	1.54	1.01	1.07
Cash dividends declared per share [5]	$ 0.58	$ 0.37	$ 0.15
Balance Sheet Data (period end):			
Working capital (including cash)	$ 84,108	$ 36,871	$ 35,700
Capital assets	250,645	226,624	210,416
Total assets	500,896	443,100	413,362
Long-term liabilities	50,364	19,405	34,613

(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 and general and administrative expenses.

(3) Other income and expenses include total gains recorded on the sale of excess properties in Texas and British Columbia of $6.4 million ($4.1 million after tax) which we do not consider part of our recurring operations.

(4) Income taxes in 2004 include taxes of $2.1 million recorded in connection with realized foreign exchange gains at the subsidiary level relating to certain term debt that came due in 2004. We do not consider these foreign exchange gains part of our recurring operations.

(5) In addition to the cash dividends declared and paid in 2005, we declared a cash dividend of $0.18 per common share on January 27, 2006 relating to the quarter ended December 31, 2005, which is not included in this amount.

Results of Operations

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

We conduct operations around the world in a number of different currencies, but our reporting currency is the United States dollar. In 2005, approximately 40% of our revenues and approximately 45% 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.

United States Dollar Exchange Rate Comparison

Years ended December 31,	2005	% Change	2004	% Change	2003
Value of one U.S. dollar:					
Year-end exchange rate:					
Canadian dollar	$1.1628	-3.1%	$1.1995	-7.5%	$1.2965
Euro	€0.8446	14.6%	€0.7371	-7.1%	€0.7938
Average exchange rate:					
Canadian dollar	$1.2114	-6.9%	$1.3013	-7.1%	$1.4010
Euro	€0.8049	—	€0.8048	-9.1%	€0.8853

The main currencies other than the United States dollar in which our revenues and operating costs are denominated are the Canadian dollar and the Euro. In recent periods there have been significant fluctuations in the value of the Canadian dollar relative to the United States dollar. These fluctuations affect our reported auction revenues and operating expenses when non-United States dollar amounts are converted into United States dollars for financial statement reporting purposes. However, in recent periods, the effect on reported auction revenues and operating expenses in our annual consolidated financial statements has largely offset, making the impact of the currency fluctuation on our annual net earnings essentially neutral.

Auction Revenues

Years ended December 31,	2005	2004	% Change
Auction revenues – United States (1)	$ 121,253	$ 104,618	16%
Auction revenues – Canada (1)	48,824	36,258	35%
Auction revenues – Europe (1)	26,609	26,988	-1%
Auction revenues – Other (1)	15,947	14,393	11%
Total auction revenues	$ 212,633	$ 182,257	17%
Gross auction sales	$2,092,841	$1,789,402	17%
Auction revenue rate	10.16%	10.19%	

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

The increase in auction revenues in 2005 was primarily attributable to higher gross auction sales in the United States and Canada compared to the year ended December 31, 2004. Our agricultural division generated gross auction sales of $76.4 million in 2005 compared to $45.2 million in 2004. Our guarantee and inventory contracts represented 24% of our total gross auction sales in 2005, which is in a similar range to the levels experienced in prior years (23% in 2004 and 26% in 2003).

Our auction revenue rate was 10.16% for 2005, which was marginally higher than our expected range of 9.50% to 10.00%, and relatively consistent with the rate we achieved in 2004. We continue to believe that our sustainable average auction revenue rate will be in the range of 9.50% to 10.00%. Our past experience has shown that the auction revenue rate is difficult to estimate precisely. As a result, our actual auction revenue rate in future periods may be above or below our expected range.

Our auction revenues and our net earnings are influenced to a great extent by small changes in our auction revenue rate. For example, a 10 basis point (0.1%) increase or decrease in our auction revenue rate would have impacted auction revenues by approximately $2.1 million in 2005, of which approximately $1.4 million or $0.04 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,	2005	2004	% Change
Direct expenses	$27,035	$23,472	15%
Direct expenses as a percentage of gross auction sales	1.29%	1.31%	

Direct expenses are the costs we incur when we conduct an auction. Direct expenses include the costs of hiring temporary personnel to work at 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.

Our direct expense rate, which represents direct expenses as a percentage of gross auction sales, fluctuates from period to period based on the size and location of the auctions we hold during a particular period. The direct expense rate generally decreases as the average size of our auctions increases. In addition, we usually experience lower direct expense rates for auctions held at permanent auction sites compared to auctions held at offsite locations, mainly as a result of the economies of scale and other efficiencies that we typically experience at permanent auction sites.

Our direct expense rate in 2005 was roughly consistent with the rate that we experienced in 2004, and is in line with our long-term expectation of a direct expense rate of approximately 1.30%.

Depreciation and Amortization Expense

Years ended December 31,	2005	2004	% Change
Depreciation and amortization expense	$13,172	$12,708	4%

Depreciation is calculated on either a straight line or a declining balance basis on capital assets deployed in our business, including buildings, computer hardware and software, automobiles and yard equipment. Depreciation and amortization in 2005 was roughly consistent with our 2004 experience. Our depreciation in future periods is expected to increase in line with our on-going capital expenditures.

General and Administrative Expenses

Years ended December 31,	2005	2004	% Change
General and administrative expenses	$94,670	$85,667	10%
G&A as a percentage of gross auction sales	4.52%	4.79%	

The major categories of general and administrative expenses, or G&A, in 2005 were as follows:

- labour (salaries, wages, bonuses and benefits);
- non-auction related travel;
- telecommunications and utilities;
- information technology;

- repairs and maintenance;
- professional fees;
- insurance; and
- leases and rentals.

Although the absolute dollar value of our G&A increased in 2005, mainly as a result of a number of factors, including the currency fluctuation and higher costs associated with the significant growth of our business in recent periods, G&A as a percentage of gross auction sales in 2005 was less than in 2004. The improvement in this ratio is important because it demonstrates the leverage in our business – our gross auction sales can increase without an equivalent increase in operating expenses. During 2005 we experienced growth in many aspects of our business, including headcount, facilities, and infrastructure, and this growth resulted in increases in related G&A categories.

Although we expect G&A as a percentage of gross auction sales to decrease in the future, as a result of the leverage inherent in our business model, our G&A will continue to be affected by the expansion of our infrastructure and workforce necessary to support our growth objectives, as well as other factors including fluctuations in foreign exchange rates. In particular, we anticipate that our G&A will increase in 2006 as a result of new compensation related expenses that will be incurred in connection with changes to our compensation programs for our employees and also because of new expenditures relating to certain M07 initiatives. We estimate that the combined incremental effect on G&A of both of these new expenditures will be in the range of $3 million to $4 million for the year.

Interest Expense

Years ended December 31,	**2005**	**2004**	**% Change**
Interest expense	$2,224	$3,217	(31%)

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 2005 compared to the prior year because of lower average interest rates applicable to our debt.

Gain on Disposition of Capital Assets

Years ended December 31,	**2005**	**2004**	**% Change**
Gain on disposition of capital assets	$6,565	$229	—

The gain on disposition of capital assets in 2005 includes a $5.5 million gain recorded on the sale of excess land in Forth Worth, Texas, and a gain of $0.9 million recorded on the sale of surplus property in Prince George, British Columbia. Neither of these properties was being used in our operations. No such gains were recorded in 2004.

Income Taxes

Years ended December 31,	**2005**	**2004**	**% Change**
Income taxes	$28,934	$23,347	24%
Effective income tax rate	35.1%	40.1%	

Income taxes have been calculated using the tax rates in effect in each of the tax jurisdictions in which we earn our income. The effective tax rate for the year ended December 31, 2005 was lower than the rate we experienced in 2004 as a result of differences in earnings within the various tax jurisdictions in which we earn our income. In addition, in 2004 we realized foreign exchange gains at the subsidiary level on certain term debt that came due during the year and that resulted in an increase of $2.1 million in our income tax provision for 2004. 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,	2005	2004	% Change
Net earnings before income taxes	$82,514	$58,246	42%
Net earnings	53,580	34,899	54%
Net earnings per share – basic	1.56	1.02	53%
Net earnings per share – diluted	1.54	1.01	53%

Excluding the impact of total gains of $6.4 million ($4.1 million, or $0.11 per diluted share, after tax) recorded on the sale of excess properties, which we do not consider part of our recurring operations, our net earnings for 2005 would have been $49.5 million, or $1.43 per diluted share. Earnings increased in 2005 compared to 2004 mainly as a result of higher gross auction sales, partially offset by increased G&A and income tax expenses.

Summary of Fourth Quarter Results

We earned auction revenues of $59.9 million and net earnings of $14.2 million, or $0.41 per basic and diluted share, during the fourth quarter of 2005, which compares to 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, in the fourth quarter of 2004. The fourth quarter is typically one of our stronger quarters, because of the seasonality of our business, as discussed above. Our gross auction sales were $589.9 million for the quarter ended December 31, 2005, which is an increase of 7% compared to the same period in 2004. The growth in our gross auction sales in the fourth quarter of 2005 compared to the equivalent period in 2004 was attributable mainly to increased sales in Canada and the United States.

Our auction revenue rate decreased to 10.16% in the fourth quarter of 2005 from 10.39% in the comparable period in 2004, mainly as a result of the performance of our underwritten business. Our underwritten business experienced an unusually high auction revenue rate in the last quarter of 2004 compared to our expected rate.

We experienced a 25% increase in our earnings in the fourth quarter of 2005 compared to the equivalent period in the prior year because higher auction revenues in 2005 were only partially offset by increased operating costs. Income taxes decreased in the fourth quarter of 2005 compared to the equivalent period in the prior year because of the non-recurring tax charges that we recorded in 2004.

We repaid long-term debt of $31.6 million during the fourth quarter of 2005, and replaced it with a five-year term loan in the amount of $30.0 million. Capital asset additions were $12.9 million for the quarter, compared to $8.2 million in the comparable period in 2004. Our capital expenditures in the fourth quarter of 2005 related primarily to construction of our new permanent auction site in Nashville, Tennessee, completion of the acquisition of our new property in Houston, Texas and improvements to our existing auction site in Orlando, Florida. Exchange rate changes relating to capital assets held in currencies other than the United States dollar resulted in a further decrease in our reported capital assets on our consolidated balance sheet of $0.7 million in the fourth quarter of 2005 compared to an increase of $6.2 million in the equivalent period in 2004.

Summary of Quarterly Results

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight fiscal quarters. This data has been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our 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, 2005. All dollar amounts in the following tables and related footnotes are stated in thousands of United States dollars, except per share data.

	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Gross auction sales [1]	$589,865	$364,005	$682,711	$456,260
Auction revenues	$ 59,933	$ 38,430	$ 65,692	$ 48,578
Net earnings	14,203	4,568	21,134[2]	13,675[3]
Net earnings per share — basic	$ 0.41	$ 0.13	$ 0.62[2]	$ 0.40[3]
Net earnings per share — diluted	0.41	0.13	0.61[2]	0.40[3]

	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	11,335[4]	1,810[4]	15,164	6,590
Net earnings per share — basic	$ 0.34[4]	$ 0.05[4]	$ 0.44	$ 0.19
Net earnings per share — diluted	0.33[4]	0.05[4]	0.44	0.19

(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 second quarter of 2005 include a gain of $938 recorded on the sale of excess property ($769 after tax). Excluding this gain, net earnings would have been $20,365, or $0.59 per basic and diluted share.

(3) Net earnings in the first quarter of 2005 include a gain of $5,493 recorded on the sale of redundant property ($3,296 after tax). Excluding this gain, net earnings would have been $10,379, or $0.30 per basic and diluted share.

(4) Net earnings in the third and fourth quarters of 2004 include 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 these non-recurring charges, net earnings would have been $2,698, or $0.08 per basic and diluted share, 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,	2005	2004	% Change
Working capital	$84,108	$36,871	128%

Our cash position can fluctuate significantly from period to period, largely as a result of differences in the timing, size and number of auctions, the timing of the receipt of auction proceeds from buyers, and the timing of the payment of net amounts due to consignors. We generally collect auction proceeds from buyers within seven days of the auction and 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, 2005 exceeded the amount we need to satisfy our present operating requirements.

As discussed in more detail below, we refinanced the majority of our term and revolving debt in 2005. Approximately $35 million of this debt was recorded as current portion of long-term debt in our 2004 financial statements. In our 2005 financial statements, the new debt of $42.9 million is recorded in long-term debt, and this is part of the reason for the increase in our working capital.

Contractual Obligations

	Payments Due by Year				
	Total	In 2006	In 2007 and 2008	In 2009 and 2010	After 2010
Long-term debt obligations	$43,542	$ 220	$ 422	$12,900	$30,000
Operating leases obligations	2,577	1,234	1,101	242	–
Other long-term obligations	516	–	516	–	–
Total contractual obligations	$46,635	$ 1,454	$ 2,039	$13,142	$30,000

Our long-term debt in the table above is comprised mainly of term loans put in place in 2005 with original terms to maturity of five years. 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, Italy, Canada and the United Arab Emirates.

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, 2005 from these guarantee contracts was $29.0 million (compared to $20.9 million at December 31, 2004), 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.

Cash Flows

December 31,	2005	2004	% Change
Cash provided by (used in):			
Operations	$ 85,071	$ 58,656	45%
Investing	(32,207)	(24,555)	(31%)
Financing	(13,137)	(24,622)	47%

Capital asset additions were $42.7 million for 2005 compared to $23.5 million in 2004. Our capital expenditures in 2005 included the following:

- Construction of our new permanent auction sites in Sacramento, California and Nashville, Tennessee;
- Acquisition of approximately 125 acres of land in Houston, Texas for cash consideration of $8.5 million, and commencement of construction on our new permanent auction site on that property;
- Acquisition of approximately 160 acres of land in Denver, Colorado for cash consideration of $3.5 million;
- Acquisition of approximately 62 acres of land in Saskatoon, Saskatchewan for cash consideration of $0.4 million; and
- Improvements to our existing auction sites in various locations, including Orlando, Florida and Atlanta, Georgia.

We intend to build new permanent auction sites on the new properties in Houston and Denver, to replace our existing permanent auction sites in those locations. Our cost of constructing a permanent auction site has typically been in the range of $10 million to $20 million in recent periods. We intend to develop the property in Saskatoon by constructing a modest auction facility intended mainly for agricultural auctions. Exchange rate changes relating to capital assets held in currencies other than the United States dollar resulted in a decrease of $1.8 million in the capital assets reported on our consolidated balance sheet as at December 31, 2005, compared to a $7.4 million increase in 2004.

We intend to expand our network of auction sites by building facilities in selected locations around the world as appropriate opportunities arise, either to replace existing auction facilities or to establish new sites. Our actual expenditure levels in future periods will depend largely on our ability to identify, acquire and develop suitable auction sites. We intend to add or replace an average of two auction sites per year, and possibly up to four sites per year starting in 2007.

Over the next five years, we intend to increase our average annual capital expenditures to approximately $50 million per year, as we take steps to accelerate the expansion of our network of auction sites. Additional expenditures will also be required to achieve our M07 strategic initiatives, depending on the scope of our required system improvements, primarily for software, hardware and related systems. Future capital expenditures will be funded primarily from working capital or draws on available credit facilities.

We paid regular quarterly cash dividends totaling $0.58 per share in 2005, for total dividend payments of $19.9 million, compared to total dividend payments of $12.6 million in 2004. On January 27, 2006, our Board of Directors declared a quarterly cash dividend of $0.18 per common share relating to the quarter ended December 31, 2005. The dividend will be payable on March 17, 2006 to shareholders of record on February 24, 2006 in the amount of approximately $6.2 million.

Debt

December 31,	2005	2004	% Change
Long-term debt (including current portion of long-term debt)	$43,542	$45,925	(5%)

During the year ended December 31, 2005 we refinanced term and revolving debt in the amount of $43.8 million. The refinancing consisted of two five-year term loans in the principal amounts of $12.9 million and $30.0 million, due in periodic payments of interest only, with the full amount of the principal due in 2010 and 2011, respectively. The interest rate applicable to these term loans is set for five years at 4.429% and 5.61%, respectively. At December 31, 2005, we were in compliance with all of the financial covenants applicable to our long-term debt.

In addition to our long-term debt, we have available revolving credit facilities as follows:

December 31,	2005	2004
Revolving credit facilities – total available:	$118,200	$129,499
Revolving credit facilities – total unused:	$118,200	$113,999

Our credit facilities are with financial institutions in the United States, Canada, The Netherlands, The UK and Australia. We had no floating rate debt at December 31, 2005.

Future scheduled interest expenses over the next five years under our existing term debt are as follows:

	In 2006	In 2007	In 2008	In 2009	In 2010
Interest expense on long-term debt	$ 2,294	$ 2,277	$ 2,261	$ 2,254	$ 1,992

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.

Because we conduct operations in local currencies in countries around the world, yet have the United States dollar as our reporting currency, we are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the United States dollar. 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, 2005, approximately 40% of our revenues were earned in currencies other than the United States dollar and approximately 45% 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, 2005 we recorded a decrease in our foreign currency translation adjustment balance of $2.2 million, compared to an increase of $8.8 million in 2004. 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. Decreases in this balance arise primarily from the weakening of non-United States currencies against the United States dollar. During 2005, the Euro weakened against the United States dollar and the impact of this decline on our balance sheet was only partially mitigated by the strengthening of the Canadian dollar.

Transactions with Related Parties

During 2005 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 agreed 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 were 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 geographic markets and market segments in which we conduct auctions, including the world market for used industrial equipment market;
- increases in the number of consignors and bidders participating in our auctions and the average size of our auctions;
- our key strengths;
- our ability to draw consistently significant numbers of local and international bidders to our auctions;
- 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 income tax rates;
- the effect on our general and administrative expenses and operating leverage of expanded infrastructure and workforce, our M07 initiative and growth of our business;
- our future capital expenditures;
- our M07 strategic initiative, the timing of its implementation and its effect on our business, results of operations and capital expenditures;
- our internet initiatives and the level of participation in our auctions by internet bidders;
- the proportion of our revenues and operating costs denominated in currencies other than the U.S. dollar or the effect of any currency exchange fluctuations on our results of operations; and
- financing available to us and the sufficiency of our working capital to meet our financial needs.

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 our performance in future periods. Some of the more important risks that we face are outlined below and holders of our common shares should consider these risks. 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.

Our guarantee and outright purchase contracts and advances to consignors may result in us incurring losses.

Approximately 75% of our business is conducted on a straight commission basis. In certain situations we will either offer to:

- guarantee a minimum level of sale proceeds to the consignor, regardless of the ultimate selling price of the consignment at the auction; or
- purchase the equipment outright 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 for equipment that we take into inventory temporarily, we will incur a loss. Because all of our auctions are unreserved, there is no way for us to protect against these types of losses by bidding on or acquiring any of the items at the auction. In recent periods, guarantee and inventory contracts 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 need to make payments to buyers if we are not able to deliver clear title on the assets sold at our auctions, which may result in us incurring losses.

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

We may have difficulties sustaining and managing our growth.

One of the main elements of our strategy is to continue to grow our business, primarily by increasing earnings from operations in markets in which we already operate and by expanding into new geographic markets and into market segments in which we have not had a significant presence in the past. As part of this strategy, we may from time to time acquire additional assets or businesses from third parties. We may not be successful in growing our business or in managing this growth. For us to grow our business successfully, we need to accomplish a number of objectives, including:

- recruiting and retaining suitable sales personnel;
- identifying and developing new geographic markets and market segments;
- identifying and acquiring, on terms favourable to us, suitable land on which to build new auction facilities and, potentially, businesses that might be appropriate acquisition targets;
- successfully managing expansion;
- obtaining necessary financing;
- receiving necessary authorizations and approvals from governments for proposed development or expansion;
- successfully integrating new facilities and acquired businesses into our existing operations;
- achieving acceptance of the auction process in general by potential consignors, bidders and buyers;
- establishing and maintaining favourable relationships with consignors, bidders and buyers in new markets and market segments, and maintaining these relationships in our existing markets;

- capitalizing on changes in the supply of and demand for industrial assets, in our existing and in new markets; and
- designing and implementing business processes that are able to support profitable growth.

We will need to hire additional employees to manage any growth that we achieve. In addition, growth may increase the geographic scope of our operations and increase demands on both our operating and financial systems. These factors will increase our operating complexity and the level of responsibility of existing and new management personnel. It may be difficult for us 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. We may not be able to improve our systems and controls as a result of increased costs, technological challenges, or lack of qualified employees. Our past results and growth may not be indicative of our future prospects or our ability to expand into new markets, many of which may have different competitive conditions and demographic characteristics than our existing markets.

Our business would be harmed if there were decreases in the supply of, demand for, or market values of industrial assets, primarily used industrial equipment.

Our auction revenues could be reduced if there was significant erosion in the supply of, demand for, or market values of used industrial equipment, which would affect our financial condition and results of operations. We have no control over any of the factors that affect the supply of, and demand for, used industrial equipment, and the circumstances that cause market values for industrial equipment to fluctuate are beyond our control. In addition, price competition and availability of industrial equipment directly affect the supply of, demand for, and market value of used industrial equipment.

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

We are subject to legal and other claims that arise in the ordinary course of our business. While the results of these claims have not historically had a material 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 losses. Aggregate losses from these claims could be material.

Our operating results are subject to quarterly variations.

Historically, our revenues and operating results have fluctuated from quarter to quarter. We expect to continue to experience these fluctuations as a result of the following factors, among others:

- the size, timing and frequency of our auctions;
- the seasonal nature of the auction business in general, with peak activity typically occurring in the second and fourth calendar quarters, mainly as a result of 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 facilities and related costs.

In addition, we usually incur substantial costs when entering new markets, and the profitability of operations at new locations is uncertain as a result of the increased variability in the number and size of auctions at new sites. These and other factors may cause our future results to fall short of investor expectations or not to compare favourably to our past results.

We are exposed to foreign exchange rate fluctuations and political and economic instability as a result of our substantial international operations, which could harm our results of operations.

We conduct business on a global basis and intend to continue to expand our presence in international markets. Fluctuating currency exchange rates, acts of terrorism or war, and changing social, economic and political conditions and regulations, including income tax regulations, may affect in a negative manner our business in international markets and our related operating results. Currency exchange rate fluctuations between the different countries in which we conduct our operations impact the purchasing power of buyers, the motivation of consignors, asset values and asset flows between various countries, including those in which we do not have operations. These factors and other global economic conditions may harm our business and 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. Currency exchange rate changes against the United States dollar, particularly for the Canadian dollar and the Euro, could affect the presentation of our results in our financial statements and cause our earnings to fluctuate.

Our revenues and profitability could be reduced as a result of competition in our core markets.

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 the services of a number of key personnel, and our business could be harmed if we lost one or more of them.

The growth and performance of our business in the future will depend to a significant extent on the efforts and abilities of our executive officers and senior managers. Our business could be harmed if we lost the services of one or more of these individuals. We do not maintain key man insurance on the lives of any of our executive officers. Our future success largely depends on our ability to attract, develop and retain skilled employees in all areas of our business.

Our internet-related initiatives, which are subject to technological obsolescence and potential service interruptions, may not contribute to improved operating results over the long-term; in addition, we may not be able to compete with technologies implemented by our competitors.

We have invested significant resources in the development of our internet platform, including our rbauctionBid-Live internet bidding service. We use and rely on intellectual property owned by third parties which are licensed to us in providing our rbauctionBid-Live service. Our internet technologies may not result in any material long-term improvement in our results of operations or financial condition and may require further significant investment to help avoid obsolescence. We may also not be able to continue to adapt our business to internet commerce 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 that we offer over the internet, including equipment-searching capabilities and historical price information, will continue to depend largely on our ability to use suitable intellectual property licensed from third parties, further development and maintenance of our infrastructure and the internet in general. Our ability to offer online services depends on the performance of the internet, as well as some of our internal hardware and software systems.

"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. We could lose customers and our reputation could be harmed if we were unable to provide services over the internet at an acceptable level of performance or reliability.

The availability and performance of our internal technology infrastructure, as well as the implementation of an Oracle enterprise resource planning system, are critical to our business.

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. Our business and results of operations could be harmed if we were unable to expand and upgrade in a timely manner our systems and infrastructure to accommodate any increases in the use of our internet services, or if we were to lose access to or the functionality of our internet systems for any reason.

We use both internally developed and licensed systems for transaction processing and accounting, including billings and collections processing. We may need to improve these systems in order to accommodate growth in our business. Any inability to upgrade our technology, transaction processing systems or network infrastructure to accommodate increased transaction volumes could harm our business and interfere with our ability to expand our business.

We have embarked on a program to redesign our business processes and to upgrade our information systems, including implementing an Oracle enterprise resource planning system. Our business and results of operations could be harmed if our Oracle implementation, which is expected to happen in phases starting in 2006, is not successful. In addition, any difficulties with our Oracle implementation could have an adverse effect on our operations and also our ability to evaluate the effectiveness of our internal control over financial reporting, which would negatively affect our internal control reporting in accordance with the provisions of Section 404 of the Sarbanes-Oxley Act.

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 materially damage our business, results of operations and financial condition.

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.

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 neighbouring 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 all liability that we may 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 our 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.

We may not continue to pay regular cash dividends.

We declared and paid quarterly cash dividends of $0.18 per outstanding common share relating to the third and fourth fiscal quarters of 2005 and $0.11 per share in connection with the first and second quarters of 2005. 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. We may be unable or may elect not to continue to declare and pay dividends, even if necessary financial conditions are met and sufficient cash is available for distribution.

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 10, 2006, 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

KPMG LLP
Chartered Accountants

Vancouver, Canada
February 10, 2006

EXHIBIT NO. 31.1

CERTIFICATION 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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The issuer's other certifying officer 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)) 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. 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
    c. 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 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, 2006

/s/ Peter J. Blake

Peter J. Blake
Chief Executive Officer

EXHIBIT NO. 31.2

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

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 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 report;

3 Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4 The issuer's other certifying officer 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)) 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. 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

c. 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 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, 2006

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

EXHIBIT NO. 32.1

CERTIFICATION 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, 2005, 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, 2006

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

EXHIBIT NO. 32.2

CERTIFICATION 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, 2005, 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, 2006

/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.