ROCKY MOUNTAIN DEALERSHIPS

ROCKY MOUNTAIN DEALERSHIPS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2017

This Management's Discussion and Analysis ("MD&A") was prepared as of May 8, 2017, and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three months ended March 31, 2017. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017 and the audited consolidated financial statements for the years ended December 31, 2016 and 2015 together with the notes thereto and the auditor's report thereon. The results reported herein have been derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars.

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

Rocky's common shares trade on the Toronto Stock Exchange under the symbol 'RME'. Additional information relating to Rocky, including the Company's Annual Information Form, dated March 14, 2017 ("AIF"), is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

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

Unless otherwise indicated, changes in financial results for the quarter ended March 31, 2017, have been calculated using the same period in the prior year as comparative figures, whereas changes in our financial position as at March 31, 2017, are calculated using December 31, 2016 as the comparative.

SELECTED QUARTERLY FINANCIAL INFORMATION

	For the three months ended March 31,			
$ thousands	**2017**	2016	Change	% Change
Sales	**209,926**	189,464	20,462	10.8
Cost of sales	**183,153**	161,181	21,972	13.6
Gross profit	**26,773**	28,283	(1,510)	(5.3)
Gross profit as a % of sales	***12.8%***	*14.9%*	*(2.1%)*	
Selling, general and administrative	**23,194**	24,217	(1,023)	(4.2)
(Gain) loss on derivative financial instruments	**(421)**	252	(673)	(267.1)
Earnings before finance costs and income taxes	**4,000**	3,814	186	4.9
Finance costs	**2,991**	3,546	(555)	(15.7)
Earnings before income taxes	**1,009**	268	741	276.5
Income taxes	**198**	4	194	4,850.0
Net earnings	**811**	264	547	207.2
Net earnings as a % of sales	***0.4%***	*0.1%*	*0.3%*	
Earnings per share				
Basic	**0.04**	0.01	0.03	300.0
Diluted	**0.04**	0.01	0.03	300.0
Dividends per share	**0.115**	0.115	-	-
Book value per share – diluted (as at March 31)	**9.07**	8.62	0.45	5.2
Adjusted Diluted Earnings per Share(1)	**0.04**	0.02	0.02	100.0
Adjusted EBITDA(1)	**3,253**	2,743	510	18.6
Operating SG&A(1)	**21,024**	22,447	(1,423)	(6.3)
Operating SG&A(1) as a % of sales	***10.0%***	*11.8%*	*(1.8%)*	
Operating Cash Flow before Changes in Floor Plan(1)	**(24,324)**	(5,115)	(19,209)	375.5

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

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SUMMARY OF THE QUARTER ENDED MARCH 31, 2017

Sales and Margins

- Sales increased $20.5 million or 10.8% to $209.9 million due to deferred orders from 2016 that were largely realized during the first quarter of 2017.
- Gross profit declined by 5.3% to $26.8 million (12.8% of sales, down from 14.9% in Q1 2016) as the impact on margins of trailing inventory initiatives continued to linger within equipment sales activity. This effect was compounded by a change in sales mix, lower margins on bulk new equipment sales carried forward from the fourth quarter of 2016, and a $1.1 million reduction in manufacturer incentives recognized in the quarter.

Cost Structure and Earnings

Operating SG&A(1) declined by $1.4 million to $21.0 million (10.0% of sales, down from 11.8% in Q1 2016) due to long-term cost containment initiatives and the efficiencies we have realized within our fixed cost structure. This resulted in:

- Adjusted EBITDA(1) that increased by $0.5 million or 18.6% to $3.3 million.
- Adjusted Diluted Earnings per Share(1) that increased by $0.02 to $0.04.

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

Balance Sheet and Inventory

We continue to focus on strengthening our balance sheet. Our work to-date resulted in a $0.6 million or 15.7% year-over-year decline in finance costs this quarter. The decrease is due to a reduction in the average balance of interest-bearing debt outstanding, a direct result of paying down debt with operational cash flow and the proceeds from inventory reductions.

That said, our inventory went through its seasonal expansion during the first quarter, increasing by $22.5 million or 5.1% to $465.3 million as we prepare for second quarter sales.

COMPANY OVERVIEW

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

Rocky is Canada's largest retail dealer of CNH Industrial N.V. ("CNH") equipment, which includes Case IH, New Holland, and Case Construction. We are also a major independent dealer of equipment from a number of other short-line agriculture and industrial manufacturers.

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

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

MARKET FUNDAMENTALS AND OUTLOOK

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

Demand for this equipment is largely driven by equipment and agricultural commodity prices, input costs and weather. Changes in these demand drivers can cause our customers' buying patterns to shift. The agriculture sector exhibits cyclical surges in demand and profitability driven by these macroeconomic factors, as well as other factors that can impact our industry.

Equipment utilization rates, by contrast, are less volatile as agricultural equipment tends to incur hours in the field regardless of weather or economic conditions. The business of farming requires producers to work their fields each year. Circumstances may exist, however, that cause farmers to opt for used equipment in lieu of new equipment, or they may elect to maintain rather than replace their fleets. Our broad range of product and service offerings enable us to respond to these shifts in buying patterns and provide a measure of stability within our financial results.

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Competitive Landscape

We have exclusive distribution rights for some of the world's leading equipment brands over a vast sales territory. Furthermore, significant barriers to entry exist in this market, which help us maintain our position as an exclusive supplier of these brands. Our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow.

Our Customers

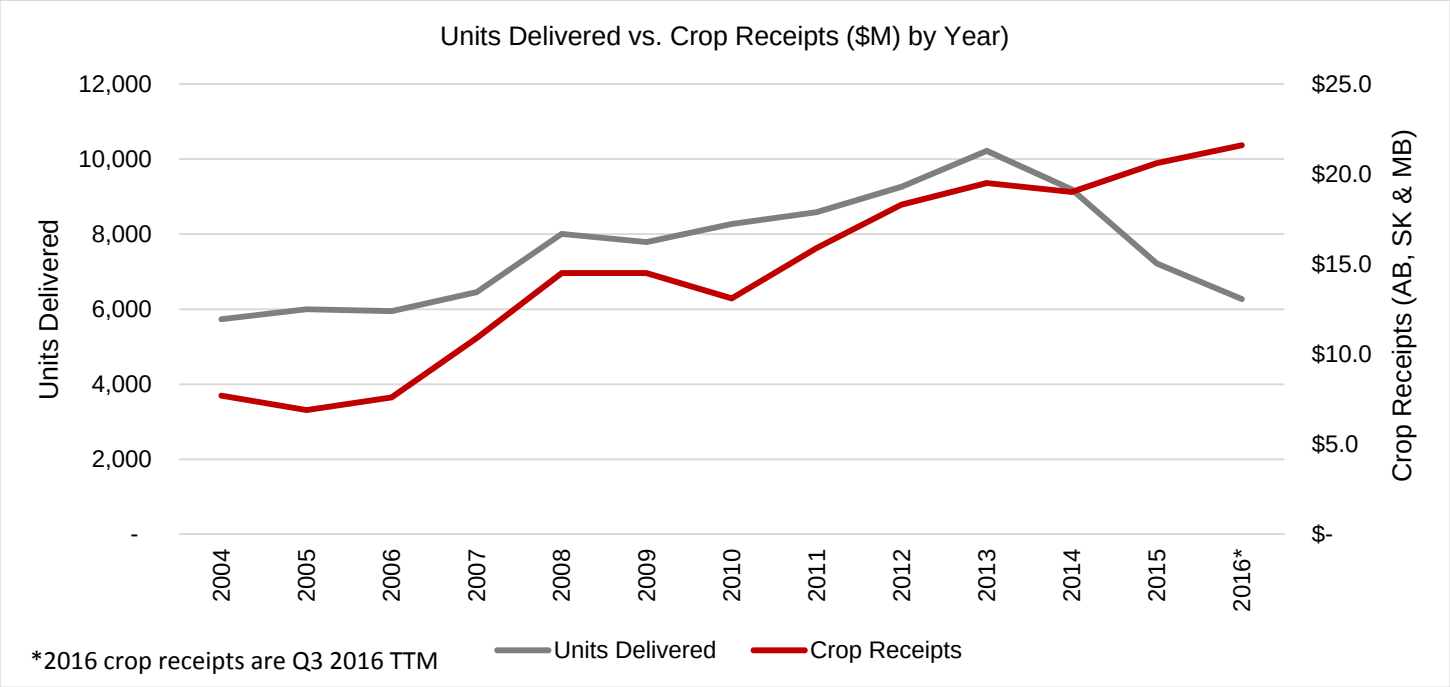
The fundamentals underlying the Western Canada farming industry continue to support profitability and create value for our customer base. Elevated production and healthy commodity prices for key Western Canadian crops drove steady improvements in farm net worth between 2011 and 2015, the most recent year for which data is available from Statistics Canada.

$ millions	2011	2013	2015
Alberta	60,152	66,925	67,404
Saskatchewan	41,279	47,801	49,969
Manitoba	17,618	21,072	20,948
Total net worth of all farms	119,049	135,798	138,321

Source: CANSIM Table 002-0071

Supply

Over the past several years, the Western Canadian agriculture market has been absorbing an equipment surplus as well as price increases driven by new technology and compounded by a depreciating Canadian dollar. Despite continued growth in crop receipts, new equipment deliveries in recent years have waned as a result of these market factors. This divergence is illustrated below using deliveries of new self-propelled combines and high horsepower tractors (100+ HP & 4WD) as reported by the Association of Equipment Manufacturers ("AEM") as a proxy for the general trend in Canadian agriculture unit deliveries.



Source: CANSIM Table 002-0002, AEM

In recent years, agriculture equipment manufacturers have tempered their production levels in response to changes in market demand. As manufacturers curtailed production and drew down existing inventories, we, and our customers, experienced reduced lead-times on new equipment deliveries. With this incremental supply now largely absorbed by the market, we have begun to see manufacturer delivery lead-times grow on certain products during peak demand times, an indication that market supply and demand have largely realigned.

First quarter 2017 deliveries of new farm tractors and self-propelled combines as reported by the AEM are up 24.6% and 60.7%, respectively, over the same period last year. While certainly an indication that new equipment demand may be

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showing early signs of recovery, the increase in our own new equipment sales in Q1 versus the same period last year was predominantly the result of the delivery of out-of-season pre-sold equipment which was carried forward from last year. Indeed, these deliveries contributed to the growth noted by the AEM for the quarter.

Seasonality

Selling and servicing agriculture equipment is a seasonal business. Our strongest quarter is typically October to December and our weakest quarter is typically January to March. While this seasonality is fairly consistent, the timing of seeding and harvest can vary due to weather, shifting revenues between periods.

While weather continues to have a significant influence on overall demand, advances made in farming practices, seed technology and application techniques, have helped to mitigate this exposure to some extent and reinforce the agriculture industry fundamentals.

Crop Outlook

Western Canadian farmers entered 2017 on the heels of a yet another robust level of crop production, with 90 – 95% of that production in the bins before winter set in. Elevated levels of precipitation late in the harvest season resulted in the remainder of the crop remaining in swath or simply left standing to be picked-up or harvested this spring. While the grade of the affected crop is expected to deteriorate to some extent, the combination of solid production and healthy commodity prices for key Western Canadian crops serves to reinforce the already strong balance sheets of our customer base.

Statistics Canada has reported increased seeded acreage intentions for principal field crops in 2017 as compared to a year ago, driven by a potential record level of canola seeded.

RESULTS OF OPERATIONS

Sales and Gross Profit

The Company uses the terms “acquired” versus “same store” in assessing its revenue. Each acquired store has an average historical level of sales prior to being acquired by Rocky. When the Company discusses “acquired” results, it is referring to these average historical levels. This base level of activity continues to be classified as acquired until such time as the acquired store has been included in our dealership network for twelve months after which point, all activity is classified as same store. For the periods presented, all revenue has been classified as same store.

	For the three months ended March 31,		
$ thousands	**2017**	2016	Change
Sales			
New equipment	**101,258**	79,802	21,456
Used equipment	**83,209**	83,666	(457)
Parts	**17,796**	18,342	(546)
Service	**6,768**	6,748	20
Other	**895**	906	(11)
Total sales	**209,926**	189,464	20,462
Gross profit	**26,773**	28,283	(1,510)
Gross margin	**12.8%**	14.9%	(2.1%)

For the quarter ended March 31, 2017, total sales increased by $20.5 million or 10.8% as compared to the same period in 2016. The increase in sales reflects additional new equipment deliveries. Longer lead-times from our OEM’s delayed our receipt of certain units ordered for customers during the last half of 2016. This deferred activity was realized during the first quarter of 2017. A comparatively later start to the farming season year-over-year, has delayed demand for our product support offerings.

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Certain product support activity is performed for the benefit of other departments within the Company. This activity is excluded from reported parts and service revenues. Management assesses overall product support activity to ensure that the resources deployed are adequate in light of total activity. Total parts and service activity is reconciled to our reported revenues for the respective departments as follows:

	For the three months ended March 31,	
$ thousands	**2017**	2016
Parts activity		
Total activity	**20,501**	21,429
Internal activity eliminated	**(2,705)**	(3,087)
Reported revenues	**17,796**	18,342
Service activity		
Total activity	**10,712**	11,350
Internal activity eliminated	**(3,944)**	(4,602)
Reported revenues	**6,768**	6,748

Gross profit for the quarter ended March 31, 2017, decreased by $1.5 million or 5.3%, with gross margin declining from 14.9% to 12.8%. The sales activity carried forward from last year and recognized during the first quarter of 2017 brought with it the lower margins typically realized on fourth quarter new equipment sales activity and a shift in our sales mix, both of which had a dilutive effect on our margins for the quarter. However, the decline in Q1 gross profit year-over-year is predominantly a function of sales activity and process which has yet to fully reflect a change in focus towards margin protection following several years of marked inventory reduction.

Manufacturer incentives recognized during the quarter declined by $1.1 million, approximately half of which is attributable to a change in incentive programs from our manufacturer which is expected to increase our reported cost of sales during 2017. The remainder of the decrease is associated with timing and is expected to reverse over the duration of the year.

Selling, General and Administrative

The Company assesses its Operating SG&A relative to total sales in analyzing its results (see the definition and reconciliation of Operating SG&A in the “Non-IFRS Measures” and “Reconciliation of Non-IFRS Measures to IFRS” sections below). The Company targets a sub-10% Operating SG&A as a percentage of sales on an annual basis.

For the quarter ended March 31, 2017, Operating SG&A decreased by $1.4 million or 6.3% over the same period in 2016. The reduction in Operating SG&A reflects enhancement to the efficiency of our operating cost structure through a combination of facility and distribution consolidation as well as other cost containment measures aimed at realigning our cost structure with current market conditions.

Delivery of 2016 customer orders during the first quarter of 2017 increased top-line revenues, scaling Operating SG&A as a percentage of sales to 10.0%, down from 11.8% in Q1 2016.

Finance Costs

During the quarter ended March 31, 2017, finance costs declined by $0.6 million or 15.7%. Several periods of strong cash generation and reduced inventory levels resulted in a decrease in the average balance of interest-bearing debt outstanding, decreasing overall finance costs year-over-year.

Net Earnings

Net earnings for the quarter ended March 31, 2017, increased by $0.5 million or $0.03 per diluted share as compared to the first quarter last year. Adjusted Diluted Earnings per Share increased by $0.02 to $0.04 over the same period. See the definition and reconciliation of Adjusted Diluted Earnings per Share in the “Non-IFRS Measures” and “Reconciliation of Non-IFRS Measures to IFRS” sections below. During the quarter, the reduction in gross profit was more than offset by reductions in both operating expenses and financing costs.

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SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts	**Q1 2017**	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Sales	**209,926**	285,749	222,647	232,575	189,464	285,587	255,986	213,460	220,423
Gross profit	**26,773**	34,116	36,861	34,147	28,283	37,538	40,042	32,941	31,460
Gross margin	**12.8%**	11.9%	16.6%	14.7%	14.9%	13.1%	15.6%	15.4%	14.3%
SG&A	**23,194**	25,205	23,855	24,693	24,217	27,175	26,896	26,960	27,197
Other (income) expense	**(421)**	(605)	(236)	762	252	274	3,438	(597)	433
Finance costs	**2,991**	3,346	3,700	3,751	3,546	3,813	3,795	3,830	3,369
Income taxes	**198**	1,466	2,910	1,575	4	1,696	1,561	719	129
Net earnings	**811**	4,704	6,632	3,366	264	4,580	4,352	2,029	332
Diluted earnings per share	**0.04**	0.24	0.34	0.17	0.01	0.24	0.23	0.10	0.02

Fluctuating seasonal revenue cycles are common in the agriculture industry as a result of weather conditions, the timing of crop receipts and farming cycles and the timing of equipment deliveries from manufacturers. As a result, our financial results typically vary between quarters. The first quarter is generally the weakest due to the lack of agriculture activity and winter shutdowns, while the fourth quarter is the strongest due to the post-harvest purchases that are typical in the agriculture sector.

Seeding activity typically commences between the latter part of the first quarter and the beginning part of the second quarter. Harvest generally begins towards the middle of the third quarter, and continues through into the fourth quarter. Our financial results vary between quarters accordingly.

Weather conditions, such as a late spring or harvest, excess moisture or drought conditions may also positively or negatively impact sales activity and profitability for any given period.

STATEMENT OF FINANCIAL POSITION – SUMMARY

$ thousands	**March 31, 2017**	December 31, 2016	March 31, 2016
Assets			
Inventory	**465,272**	442,742	509,381
Other current assets	**51,162**	65,532	51,001
Total current assets	**516,434**	508,274	560,382
Property and equipment	**49,280**	48,586	50,575
Deferred tax asset	**1,233**	1,210	2,861
Derivative financial assets	**1,002**	578	-
Intangible assets	**466**	507	630
Goodwill	**18,776**	18,776	18,776
Total assets	**587,191**	577,931	633,224
Liabilities and equity			
Floor plan payable	**316,282**	296,061	358,691
Other current liabilities	**53,819**	61,519	59,881
Total current liabilities	**370,101**	357,580	418,572
Long-term debt	**39,070**	40,778	38,487
Obligations under finance leases	**409**	521	777
Derivative financial liabilities	**1,726**	1,871	8,306
Total liabilities	**411,306**	400,750	466,142
Shareholders' equity	**175,885**	177,181	167,082
Total liabilities and equity	**587,191**	577,931	633,224

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Current assets at March 31, 2017, consisted primarily of new and used equipment inventory. Rocky has a diverse customer base for its equipment and strives to carry an appropriate mix of both new and used equipment to best serve our customers. Typically, our customers trade their used equipment in when making equipment purchases. The Company's equipment inventory is comprised of the following:

$ thousands	**March 31, 2017**	December 31, 2016	March 31, 2016
New equipment	**123,375**	113,517	186,365
Used equipment	**296,188**	289,485	276,879
Total equipment inventory	**419,563**	403,002	463,244

During the quarter ended March 31, 2017, total equipment inventory increased by $16.6 million or 4.1%. The increase in new equipment inventory reflects seasonal procurement activity in preparation for spring seeding while growth in used equipment inventory resulted from trades taken on new equipment deliveries carried forward from 2016.

Having realigned our overall investment in inventory with current market demand, our focus for 2017 will be to continue to optimize our inventory mix. Through stringent procurement procedures and targeted sales efforts, we aim to continue our recent trend of improving inventory turns.

Current liabilities are comprised predominantly of floor plan payable for financed equipment inventory of approximately $316.3 million as at March 31, 2017 (December 31, 2016 – $296.1 million). As a percentage of equipment inventory, floor plan payable was 75.4% as at March 31, 2017, up from 73.5% at December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

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

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

Summary of Cash Inflows (Outflows)

	For the three months ended March 31,	
$ thousands	**2017**	2016
Net earnings	**811**	264
Effect of non-cash items in net earnings and changes in working capital	**(6,520)**	(3,807)
Cash flows from operating activities	**(5,709)**	(3,543)
Cash flows from financing activities	**(4,074)**	(1,322)
Cash flows from investing activities	**(2,492)**	(4,005)
Net decrease in cash	**(12,275)**	(8,870)
Cash, beginning of period	**28,542**	16,690
Cash, end of period	**16,267**	7,820
Operating Cash Flow before Changes in Floor Plan (1)	**(24,324)**	(5,115)

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

Cash Flows from Operating Activities

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

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

allows management to isolate and analyze cash flows from operating activities, prior to any sources or uses of cash associated with equipment financing decisions.

For the quarter ended March 31, 2017, Operating Cash Flow before Changes in Floor Plan decreased by $19.2 million as compared to the same period last year. Seasonal procurement of new equipment and trades taken on deliveries carried forward from 2016 combined with changes in other non-floor plan working capital accounts to reduce Operating Cash Flow before Changes in Floor Plan.

This additional working capital requirement for the first quarter of 2017 was funded, in large part, by an increase in funds drawn on our various floor plan facilities. These factors combined to yield a net cash outflow from operating activities of $5.7 million, up from $3.5 million in the comparative period.

Cash Flows from Financing Activities

Cash flows from financing activities pertained primarily to debt and dividend payments as well as net proceeds associated with the financing of acquisitions and real estate assets. For the quarter ended March 31, 2017, cash outflows from financing activities increased by $2.8 million to $4.1 million, up from $1.3 million in Q1 2016. An interest-only period on the Company's Term Facility during the first quarter of 2016 reduced principal repayments during the comparable period.

Cash Flows from Investing Activities

Cash utilized for investing activities was the result of our normal capital expenditures and investment in new facility construction, offset by proceeds on the disposition of property and equipment. During the first quarter of 2017, cash outflows from investing activities decreased by $1.5 million to $2.5 million, down from $4.0 million in 2016. The reduction is the result of cash invested in facility construction during the first quarter of 2016.

ADEQUACY OF CAPITAL RESOURCES

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

Finance Facilities

The Company has a credit facility with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility is a revolving facility which matures on September 24, 2019, and is secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lenders' prime rate or the U.S. base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. The Company pays standby fees of between 0.4% – 0.7% per annum on any undrawn portion of the Syndicated Facility. The standby fees and premiums on base interest rates within the respective ranges are determined based on the Company's ratio of debt to tangible net worth.

The Syndicated Facility consists of:

- The "Operating Facility" – which may be utilized to advance up to the lesser of the established borrowing base and $60.0 million. The borrowing base is supported by otherwise unencumbered assets including certain accounts receivable, inventory and items of property and equipment, less priority payables. This facility may be used to finance general corporate operating requirements.
- The "Flooring Facility" – which may be utilized to finance up to 75% of the value of eligible equipment inventory to a maximum of $125.0 million. Draws against the Flooring Facility are repayable over a term of 28 months, however, they become due in full upon the sale of the associated equipment.
- The "Term Facility" – which may be utilized to finance up to 60% of the cost of acquisitions and 75% of the cost of real estate assets to a maximum of $75.0 million. Draws are repayable in quarterly installments with acquisition and real estate related draws amortized over periods of 7 and 15 years, respectively. The initial balance on the Term Facility had a 7 year repayment period which commenced in April of 2016.

Including the syndicated Flooring Facility, we have total floor plan facilities of approximately $592.0 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing equipment inventory. These facilities are made available to Rocky by the equipment manufacturers' captive finance companies or divisions (such as CNH Industrial Capital Canada Ltd.), as well as by banks and specialty lenders. The Company also has an additional $75.0 million of floor plan availability with its OEMs, to be made available to the Company if required as a result of business combinations.

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In addition to our available cash balance of $16.3 million as at March 31, 2017, we have $364.1 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	**Available**
Operating Facility	60.0	-	**60.0**
Term Facility	75.0	46.1	**28.9**
Various floor plan facilities			
OEM floor plan facilities	205.0	124.5	**80.5**
Syndicated Flooring Facility	125.0	63.3	**61.7**
Other floor plan facilities	262.0	129.0	**133.0**
Total	727.0	362.9	**364.1**

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

Financial Covenants

Pursuant to agreements with lenders, the Company is required to monitor and report compliance with certain financial ratios on a quarterly basis. The Company's financial covenants and applicable compliance ranges are as follows:

	March 31, 2017	December 31, 2016
Fixed charge coverage of at least	**1.15-1.20:1**	1.15-1.20:1
Debt to tangible net worth less than	**4.00-5.00:1**	4.00-5.00:1
Current ratio of at least	**1.15-1.20:1**	1.15-1.20:1

Each lender has its own definition of inclusions and exclusions within these computations. Failing to meet these covenants would constitute a default event which may result in, among other restrictions and remedies, the associated debt becoming due and restrictions being placed on the Company's ability to draw on its facilities or make distributions to shareholders.

As at March 31, 2017 and December 31, 2016, the Company was in compliance with all externally imposed capital requirements.

The Company's continued compliance with its financial covenants is dependent on various factors which influence our financial results including, but not limited to, overall demand for our products and services and the timing of that demand driven by weather and other factors. As agriculture equipment demand remains at the low end of the cycle, there is a risk that the Company's financial results and/or position may weaken and that we may not comply with our financial covenants, most notably, our fixed charge coverage ratios.

Derivative Financial Instruments

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

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

	For the three months ended March 31,	
$ thousands	**2017**	2016
(Gain) loss recognized in net earnings	**(421)**	252
(Gain) loss recognized in accumulated other comprehensive loss – net of tax	**(107)**	794
(Gain) loss recognized in deferred tax position	**(40)**	293

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Interest Rate Swaps

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

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

			March 31, 2017		December 31, 2016	
	Maturity	Type	**Effective rate**	**Amount ($ thousands)**	Effective Rate	Amount ($ thousands)
Hedged position						
Current debt						
Floor plan facility #1	August, 2018	Non-amortizing	**4.2%**	**25,000**	4.2%	25,000
Floor plan facility #2	September, 2020	Non-amortizing	**5.1%**	**35,000**	5.1%	35,000
Floor plan facility #3	September, 2022	Non-amortizing	**5.4%**	**50,000**	5.4%	50,000
			5.0%	**110,000**	5.0%	110,000
Long-term debt						
Term Facility	April, 2017	Amortizing	**4.1%**	**18,375**	4.1%	19,250
			4.1%	**18,375**	4.1%	19,250
Total			**4.9%**	**128,375**	4.9%	129,250
Position at risk – floating-rate debt				**242,217**		247,783
Position hedged				**53.0%**		52.2%

At inception, these instruments were designated as hedges and were accounted for using hedge accounting. Subsequently, the interest rate swap on the Term Facility failed its effectiveness testing and as such, hedge accounting was discontinued. The $7 thousand accumulated loss associated with the Term Facility swap which has been recognized within accumulated other comprehensive loss will be reversed into net earnings over the remainder of the term of the derivative. Future changes in the fair value of this derivative will be recognized within net earnings in the period in which they arise.

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

For the quarter ended March 31, 2017, we recognized in net earnings, a net mark-to-market gain of $49 thousand on our interest rate swaps (2016 – $0.1 million).

Total Return Swaps

The Company has several total return swap arrangements to hedge the exposure associated with increases in its share price on its outstanding Director Share Units ("DSUs") and Share Appreciation Rights ("SARs"). If not renewed by the Company, these arrangements mature between September 2017 and July 2018. It is the Company's intention to maintain a hedged position which matches the terms associated with the DSUs and SARs. The hedging relationship with the SARs is ineffective to the extent that the Company's share price falls below the strike price of the SARs.

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

The Company does not apply hedge accounting to these relationships and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise. During the three months ended March 31, 2017, the Company unwound a portion of the hedged position associated with its SARs to realign the hedged

position with the number of SARs outstanding. For the quarter ended March 31, 2017, the Company recognized an unrealized mark-to-market gain of $0.4 million (2016 – loss of $0.3 million).

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

	March 31, 2017		December 31, 2016	
In thousands of shares/units except per share amounts	**Weighted average price/share $**	**Shares/ units**	Weighted average price/share $	Shares/ units
Hedged position				
DSUs	**10.54**	**100**	10.54	100
SARs	**9.23**	**1,070**	9.21	1,170
Total	**9.34**	**1,170**	9.31	1,270
Position at risk				
DSUs		**77**		71
SARs		**1,043**		1,057
Total		**1,120**		1,128
Position hedged		**104.5%**		112.6%

Dividends

On May 8, 2017, Rocky's Board of Directors (the "Board") approved a quarterly dividend of $0.115 per common share on its outstanding common shares. The common share dividend is payable on June 30, 2017, to shareholders of record at the close of business on May 31, 2017.

This dividend is designated by Rocky to be an "eligible dividend" for the purposes of the Income Tax Act (Canada) and any similar provincial or territorial legislation. An enhanced dividend tax credit applies to "eligible dividends" paid to Canadian residents. Please consult with your own tax advisor for advice with respect to the income tax consequences to you from Rocky designating its dividends as "eligible dividends." Investors are cautioned that quarterly dividends remain subject to approval by Rocky's Board, and that the Board may, at any time, increase, decrease or suspend payment of the dividend.

SHARE CAPITAL – OUTSTANDING SHARES

During the quarters ended March 31, 2017 and 2016, there were no changes in the issued and outstanding common shares of the Company. As at March 31, 2017 and December 31, 2016 as well as May 8, 2017, there were 19,384,086 common shares outstanding.

The options outstanding at March 31, 2017 are as follows:

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
March 13, 2013	332	332	12.89	0.9
March 13, 2014	355	355	11.52	1.9
Total	687	687	12.18	1.5

As at May 8, 2017, there were 687,000 options outstanding.

CONTRACTUAL OBLIGATIONS

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

Floor plan payable accounts for the majority of the Company's contractual obligations which will be discharged within the next 12 months.

Other significant contractual obligations outstanding as at March 31, 2017, include trade payables, accruals and other, long-term debt consisting predominantly of the Term Facility and operating lease commitments which relate primarily to the

ROCKY MOUNTAIN DEALERSHIPS

Company's facilities. Lease terms are between one and eleven years and most building leases contain renewal options for periods ranging from three to five years.

The Company assesses its liquidity based on the period in which cash flows are expected to occur. The following table summarizes the Company's expected undiscounted cash flows as at March 31, 2017, assuming the Syndicated Facility is renewed prior to maturity on September 24, 2019. The analysis is based on foreign exchange rates and interest rates in effect at the date of the consolidated statement of financial position, and includes both principal and interest cash flows.

$ thousands	**Total**	2017	2018-2019	2020-2021	Thereafter
Trade payables, accruals and other	**40,796**	40,796	-	-	-
Floor plan payable	**326,089**	244,567	81,522	-	-
Long-term debt	**50,943**	6,126	15,772	14,975	14,070
Obligations under finance leases	**873**	344	523	6	-
Operating lease obligations	**29,745**	6,089	10,473	6,741	6,442
Derivative financial liabilities	**3,368**	1,085	1,868	415	-
Total contractual obligations	**451,814**	299,007	110,158	22,137	20,512

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for long-term debt outstanding as at March 31, 2017, would be $42.6 million in 2018-2019 and $Nil in all subsequent periods.

The Company is also subject to various degrees of recourse, arising in the ordinary course of business, by assisting its customers in financing the purchase or rental of equipment. The Company is exposed to potential losses arising from the difference between the assessed value of the underlying security and the amounts guaranteed by the Company. Any resulting losses are recorded as soon as the amount of the loss can be reasonably estimated. As the assessed value of the underlying security generally exceeds the amount guaranteed by the Company, management believes that the net exposure is not significant. As at March 31, 2017, gross recourse amounted to $1.7 million (December 31, 2016 - $2.1 million), prior to any consideration of the value associated with the securitized assets. As at March 31, 2017, the Company has accrued $0.4 million (December 31, 2016 - $0.7) for anticipated losses.

RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2017, the Company entered into the following transactions with related parties:

	For the three months ended March 31,	
$ thousands	**2017**	2016
Equipment and product support sales	**1,725**	16
Expenditures		
Rental payments on Company facilities	**1,473**	1,448
Equipment purchases	**1,112**	3
Flight costs	**55**	16
Other expenses	**19**	23

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

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

$ thousands	**March 31, 2017**	December 31, 2016
Due from related parties	**26**	45
Due to related parties	**(1,215)**	(766)

The amounts due from related parties are not secured and are to be settled in cash. As at March 31, 2017 and December 31, 2016, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the quarter ended March 31, 2017, $Nil has been recognized in bad debt expenses with respect to related party transactions (2016 – $Nil).

The amount due to related parties includes a $0.6 million accrual net costs associated with vacating one of our former industrial facilities which is currently leased from a related party. This accrual represents the Company's full remaining contractual obligation under the lease.

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The Company has contractual obligations to related parties in the form of facility leases. As at March 31, 2017, these contractual obligations and due dates, inclusive of the aforementioned vacated facility, are as follows:

$ thousands	**Total**	2017	2018-2019	2020-2021	Thereafter
Operating lease obligations	**24,682**	4,155	7,511	6,574	6,442

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases. These leases relate to the Company's buildings and certain operating assets with lease terms of between 1 and 11 years. Most building leases contain renewal options for periods of 3 to 5 years. We have paid monthly amounts under these operating leases of up to $66.0 thousand. In some instances, the counterparty to the Company's operating lease obligations is a related party. Refer to the "Related Party Transactions" section of this MD&A for a discussion of the terms and amounts of such arrangements. The range of expiry dates on the current operating leases extend until August 2026.

CRITICAL ACCOUNTING ESTIMATES

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

Our critical accounting estimates are consistent with those disclosed in our annual MD&A for the year ended December 31, 2016 available on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

No new standards, interpretations or amendments were adopted for the first time from January 1, 2017, which had a material impact on the Company's financial statements. The Company's significant accounting policies are consistent with those described our annual MD&A for the year ended December 31, 2016, available on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

Our assessment of the risks and uncertainties facing the Company, including those arising from our use of financial instruments, remains consistent with those listed in our annual MD&A for the year ended December 31, 2016, and presented in greater detail in our most recent AIF, both of which are available on SEDAR at www.sedar.com.

NON-IFRS MEASURES

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

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

  The Company also adjusts for any non-recurring charges (recoveries) recognized in net earnings. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze diluted earnings per share from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.

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- **"EBITDA"** is a commonly used metric in the dealership industry. EBITDA is calculated by adding finance costs associated with long-term debt, income taxes and depreciation and amortization to net earnings. Adding back non-operating expenses allows management to consistently compare periods by removing changes in tax rates, long-term assets and financing costs related to the Company's capital structure.
- **"Adjusted EBITDA"** is calculated by eliminating from EBITDA, the impact of the losses (gains) arising from the Company's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise primarily from changes in the Company's share price as well as fluctuations in interest rates and are not reflective of the Company's core operations.

  The Company also adjusts for any non-recurring charges (recoveries) recognized in EBITDA. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze EBITDA from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.
- **"Operating SG&A"** is calculated by eliminating from SG&A, depreciation and amortization expense as well as the impact of the losses (gains) arising from the Company's DSUs and the expense (recovery) associated with its SARs. These items arise primarily from changes in the Company's share price and are not reflective of the Company's core operations.

  The Company also adjusts for any non-recurring charges (recoveries) recognized in SG&A. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. For the periods presented, no non-recurring charges (recoveries) have been identified. The assessment of Operating SG&A facilitates the evaluation of discretionary expenses from ongoing operations. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.
- **"Operating Cash Flow before Changes in Floor Plan"** is calculated by eliminating the impact of the change in floor plan payable (excluding floor plan assumed pursuant to business combinations) from cash flows from operating activities. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze operating cash flows during a period, prior to any sources or uses of cash associated with equipment financing decisions.

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

Adjusted Diluted Earnings per Share

	For the three months ended March 31,	
$ thousands	**2017**	2016
Earnings used in the calculation of diluted earnings per share	**811**	264
(Gain) loss on derivative financial instruments	**(421)**	252
Loss (gain) on DSUs	**26**	(9)
SAR expense (recovery)	**277**	(6)
Tax effect of adjustments (27%)	**32**	(64)
Earnings used in the calculation of Adjusted Diluted Earnings per Share	**725**	437
Weighted average diluted shares used in the calculation of diluted earnings per share (in thousands)	**19,384**	19,384
Adjusted Diluted Earnings per Share	**0.04**	0.02

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EBITDA and Adjusted EBITDA

$ thousands	For the three months ended March 31, 2017	2016
Net earnings	**811**	264
Finance costs associated with long-term debt	**495**	453
Depreciation and amortization expense	**1,867**	1,785
Income taxes	**198**	4
EBITDA	**3,371**	2,506
(Gain) loss on derivative financial instruments	**(421)**	252
Loss (gain) on DSUs	**26**	(9)
SAR expense (recovery)	**277**	(6)
Adjusted EBITDA	**3,253**	2,743

Operating SG&A

$ thousands	For the three months ended March 31, 2017	2016
SG&A	**23,194**	24,217
Depreciation and amortization expense	**(1,867)**	(1,785)
(Loss) gain on DSUs	**(26)**	9
SAR (expense) recovery	**(277)**	6
Operating SG&A	**21,024**	22,447
Operating SG&A as a % of sales	**10.0%**	11.8%

Operating Cash Flow before Changes in Floor Plan

$ thousands	For the three months ended March 31, 2017	2016
Cash flow from operating activities	**(5,709)**	(3,543)
Net increase in floor plan payable[(1)]	**(18,615)**	(1,572)
Floor plan assumed pursuant to business combinations	**-**	-
Operating Cash Flow before Changes in Floor Plan	**(24,324)**	(5,115)

(1) – Includes change in floor plan payable classified as liabilities associated with assets held for sale.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) have, as at March 31, 2017, designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

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

The Company is required to disclose herein any change in its ICFR that occurred during its most recent interim period of January 1, 2017 through March 31, 2017, that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. No material changes in the Company’s ICFR were identified during such period that have materially affected, or are reasonably likely to materially affect its ICFR.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

In particular, FLS in this MD&A include, but are not limited to, the following: (i) disclosure under the heading “Market Fundamentals and Outlook”; (ii) continuing demand for Rocky's products and services, and the cyclical nature of agriculture equipment demand and any revenue or inventory statements or forecasts attributed thereto; (iii) statements pertaining to the growth of Rocky's business and operations, including through acquisitions; (iv) statements pertaining to weather conditions and the anticipated effect of such conditions on crop quality and yield; (v) statements regarding the disparity between the Canadian and U.S. dollars and the impact such disparity may have on Rocky's business; (vi) any discussion on the anticipated mix of new and used equipment sales for 2017; (vii) discussion on the fundamentals of Rocky's business, including discussion regarding growth in GDP, farmers' crop receipts and profitability, field crop outlook and the future demand for agriculture equipment and commodities; (viii) statements regarding customer buying patterns, including the extent to which we are able to convert new equipment customers to used equipment customers and attract U.S. customers looking to capitalize on favorable U.S.-Canadian foreign exchange rates; (ix) statements regarding the impact of a change in incentive programs from Rocky's manufacturer on Rocky's reported cost of sales during 2017 and statement regarding the other causes of a reduction in Rocky's manufacturer incentives recognized; (x) any statements or discussions regarding Rocky's inventory management and any expected increases or decreases in Rocky's inventory levels, and the timing and delivery thereof; (xi) statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs; (xii) discussion around SG&A expenses including the seasonal variances and expectations in operating SG&A; (xiii) discussion that the first quarter is generally the weakest financial quarter and that the fourth quarter is generally the strongest quarter financially; (xiv) statements related to our per-location revenue expectations, any assessment of the economies of scale associated with any facility, and the effect the delivery of presold will have on new equipment sales; (xv) statements that our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow; (xvi) statements that weather conditions may impact sales activity for any given period; (xvii) statements concerning the Company's ongoing compliance with, or potential breaches of, its covenants under its credit facilities, including the Syndicated Facility; and, (xviii) statements concerning the Company’s expected undiscounted cash flows as at March 31, 2017.

With respect to the FLS listed above and contained in this MD&A, Rocky has made assumptions regarding, among other things: (i) expectations that commodity prices will continue to remain above historical levels; (ii) increasing food demand, as well as increasing crop land dedicated to bio-fuel production, will cause producers to improve their productivity, and as a result invest in new equipment, (iii) expectations that increases in farmer liquidity would generally correlate to farmers making capital re-investments in their business, so as to increase their productivity and lower their input costs, which investments may include Rocky’s products and services, (iv) inventory levels will fluctuate during a year, both positively and negatively, based on timing of equipment deliveries, and volume of whole-good sales involving a unit taken in on trade, (v) the general GDP growth and/or relative economic stability in the markets we operate in, (vi) the trend towards larger farms in the agriculture sector will continue to benefit further farm equipment sales as larger farm operations tend to replace their equipment more frequently, (vii) the Company’s cash flow will remain sufficient to, in connection with its credit facilities, adequately finance its capital needs, (viii) as stores are consolidated, certain functions can be centralized thereby reducing SG&A costs as a result, (ix) the anticipated improvement in ongoing revenue and cash-flow, including parts and service revenue, as our installed base increases, (x) expectations that no material change will happen to our OEM relationships; (xi) expectations that customers who purchase their equipment from the Company will, generally, return to the Company for their product support needs; (xii) our realigned investment in inventory is consistent with current market demand; and, (xiii) the Company will remain in compliance with all of its debt covenants under the terms of the Syndicated Facility and will be able to renew its Syndicated Facility prior to maturity on September 24, 2019.

Rocky’s actual results could differ materially from those anticipated in the FLS in this MD&A as a result of the risk factors set forth herein under the heading “Risks and Uncertainties” and the risk factors set forth in Rocky’s AIF. Although the FLS

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

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Condensed Consolidated Interim Financial Statements and Notes

Three Month Periods Ended March 31, 2017 and 2016

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

	Note	**March 31, 2017 $**	December 31, 2016 $	March 31, 2016 $
Assets				
Current				
Cash		**16,267**	28,542	15,927
Restricted cash		**-**	-	879
Trade receivables and other		**28,725**	27,504	28,146
Inventory	**7**	**465,272**	442,742	509,381
Income taxes receivable		**225**	487	-
Prepaid expenses		**5,704**	6,208	4,451
Current portion of derivative financial assets	**13**	**241**	290	-
Assets held for sale		**-**	2,501	1,598
Total current assets		**516,434**	508,274	560,382
Non-current				
Property and equipment		**49,280**	48,586	50,575
Deferred tax asset	**11.2**	**1,233**	1,210	2,861
Derivative financial assets	**13**	**1,002**	578	-
Intangible assets		**466**	507	630
Goodwill		**18,776**	18,776	18,776
Total non-current assets		**70,757**	69,657	72,842
Total assets		**587,191**	577,931	633,224
Liabilities				
Current				
Bank indebtedness		**-**	-	8,107
Trade payables, accruals and other		**40,796**	47,995	38,632
Income taxes payable		**-**	-	151
Floor plan payable		**316,282**	296,061	358,691
Deferred revenue and advances		**4,354**	3,204	3,248
Current portion of long-term debt		**6,825**	6,825	6,405
Current portion of obligations under finance leases		**443**	440	395
Current portion of derivative financial instruments	**13**	**1,401**	1,449	1,932
Liabilities associated with assets held for sale		**-**	1,606	1,011
Total current liabilities		**370,101**	357,580	418,572
Non-current				
Long-term debt		**39,070**	40,778	38,487
Obligations under finance leases		**409**	521	777
Derivative financial instruments	**13**	**1,726**	1,871	8,306
Total non-current liabilities		**41,205**	43,170	47,570
Total liabilities		**411,306**	400,750	466,142
Shareholders' Equity				
Common shares		**87,709**	87,709	87,709
Contributed surplus		**6,080**	6,065	6,012
Accumulated other comprehensive loss		**(2,264)**	(2,371)	(4,403)
Retained earnings		**84,360**	85,778	77,764
Total shareholders' equity		**175,885**	177,181	167,082
Total liabilities and shareholders' equity		**587,191**	577,931	633,224

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" Matthew Campbell
Matthew Campbell, Director

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

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

	Note	**March 31, 2017** **$**	March 31, 2016 $
Sales	**8**	**209,926**	189,464
Cost of sales	**7**	**183,153**	161,181
Gross profit		**26,773**	28,283
Selling, general and administrative	**9**	**23,194**	24,217
(Gain) loss on derivative financial instruments	**13**	**(421)**	252
Earnings before finance costs and income taxes		**4,000**	3,814
Finance costs	**10**	**2,991**	3,546
Earnings before income taxes		**1,009**	268
Income taxes	**11.1**	**198**	4
Net earnings		**811**	264
Earnings per share			
Basic		**0.04**	0.01
Diluted		**0.04**	0.01

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

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

	Note	**March 31, 2017** **$**	March 31, 2016 $
Net earnings		**811**	264
Other comprehensive income (loss)			
Items which will subsequently be reclassified to net earnings:			
Unrealized gain (loss) on derivative financial instruments, net of tax	**13**	**107**	(794)
Total other comprehensive income (loss) for the period, net of tax		**107**	(794)
Comprehensive income (loss)		**918**	(530)

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

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

	Note	Common shares Number of shares	Common shares Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
Balance, December 31, 2016		**19,384**	**87,709**	**6,065**	**(2,371)**	**85,778**	**177,181**
Equity-settled share-based payment expense	**9**	**-**	**-**	**15**	**-**	**-**	**15**
Net earnings		**-**	**-**	**-**	**-**	**811**	**811**
Other comprehensive income		**-**	**-**	**-**	**107**	**-**	**107**
Dividends paid		**-**	**-**	**-**	**-**	**(2,229)**	**(2,229)**
Balance, March 31, 2017		**19,384**	**87,709**	**6,080**	**(2,264)**	**84,360**	**175,885**

	Note	Common shares Number of shares	Common shares Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
Balance, December 31, 2015		19,384	87,709	5,929	(3,609)	79,729	169,758
Equity-settled share-based payment expense	9	-	-	83	-	-	83
Net earnings		-	-	-	-	264	264
Other comprehensive loss		-	-	-	(794)	-	(794)
Dividends paid		-	-	-	-	(2,229)	(2,229)
Balance, March 31, 2016		19,384	87,709	6,012	(4,403)	77,764	167,082

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

Condensed Consolidated InterimStatements of Cash Flows
For the three month periods ended
Expressed in thousands of Canadian dollars (unaudited)

	Note	March 31, 2017 $	March 31, 2016 $
Operating activities			
Net earnings		**811**	264
Adjustments for:			
Depreciation and amortization expense	**9**	**1,867**	1,785
Deferred tax recovery	**11.2**	**(63)**	(222)
Equity-settled share-based payment expense	**9**	**15**	83
Gain on disposal of property and equipment		**(28)**	(76)
(Gain) loss on derivative financial instruments	**13**	**(421)**	252
Amortization of deferred debt issuance costs		**28**	-
Changes in non-cash working capital		**(7,918)**	(5,629)
Total cash used from operating activities		**(5,709)**	(3,543)
Financing activities			
Repayment of long-term debt		**(1,736)**	(57)
Net change in obligations under finance leases		**(109)**	947
Dividends paid		**(2,229)**	(2,229)
Deferred debt issuance costs		**-**	17
Total cash used from financing activities		**(4,074)**	(1,322)
Investing activities			
Purchase of property and equipment		**(2,622)**	(4,238)
Disposal of property and equipment		**130**	233
Total cash used from investing activities		**(2,492)**	(4,005)
Net decrease in cash		**(12,275)**	(8,870)
Cash, beginning of period		**28,542**	16,690
Cash, end of period		**16,267**	7,820
Taxes paid		**-**	-
Interest paid		**2,892**	3,484
Cash, end of period consists of:			
Cash		**16,267**	15,927
Bank indebtedness		**-**	(8,107)
Cash, end of period		**16,267**	7,820

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

1. General information

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

The head office, principal address, registered and records office of the Company are located at Suite 301, 3345 8th Street S.E., Calgary, Alberta, T2G 3A4.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on May 8, 2017.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2016 except for new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2017 and taxes on income in the interim periods which are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

Effective January 1, 2017, the Company adopted the amendment to IAS 7, 'Statement of cash flows'. This amendment improves information provided to users of financial statements about changes in liabilities arising from the entity's financing activities. The adoption of this amendment had no material impact to the Company's financial statements.

Effective January 1, 2017, the Company adopted the amendment to IAS 12, 'Income taxes'. This amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of this amendment had no material impact to the Company's financial statements.

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued no other amendments other than those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2016.

4. Key estimates and judgements

The preparation of interim financial statements requires the use of estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the key estimates and judgements made by management in applying the Company's accounting policies were the same as those applied to the annual consolidated financial statements for the year ended December 31, 2016.

5. Seasonality

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

6. Prior year comparative disclosures

Certain prior period information in the statement of net earnings has been revised to conform to the current period presentation. The revisions had no impact on net earnings, cash flows or the financial position of the Company.

7. Inventory

	March 31, 2017 $	December 31, 2016 $	March 31, 2016 $
New equipment	**123,375**	113,517	186,365
Used equipment	**296,188**	289,485	276,879
Parts	**43,297**	37,781	44,041
Work-in-progress	**2,412**	1,959	2,096
	465,272	442,742	509,381

For the three months ended March 31, 2017, inventory recognized as an expense amounted to $180,733 (2016 – $158,652), which is included in cost of sales in the consolidated statement of net earnings.

For the three months ended March 31, 2017, there were net write downs of inventory to net realizable value of $1,219 (2016 – $1,150) in cost of sales in the consolidated statement of net earnings. The Company's inventory has been pledged as security for its bank indebtedness, floor plan payable and long-term debt.

8. Sales

The Company's sales for the three months ended March 31 are comprised of:

	March 31, 2017 $	March 31, 2016 $
New equipment sales	**101,258**	79,802
Used equipment sales	**83,209**	83,666
Parts sales	**17,796**	18,342
Sale of goods	**202,263**	181,810
Service sales	**6,768**	6,748
Other sales	**895**	906
Rendering of services	**7,663**	7,654
Total sales	**209,926**	189,464

9. Selling, general and administrative

The Company's selling, general and administration expenses for the three months ended March 31 are comprised of:

	March 31, 2017 $	March 31, 2016 $
Compensation and related expenses	**14,738**	16,335
Administrative expenses	**3,267**	2,313
Rent and other facility expenses	**3,307**	3,701
Depreciation and amortization expense	**1,867**	1,785
Equity-settled share-based payment expense	**15**	83
Total selling, general and administrative expenses	**23,194**	24,217

Included in compensation and related expenses for the three months ended March 31, 2017 are variable sales commissions of $2,872 (2016 – $3,000).

Depreciation and amortization expense for the three months ended March 31, 2017 is comprised of depreciation of property and equipment of $1,826 (2016 - $1,744) and amortization of intangible assets of $41 (2016 - $41).

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

10. Finance costs

Finance costs include interest and other finance-related charges, including amortization of deferred finance costs. The Company's finance costs associated with its short- and long-term debt facilities for the three months ended March 31, are comprised of:

	March 31, 2017 $	March 31, 2016 $
Finance costs associated with short-term debt	**2,496**	3,093
Finance costs associated with long-term debt	**495**	453
Finance costs	**2,991**	3,546

11. Income taxes

11.1. Income tax recognized in net earnings

Income tax expense is comprised of current and deferred tax expense (recovery) for the three months ended March 31, as follows:

	March 31, 2017 $	March 31, 2016 $
Current	**261**	226
Deferred	**(63)**	(222)
Income tax expense	**198**	4

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

	March 31, 2017 $	March 31, 2016 $
Earnings before income taxes	**1,009**	268
Computed tax at statutory tax rate of 27% (2016 – 27%)	**272**	72
Non-deductible expenses	**27**	49
Adjustment from prior year income tax expenses	**-**	(44)
Income tax credits	**(101)**	(73)
	198	4

11.2. Deferred tax asset

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible Asset $	DSUs $	Interest rate swaps $	Total $
December 31, 2016	27	87	175	(137)	396	662	1,210
Recognized in net earnings	10	(7)	63	11	100	(114)	63
Recognized in equity	-	-	-	-	-	(40)	(40)
March 31, 2017	37	80	238	(126)	496	508	1,233

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible Asset $	DSUs $	Interest rate swaps $	Total $
December 31, 2015	89	116	(183)	(181)	123	2,403	2,367
Added in acquisition	-	-	(21)	-	-	-	(21)
Recognized in net earnings	(10)	(7)	150	11	10	68	222
Recognized in equity	-	-	-	-	-	293	293
March 31, 2016	79	109	(54)	(170)	133	2,764	2,861

12. Related party transactions

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

	March 31, 2017 $	March 31, 2016 $
Equipment and product support sales	**1,725**	16
Expenditures		
Rental payment on Company facilities	**1,473**	1,448
Equipment purchases	**1,112**	3
Flight costs	**55**	16
Other expenses	**19**	23

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

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

	March 31, 2017 $	December 31, 2016 $	March 31, 2016 $
Due from related parties	**26**	45	94
Due to related parties	**(1,215)**	(766)	-

The amounts due from related parties are not secured and are to be settled in cash. As at March 31, 2017 and 2016, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the three months ended March 31, 2017, $Nil has been recognized in bad debt expenses with respect to related party transactions (2016 – $Nil).

The amount due to related parties includes a $615 accrual for costs associated with vacating our former industrial facilities which is currently leased from a related party. This accrual represents the Company's full remaining contractual obligation under the lease.

The Company has contractual obligations to related parties in the form of facility leases. As at March 31, 2017, these contractual obligations and due dates, inclusive of the aforementioned vacated facility are as follows:

	Total $	2017 $	2018-2019 $	2020-2021 $	Thereafter $
Operating lease obligations	**24,682**	4,155	7,511	6,574	6,442

13. Derivative financial instruments and hedges

The Company has long and short-term debt raised at floating interest rates based on the prevailing Bankers' Acceptance rate and hedges a portion of this risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company hedges interest rate risk by exchanging, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swaps hedge the Company's exposure to interest rate fluctuations on portions of the Term and Flooring Facilities. Interest rate swaps are initially recognized on the date

the derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized within net earnings. Amounts in accumulated other comprehensive loss are reclassified to net earnings in the periods when the hedged item affects profit or loss.

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

Interest rate swaps outstanding at March 31, 2017 are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Notional amount	**$ 128,375**	$ 129,250	$ 132,421
Effective fixed interest rate	**4.9%**	4.9%	4.9%
Effective floating interest rate	**3.6%**	3.6%	3.5%
Maturity dates	**April 2017 – September 2022**	April 2017 – September 2022	May 2016 – September 2020

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

Derivative financial instruments recognized as (assets) liabilities:

	March 31, 2017 $	December 31, 2016 $	March 31, 2016 $
Current portion – total return swap	**(241)**	(290)	146
Current portion – interest rate swap	**1,401**	1,449	1,786
Long-term portion – total return swap	**(1,002)**	(578)	3,809
Long-term portion – interest rate swap	**1,726**	1,871	4,497
	1,884	2,452	10,238

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

	March 31, 2017 $	March 31 2016 $
Opening net derivative financial liability	**2,452**	8,899
(Gain) loss recognized in net earnings	**(421)**	252
(Gain) loss recognized in other comprehensive income (loss) – net of tax	**(107)**	794
Tax on (gain) loss recognized in other comprehensive income (loss)	**(40)**	293
Ending net derivative financial liability	**1,884**	10,238

These accumulated losses will be continuously released to the consolidated statement of net earnings within finance costs and selling, general and administrative expenses until full repayment of the underlying debt.