MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of March 7, 2012 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and twelve month periods ended December 31, 2011 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying consolidated financial statements for the period ended December 31, 2011 and the notes contained therein. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CVL".

Additional information relating to Cervus, including Cervus' current annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at **www.sedar.com**.

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. This MD&A also makes reference to certain non-IFRS financial measures to assist users in assessing Cervus' performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures".

OVERVIEW OF CERVUS

Cervus is a diversified corporation and has historically operated in two separate business segments, an agricultural equipment segment and a construction and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of 21 John Deere dealerships with 15 in Alberta, Saskatchewan and British Columbia and 6 in New Zealand. The construction and industrial equipment segment consists primarily of 16 dealerships, 7 Bobcat JCB, and CMI dealerships operating in Alberta and 9 Clark, Sellick, Nissan and Doosan material handling equipment dealerships operating in Alberta, Saskatchewan and Manitoba. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP and Cervus Contractors Equipment LP, together with 100% of the outstanding and issued shares of their respective general partners, Cervus GP Ltd., Cervus AG Equipment Ltd. and Cervus Contractors Equipment Ltd. and 60.3% of Agriturf Limited ("Agriturf"), a New Zealand company and its 100% interest in its subsidiary, Agriturf Rental and Leasing Limited. In addition to the aforementioned subsidiaries, Cervus owns a 20% interest in Maple Farm Equipment Partnership ("Maple") that is based in Saskatchewan and Manitoba which is comprised of 7 John Deere dealerships. The cash flow of Cervus is primarily dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of those limited partnerships to Cervus by means of partnership allocations.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

On January 1, 2011, Cervus adopted IFRSs for financial reporting purposes with a transition date of January 1, 2010. The consolidated financial statements for the year ended December 31, 2011, including comparative information, have been prepared in accordance with IFRSs, *First-time Adoption of International Financial Reporting Standards.* The Company previously prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The adoption of IFRSs has not had a significant impact on the Company's operations and its cash flows. The most significant area of impact in the adoption of IFRSs was IAS12, Income Taxes, which required previously recognized deferred credits as a result of the Company's acquisition of tax losses to be recorded as an adjustment to opening retained earnings and equity. Further information on the impact of the adoption of IFRS by the Company is provided in the "Income Taxes" and "Summary of Quarterly Results" sections of this MD&A, including reconciliations between previous IFRS and IFRS profit, operating profit and other financial matrices.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". These forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "may", "objective", "outlook", "plan", "should", "target" and "will". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus or a third party expects or anticipates will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Business Risks" and elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

In our September 2011 MD&A we discuss that Cervus expects to make quarterly dividend payments to its shareholders of $0.18 per common share. The most recent quarterly dividend payment was made to the shareholders of record as of December 31 on January 15, 2012.

Effective with the March 31, 2012 quarterly dividend, the Company is increasing the dividend by $0.0025 per share per quarter. Further quarterly dividend increases are subject to board approval, however, the Company believes that this quarterly increase will continue as long as the gross dividend remains between 25% and 50% of profit after cash taxes, however, the payments of dividends are always subject to certain risk (see "cautionary note regarding dividends"). If the dividend increase continues, this will increase the dividend by December 31, 2012 to $0.19 per share per quarter or by 5.6% over the past dividend rate of $0.18 per share per quarter.

NON-IFRS MEASURES

Throughout the MD&A, reference is made to EBITDA, which Cervus's management defines as profit before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and are important in enhancing investors' understanding of the Company's operating performance. As EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of profit as determined in accordance with IFRS to EBITDA.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of Cervus is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2011, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2011, Cervus's internal control over financial reporting is effective.

DISCLOSURE CONTROLS

Management, including the CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, including the CEO, CFO, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, inclusive of the CEO and CFO, does not expect that the Corporation's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Corporation have been detected. Based on that evaluation, the CEO and CFO concluded that the disclosure controls and procedures were effective as of December 31, 2011 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

MARKET OUTLOOK *(see “Note Regarding Forward-Looking Statements”)*

AGRICULTURAL EQUIPMENT

Agriculture and Agri-Food Canada has indicated that farm income will somewhat decline in 2011 as increased expenses and reduced program payments will more than offset increased receipts from crop and livestock sales which may impact 2012 sales. However, in their “Medium Term Outlook”, the indication is that many of the forces that negatively affect farm income will be offset through the next ten years by the world-wide demand for feed grain, a rising price of crude oil, a near par Canadian dollar when compared to the American dollar, and an increasing Canadian population resulting in increased domestic food demand.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

In the fourth quarter 2011 Housing Outlook for Alberta, Canada Mortgage and Housing Corporation (“CMHC”) is forecasting a 15.3% increase in housing starts for 2012 when compared to 2011, following a decrease of 6.5% in 2011 when compared to 2010. In addition, Business Monitor International in its Canada Shipping Report Q1 2012 report is forecasting real GDP growth in Canada of 2.4%. They also indicate that both imports and exports should increase between 4.0 and 4.5% in 2012.

As described above, market indicators in our agriculture segment, combined with increased oil and gas activity in Alberta, suggest healthy unit sales will continue into 2012 for both our operating segments. Based on the results being experienced by the construction and industrial equipment segment through the year ended December 31, 2011, it appears that improvement in the industry continues to occur from the lows the Company experienced in 2009.

HIGHLIGHTS OF THE YEAR

GROSS REVENUE INCREASED BY $90.5 MILLION OR BY 19.3% TO $559.6 MILLION FOR THE YEAR ENDED 2011 OVER $469.1 MILLION REPORTED IN THE YEAR ENDED 2010. SAME STORE SALES ACCOUNTED FOR $80.2 MILLION OR 17.6% OF THE INCREASE.

PROFIT FOR THE YEAR INCREASED BY $6.6 MILLION OR 57.4% TO $18.1 MILLION FOR THE YEAR ENDED 2011 FROM $11.5 MILLION REPORTED IN THE YEAR ENDED 2010.

BASIC EARNINGS PER SHARE FOR THE YEAR ENDED DECEMBER 31, 2011 INCREASED TO $1.27 PER SHARE OR 54.9% FROM $0.82 PER SHARE FOR THE SAME PERIOD OF 2010.

OVERALL PERFORMANCE

During the year ended December 31, 2011, revenue increased by $90.5 million or 19.3% ($53.7 million from our agricultural equipment segment and $36.8 million from our construction and industrial equipment segment). Same store revenue increased $80.2 million or 17.6% ($43.4 million or 12.7% from our agricultural equipment segment and $36.8 million or 32.5% from our construction and industrial equipment segment).

For the year ended December 31, 2011, overall gross margin increased slightly to 19.0% from 18.9% reported in the same period of 2010, an increase of 0.1 basis points.

The increase in our sales, combined with the marginal change in overall gross profit margins, resulted in an increase in our profit for the year ended 2011 when compared to 2010 of $6.6 million or 57.4%. Selling, general and administrative expenditures decreased to 14.8% of total revenue in 2011 when compared to 15.3% of total revenue for 2010. This is a decrease of 0.6% of total revenue or 4.0% over the prior year.

SELECTED ANNUAL INFORMATION

($ thousands, except per share amounts)	December 31, 2011	December 31, 2010	December 31, 2009[1]
Revenues	559,598	469,131	377,475
Gross profit	106,335	88,729	71,955
Gross margin	19.0%	18.9%	19.1%
Profit before income tax expense	26,026	18,607	18,869
Profit for the year	18,126	11,513	17,177
Profit attributable to shareholders	18,444	11,584	17,177
Net earnings per share			
Basic	1.27	0.82	1.22
Diluted	1.22	0.79	1.19
Cash provided by operating activities	25,795	22,801	7,749
Per share – Basic	1.77	1.67	0.55
EBITDA[2]	35,643	28,263	24,386
EBITDA margin[2]	6.4%	6.0%	6.5%
Per share – basic	2.45	2.00	1.73
Dividends to preferred shares	78	318	-
Dividends declared to shareholders	10,484	10,203	10,152
Per share	0.72	0.72	0.72
Weighted average shares outstanding			
Basic	14,546	14,169	14,095
Diluted	15,061	14,593	14,400
Actual shares outstanding	14,703	14,191	14,140
Closing market price per share	14.72	15.10	12.60
Price earnings ratio[2] – basic	11.9	11.7	10.3
	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Total assets	281,455	260,760	225,846
Long-term liabilities	9,928	11,692	2,331
Total debt	97,736	87,173	62,343
Shareholders' equity	183,719	173,587	163,503
Market capitalization	216,428	214,284	178,164
Net book value per share - diluted	12.20	11.98	11,35

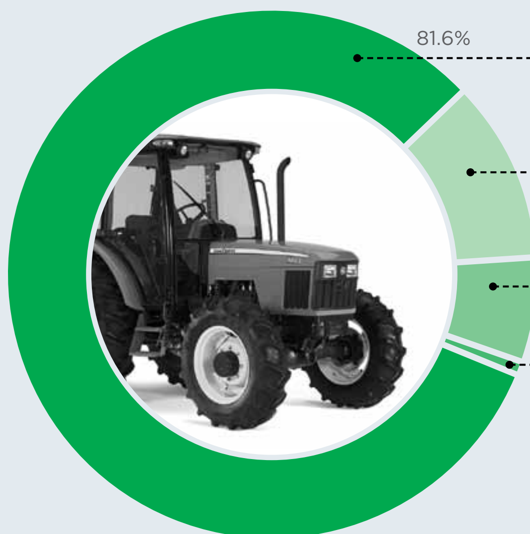
[1] **The December 31, 2009 selected annual data was prepared using previously used Canadian Generally Accepted Accounting Principles. (See "Summary of Quarterly Results" section that describes the impact regarding previously reported income tax expense.)**

[2] **These financial measures are identified and defined under the section "Non-IFRS Financial Measures".**

RESULTS OF OPERATIONS

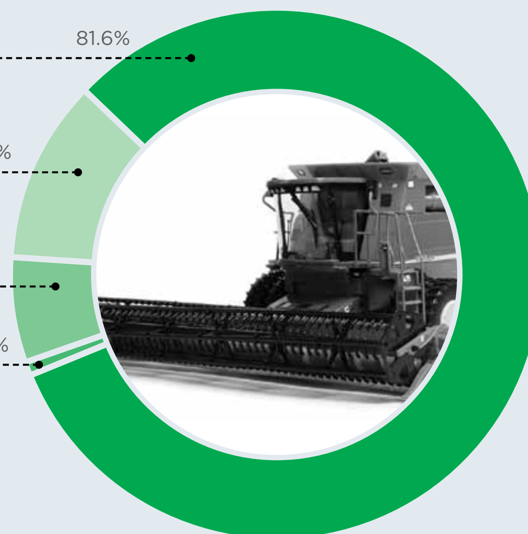
2011 AGRICULTURE

Gross Sales by Segment



2010 AGRICULTURE

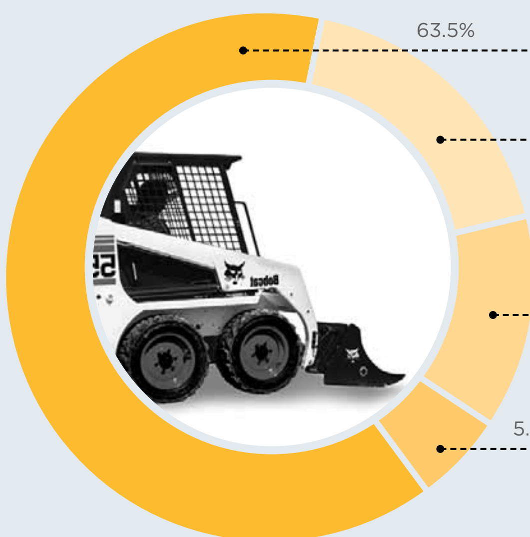
Gross Sales by Segment



2011	Segment	2010
81.6%	**Equipment Sales**	81.6%
11.2%	**Parts**	11.2%
6.5%	**Service**	6.5%
0.7%	**Rental & Other**	0.6%

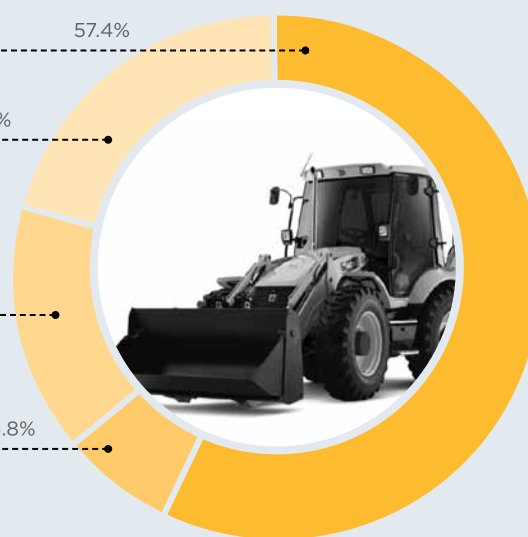
2011 CONSTRUCTION

Gross Sales by Segment



2010 CONSTRUCTION

Gross Sales by Segment



2011	Segment	2010
63.5%	**Equipment Sales**	57.4%
18.1%	**Parts**	20.4%
12.9%	**Service**	15.4%
5.5%	**Rental & Other**	6.8%

REVENUES

($ thousands)	December 31, 2011	December 31, 2010	% change
Revenues by segment:			
Agricultural equipment:			
Equipment	334,264	290,677	15.0
New	206,713	181,423	13.9
Used	127,551	109,254	16.7
Parts	45,992	40,015	14.9
Service	26,600	23,144	14.9
Rental and other	2,966	2,279	30.1
	409,822	356,115	15.1
Construction and industrial segment:			
Equipment	95,177	64,880	46.7
New	85,065	55,212	54.1
Used	10,112	9,668	4.6
Parts	27,180	23,002	18.2
Service	19,252	17,428	10.5
Rental and other	8,167	7,706	6.0
	149,776	**113,016**	**32.5**
Total	**559,598**	**469,131**	**19.3**

AGRICULTURAL EQUIPMENT

Revenue for our agricultural equipment segment increased by $53.7 million or 15.1% ($43.5 million or 12.7% on a same store basis) for the year ended December 31, 2011 when compared to the same period of 2010. Same store sales exclude the results of Agriturf which was acquired in July 2010.

New equipment sales increased by $25.3 million or 13.9% (same store increased by $21.2 million or 12.1%) and used equipment sales increased by $18.3 million or 16.7% (same store increased $16.7 million or 15.6%). The primary reason for the increase in same store sales in the quarter is related to increases seen in both our large agricultural equipment and our consumer products (compact utility tractors and lawn mowing equipment). According to the Association of Equipment Manufacturers' ("AEM") December 2011 Flash Report, Canada Unit Retail Sales, total farm tractors increased by 5.5% and self-propelled combines increased by 7.3% in 2011 when compared to 2010.

Our parts revenue has increased by $6.0 million or 14.9% (same store increased $3.5 million or 9.4%) and our service revenue has increased by $3.5 million or 14.9% (same store increased $2.2 million or 10.0%) during the year ended December 31, 2011 when compared to the same period of 2010. The overall increase in parts and service sales was a combination of our continued effort to market our over-the-counter products and services as well as parts and service required as a result of our increase in new and used equipment sales.

Rental revenue increased $687 thousand or 30.1% (same store decreased by $101 thousand or 5.8%) during the year ended December 31, 2011. The primary reason for the increase in total rental revenue is related to the purchase of Agriturf in July 2010.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Revenue from our construction and industrial segment increased by $36.7 million or 32.5% for the year ended December 31, 2011 when compared to the same period of 2010.

New equipment sales increased by $29.9 million or 54.1% and used equipment sales increased by $444 thousand or 4.6% during the year ended December 31, 2011 when compared to the same period of 2010. The increase in our new and used equipment sales is primarily due to the increased activity being experienced in the oil and gas sector of Alberta as well as the increased activity in the transportation industry.

Parts revenues have increased $4.2 million or 18.2% and service revenue has increased by $1.8 million or 10.5% during the year ended December 31, 2011 when compared to the same period of 2010. The overall increase in parts and service revenues is consistent with the increase in economic activity being observed in the oil and gas and transportation sectors however many of the light construction customers continue to complete their own service work, resulting in a greater increase in parts revenue compared to service revenue.

Rental income has increased by $461 thousand or 6.0% for the year ended December 31, 2011 when compared to the same period of 2010. This is a combination of changes in our rental activity with decreases in construction equipment rentals and increases in our industrial equipment rentals.

GROSS PROFIT

GROSS PROFIT MARGINS

(percentage)	December 31, 2011	December 31, 2010	% change
Gross profit margin by segment:			
Agricultural equipment	16.6	16.1	3.1
Construction and industrial equipment	25.6	27.8	(7.9)
Total	**19.0**	**18.9**	**0.5**

AGRICULTURAL EQUIPMENT

Gross profit dollars increased by $10.6 million (same store increased $8.8 million or 16.0%) during the year ended December 31, 2011 when compared to the same period of 2010.

The most significant factor affecting the combined gross profit margin has been from the segment's used equipment sales, which was primarily lower in 2010 due to the liquidation of used equipment through auction in the second quarter of 2010 as well as increased margins being experienced in the parts and service departments in 2011 from a combination of inventory purchasing control, increased over-the-counter sales activity and labour efficiencies.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Gross profit dollars have increased by $7.0 million or 22.2% during the year ended December 31, 2011 when compared to the same period of 2010. The overall increase in gross margin dollars is directly related to the increase in gross sales activity. The decrease in overall gross margin as a percentage of sales however is primarily related to the change in the segment's revenue mix. Overall whole goods sales increase accounted for 82% of the total revenue increase and the profit margin on whole goods is less than those earned on parts, service and rental sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses include depreciation and amortization and share based compensation:

($ thousands)	December 31, 2011	December 31, 2010	% change
Selling, general and administrative expenses by segment:			
Agricultural equipment	50,575	44,499	13.7
Construction and industrial equipment	32,026	27,375	17.0
Total	**82,601**	**71,874**	**14.9**
% of revenue			
Agricultural equipment	12.3	12.5	(1.6)
Construction and industrial equipment	21.4	24.2	(11.6)
Total % of revenue	**14.8**	**15.3**	**(3.3)**

AGRICULTURAL EQUIPMENT

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $6.1 million or 13.7% (same store increased $3.6 million or 8.5%) for the year ended December 31, 2011 when compared to the same period of 2010. The increase in same store selling, general and administrative expenses overall is primarily caused by the increase in personnel costs which represent 63% of the increase

related to general increases in 2011 over 2010 and an increase in commissions expense related to the increase in whole goods sales. The segment has also seen an increase in marketing expenses in an effort to combat increased pressure from competitors and to increase over-the-counter parts sales in the parts department.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment segment's selling, general and administrative expenses increased $4.7 million or 17.0% for the year ended December 31, 2011 when compared to the same period of 2010. The primary reason for the overall increase in selling, general and administrative expenses was due to personnel costs which accounted for 71.5% of the increase due to a combination of general salary increases and additions to staff levels due to increased sales activities and an increase in commissions due to higher sales volumes.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization is presented separately as the amounts are included in selling, general and administrative expenses as shown above and for additional information purposes.

DEPRECIATION AND AMORTIZATION

($ thousands)	December 31, 2011	December 31, 2010	$ change
Depreciation and amortization by segment:			
Agricultural equipment			
Depreciation on property and equipment	1,891	1,515	376
Depreciation on property and equipment included in cost of sales	833	391	442
Amortization of intangible assets	787	808	(21)
	3,511	2,714	797
Construction and industrial equipment			
Depreciation on property and equipment	747	564	183
Depreciation on property and equipment included in cost of sales	2,035	2,295	(260)
Amortization of intangible assets	1,660	2,060	(400)
	4,442	4,919	(477)
Total	**7,953**	**7,633**	**320**

AGRICULTURAL EQUIPMENT

The agricultural equipment segment depreciation and amortization increased by $797 thousand (same store increased $91 thousand) during the year ended December 31, 2011 when compared to the same period of 2010. The primary reason for the overall increase in depreciation and amortization was due to the acquisition of Agriturf in July of 2010 and a general increase in capital assets during the year.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment segment reported a decrease of $477 thousand for the year ended December 31, 2011 when compared to the same period of 2010. The decrease in the segment's total depreciation and amortization is due to a combination of certain intangible assets that have been fully amortized and a reduction in the segment's rental fleet and general increase in capital assets during the year.

FINANCE INCOME

Finance income is comprised of interest earned on customer accounts receivable, related party advances and held-to-maturity investments. Total finance income was $372 thousand for the year ended December 31, 2011 when compared to $157 thousand for the same period of 2010. The primary reason for the increase in finance income is related to interest earned on money market funds during the year, prior to the advancement of funds to related parties near the end of 2011.

FINANCE COSTS AND OTHER INTEREST

Finance costs are comprised of interest expenses related to the funds loans and borrowings as well as floor plan payables. Interest expense is also recorded on loans and borrowings related to the Company's rental fleet property and equipment which is recorded in cost of sales of each segment as shown below. For the purposes of showing the Company's interest expense, the following analysis includes both the interest expense on financial liabilities recorded in finance costs and interest on financial liabilities recorded directly in cost of sales.

($ thousands)	December 31, 2011	December 31, 2010	$ change
Interest by segment:			
Agricultural equipment			
Interest expense	566	829	(263)
Interest in cost of sales	258	92	166
	824	921	(97)
Construction and industrial equipment			
Interest expense	698	879	(181)
Interest in cost of sales	142	223	(81)
	840	1,102	(262)
Total	**1,664**	**2,023**	**(359)**
% of revenue	**0.3**	**0.4**	**-**

Floor plan liabilities as a percentage of inventories at December 31, 2011 and 2010 were approximately 49% and 45%, respectively.

Overall, the simple average interest rate on the Company's debt for 2011 was 2.6% compared to 3.8% during 2010. The decrease in the simple average interest rate was primarily related to the reduction in interest bearing floor plan payables and the Company taking advantage of interest free programs with our equipment suppliers. As at December 31, 2011, the Company's non-interest floor plans represent approximately 18% of the aggregate floor plans outstanding. In addition during the year the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during the year ended December 31, 2011 and 2010 were $1,111 thousand and $648 thousand respectively.

INCOME TAXES

As at December 31, 2011, Cervus has the following tax pools available to be used in future periods:

		($ thousands)
Carrying values in excess of tax values	$	(4,024)
Non-capital losses carry-forward		44,728
Federal investment tax credits		12,842
Capital losses carried forward		19,752
Total estimated future tax asset		73,298
Less: valuation allowance for non-capital and capital losses carried forward		(19,752)
Balance, December 31, 2011	**$**	**53,546**

PROFIT AND COMPREHENSIVE INCOME

The Company has a foreign subsidiary, Agriturf, which, upon consolidation, results in unrealized gains (losses) on currency translation of the financial statements of a foreign operation with a non-Canadian dollar as their functional currency. As a result, a loss of $216 thousand has been recorded as other comprehensive income for the year ended December 31, 2011 and income of $157 thousand for the same period of 2010. This translation adjustment is the only difference between the profit for the period and total comprehensive profit for the years ended December 31, 2011 and 2010.

The profit attributed to shareholders for the period excludes the allocation of profit to non-controlling interests. Under IFRS, the non-controlling interest share of profit is shown in profit for the year. Earnings per share are calculated based on the profit for the year attributed to shareholders of the Company only

($ thousands except net earnings per share)	December 31, 2011	December 31, 2010	% change
Profit for the year:			
Agricultural equipment segment	14,086	9,350	50.7
Add loss allocated to non-controlling interest	318	71	347.9
Profit attributable to shareholders from agricultural equipment segment	14,404	9,421	52.9
Construction and industrial equipment	4,040	2,163	86.8
Profit attributable to shareholders	**18,444**	**11,584**	**59.2**
Profit as a % of total segment revenues, excluding non-controlling interest			
Agricultural equipment	3.4	2.6	30.8
Construction and industrial equipment	2.7	1.9	42.1
Total	**3.2**	**2.5**	**28.0**
Net Earnings Per Share:			
Shares outstanding – basic	**14,546**	**14,169**	**2.7**
Agricultural equipment	0.99	0.67	47.8
Construction and industrial equipment	0.28	0.15	86.7
Total	**1.27**	**0.82**	**54.9**

EBITDA *(See Non-IFRS Financial Measures)*

($ thousands)	December 31, 2011	December 31, 2010	$ change
EBITDA by segment:			
Agricultural equipment			
Profit for the year	14,086	9,350	4,736
Add:			
Interest	824	921	(97)
Future income taxes	5,602	5,555	47
Depreciation and amortization	3,511	2,714	797
EBITDA	**24,023**	**18,540**	**5,483**
% of segment revenue	**5.9**	**5.2**	
Construction and industrial equipment			
Profit for the year	4,040	2,163	1,877
Add:			
Interest	840	1,102	(262)
Future income taxes	2,298	1,539	759
Depreciation and amortization	4,442	4,919	(477)
EBITDA	**11,620**	**9,723**	**1,897**
% of segment revenue	**7.8**	**8.6**	
Total EBITDA	**35,643**	**28,263**	**7,380**
% of revenue	**6.4**	**6.0**	**-**

EBITDA is used by management to monitor its results and compare profitability between itself and other entities in its industries. It is also primarily used to evaluate potential business acquisitions.

For the year ended December 31, 2011, EBITDA increased by $7.7 million when compared to the year ended December 31, 2010. The most significant factor contributing to the increase in EBITDA for the year was the increase in profit before income taxes which amounted to $6.9 million.

SUMMARY OF QUARTERLY RESULTS

The 2010 quarterly results have been restated to reflect the Company's transition to IFRSs. An explanation of the transitional differences is shown below the quarterly summary which includes primarily the increase in deferred share compensation and the change in income taxes as previously shown above and the reconciliation to profit is shown below.

($ thousands, except per share amounts)	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Revenues	141,356	186,878	147,091	84,273
Profit (loss) attributable to the shareholders	4,397	8,193	5,912	(58)
Basic earnings (loss) per share	0.30	0.56	0.40	(0.00)
Diluted earnings (loss) per share	0.29	0.54	0.39	(0.00)
Weighted average shares outstanding				
Basic	14,699	14,659	14,618	14,201
Fully diluted	15,211	15,152	15,074	14,654

($ thousands, except per share amounts)	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Revenues	109,542	164,461	127,927	67,201
Profit (loss) attributable to the shareholders	2,190	6,753	3,254	(613)
Basic earnings (loss) per share	0.15	0.48	0.23	(0.04)
Diluted earnings (loss) per share	0.15	0.47	0.22	(0.04)
Weighted average shares outstanding				
Basic	14,189	14,176	14,162	14,150
Fully diluted	14,616	14,517	14,504	14,474

The financial data shown above has been prepared in accordance with IFRSs as of the date of transition, being January 1, 2010.

Sales activity for the agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand has not materially impacted the above results as the purchase of Agriturf occurred in July 2010. The construction and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, profit or loss may not accrue uniformly from quarter to quarter. The primary reason for the change in profit is from increased sales activity being experienced in both segments.

The following is a reconciliation of changes in profit (loss) for the four quarterly periods of 2010 from January 1, 2010, the date of transition to IFRS.

($ thousands)	Note	March 31 , 2010	June 30, 2010	September 30, 2010	December 31, 2010	Total
Profit (loss) previously reported		$ (827)	$ 5,062	$ 10,699	$ 3,196	$ 18,130
Profit attributable to non-controlling interest		-	-	(20)	91	71
Profit attributable to shareholders of the company		(827)	5,062	10,679	3,287	18,201
Change in amortization of deferred share plan	1	(22)	(22)	(27)	(27)	(98)
Change in income taxes	2	236	(1,786)	(3,899)	(1,071)	(6,520)
Profit (loss) as revised		**$ (613)**	**$ 3,254**	**$ 6,753**	**$ 2,189**	**$ 11,583**

Notes to transitional adjustments:

1. Under IFRS 2, Share-Based Payments, awards will continue to be measured at fair value, with compensation expense under share-based plans recognized over the service period. However, IFRS does not permit the attribution of costs on a straight-line basis for stock options with graded vesting provisions whereas Canadian GAAP does.

   As a result, the Company has recalculated reinvested deferred shares and is recognizing the compensation cost over the vesting period which has accelerated some of the overall costs; however, the costs in total will remain the same over the life of the plan.

2. As a result of the Company's transition to IFRS, deferred credits previously recognized as a liability and a reduction in income tax expense have been recorded as an increase in equity as a result of applying IAS 12 Income Taxes. As a result of a business combination completed in 2009, the fair value of the assets purchased exceeded the purchase price resulting in negative goodwill. Under IFRSs, this negative

goodwill would have been brought directly into income and therefore, the balance outstanding at December 31, 2009 has been recorded as a transitional adjustment at January 1, 2010. Consequently, previously recorded deferred credits in profit (loss) have been reversed and shown above as a change in income taxes during the year.

Under previously reported Canadian GAAP, income tax expense represented a proportionate share of deferred credits used to offset the income tax expense that would normally be recorded, resulting in a lower than expected income tax expense. Under IFRS and as explained above, the deferred credits are recognized directly into equity resulting in future income tax expense being calculated and recorded at the Company's effective tax rate using the profit for the period. As a result, the 2010 quarterly income taxes previously reported under Canadian GAAP have been adjusted to reflect the higher tax expense amount recorded under IFRS:

Income Tax Recovery (expense) ($ thousands)	Previously Reported	Reversal of Deferred Credit	Movement of Income Taxes & Deferred Credits Between Periods	Net Change in Income Taxes	Total Income Tax Recovery (expense)
Quarter ending:					
March 31, 2010	$ -	$ -	$ 236	$ 236	$ 236
June 30, 2010	(182)	(2,074)	288	(1,786)	(1,968)
September 30, 2010	(175)	(1,989)	(1,910)	(3,899)	(4,074)
December 31, 2010	(217)	(2,457)	1,386	(1,071)	(1,288)
Total for 2010	$ (574)	$ (6,520)	$ -	$ (6,520)	$ (7,094)

LIQUIDITY

($ thousands, except ratio amounts)	December 31, 2011	December 31, 2010
Current assets	166,948	143,496
Total assets	281,455	260,760
Current liabilities	87,808	75,481
Long-term liabilities	9,928	11,692
Shareholders' equity	183,719	173,587
Working capital (see "Non-IFRS Financial Measures")	79,140	68,015
Working capital ratio (see "Non-IFRS Financial Measures")	2.1	1.9

WORKING CAPITAL

Our working capital increased by $11.1 million to $79.1 million at December 31, 2011 when compared to $68.0 million at December 31, 2010. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1.

The Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and controlling its costs. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered used equipment inventories. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year as explained above to fund general operations caused by the cyclical nature of our sales activity.

LIQUIDITY RISK

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. The Company's contractual obligations at December 31, 2011 are described below.

The Company has available for its current use $43.0 million. The credit facilities consist of an operating facility ($15 million), inventory facility ($18 million), rental facility ($7 million) and a capex facility ($3 million). In addition, the Company has an operating bank line of credit with its subsidiary, Agriturf, to a maximum amount of approximately $1.6 million (NZ$2.0 million) in New Zealand. This is reduced by $4.0 million the Company has issued for irrevocable letters of credit described below and $166 thousand (NZ$210 thousand) of financial guarantees provided in New Zealand. Of the $44.6 million available, $1.2 million (NZ$1.5 million) has been drawn by Agriturf, our New Zealand subsidiary. The Company has not drawn on any of the Canadian facilities at December 31, 2011.

The Company has $4.0 million of irrevocable letters of credit issued with $2.4 million issued to John Deere Limited ("JDL") on behalf of our agricultural equipment segment and $1.6 million issued to an equipment supplier of our construction and industrial equipment segment. The letters of credit were provided to the suppliers in an effort to reduce personal guarantees required by JDL of our senior management and as collateral for past business acquisitions and to secure inventory delivery through 2012.

The Company has approximately $6.5 million in cash and cash equivalents on hand as at December 31, 2011 which consists of $8.1 million in money market funds and is reduced by $400 thousand of cheques issued in excess of funds on deposit and $1.2 million (NZ$1.5 million) of credit facilities drawn on by Agriturf. The money market funds are available immediately upon request.

As at December 31, 2011, inventories had increased by $9.0 million to $106.8 million when compared to December 31, 2010. New equipment inventories comprise the bulk of the increase at $7.5 million to $44.3 million at December 31, 2011 (2010 - $36.8 million) and used equipment increased $713 thousand to $46.6 million (2010 - $45.8 million). Parts inventories have also increased by $649 thousand to $15.2 million (2010 - $14.6 million). The primary increase in our inventories, being new equipment has been driven by the substantial increase in equipment sales in our construction and industrial equipment segment.

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our agricultural equipment sales come with a trade-in while our construction and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used construction and industrial equipment. In addition, the majority of our new John Deere equipment is on consignment from John Deere whereas we purchase the new equipment from our other manufacturers. These factors directly impact the amount of used and new equipment carried on our books. A majority of our product lines in both segments are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

The market value of aged new and used equipment has been affected by the strengthening Canadian dollar over the past couple of years with the average Canadian dollar for 2011 being at par with the American dollar. This provides for less expensive new equipment, causing downward pressure on used equipment pricing. The Company believes that it has minimized the impact of the downward pressure on used equipment pricing by properly valuing current trade-ins. As at December 31, 2011, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve is required or has been recorded.

MARKET RISK

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and is comprised of currency risk, interest rate risk and other price risks.

FOREIGN CURRENCY EXPOSURE

Other than the Company's exposure to foreign currency fluctuations on its translation of its foreign subsidiary, Agriturf, the Company is not exposed to fluctuations in foreign currency in its sales and expenditures as they are incurred in Canadian dollars. Many of our products, including equipment and parts are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers but are settled in Canadian dollars as they are received. However, this may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases. Based on the Company's results reported from its foreign subsidiary, an increase or decrease of 5% in foreign currency exchange rates would impact the Company's consolidated profit by approximately $40 thousand.

INTEREST RATE RISK

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate as a result of changes in market interest rates. Based on the Company's outstanding long-term debt at December 31, 2011, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $780 thousand. The Company's other financial instruments are not exposed to interest rate risk.

ENVIRONMENTAL RISKS

Our dealerships routinely handle hazardous and non-hazardous waste as part of their day-to-day operations and though the Company tries to achieve full compliance with applicable laws, from time-to-time, the Company may be involved in, and subject to, incidents and conditions that render us in non-compliance with environmental laws and regulations. The Company has established safety programs to help reduce these risks. The Company is not aware of any material environmental liabilities at this time.

CREDIT RISK

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their repayment obligations. A substantial amount of the Company's revenue is generated from customers in the farming and construction industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable and deposits with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. The average time to collect the Company's outstanding accounts receivable was approximately 20 days for the year ended December 31, 2011 (17 days for the year ended December 31, 2010) and no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on specific customers' credit risk, historical trends, and other economic information.
The Company's allowance for doubtful collections has increased by $357 thousand to $851 thousand at December 31, 2011 which represents approximately 2.7% of outstanding trade accounts receivable and 0.1% of gross revenue. Write-offs during the year ended December 31, 2011 amounted to $359 thousand (2010 - $273 thousand).

CASH AND CASH EQUIVALENTS

Consistent with the Companies accounting policy choice under IAS7, Statement of Cash Flows, interest paid has been moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.

Cervus' primary sources and uses of cash flow for the three and twelve month periods ended December 31, 2011 are as follows:

Operating Activities

Net cash from operating activities was $25.8 million for the year ended December 31, 2011 when compared to $22.8 million for the same period of 2010, an increase of $3.0 million. The primary reason for the increase was a combination of increased profit of $6.6 million and offset by adjustments for non-cash transactions and working capital items of $3.6 million.

Investing Activities

During the year ended December 31, 2011, the Company used $26.4 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $9.5 million, net of proceeds, advances made to related parties of $14.7 million and a deposit of $2 million made for the business combination that is expected to close in March 2012.

Financing Activities

During the year ended December 31, 2011, financing activities used $12.5 million in net cash flows. The primary use of cash during the year ended December 31, 2011 was the payment of dividends in the amount of $9.8 million and the repayment of term debt and notes payable in the amount of $2.9 million.

Contractual Obligations

The Company has certain contractual obligations including payments under long-term debt agreements and operating lease commitments. A summary of the Company's principal contractual obligations are as follows:

($ thousands)	Total Carrying Value	Due 2012	Due 2013 Through 2015	Due 2016 Through 2017	Due Thereafter
Long-term debt	10,233	3,343	3,902	-	-
Notes payable	5,129	2,837	2,837	-	-
Operating leases	12,815	2,473	6,759	2,445	1,138
Total contractual obligations	28,177	8,653	13,498	2,445	1,138

The contractual obligations for the long-term debt do not include funds received for land and buildings under construction with amounts advanced of $3.5 million as at December 31, 2011.

CAPITAL RESOURCES

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at December 31, 2011 is as follows:

($ thousands)	Total Amount	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	44,552	1,188	4,000	39,364
Floor plan facilities and rental equipment term loan financing	141,410	62,177	-	79,233
Total	185,962	63,365	4,000	118,597

OPERATING AND OTHER BANK CREDIT FACILITIES

As discussed above in the liquidity risk section, operating and other bank credit facilities include both the Canadian and New Zealand amounts. The operating facility borrowing of NZ$1.5 million or CAD $1.2 million represents the Company's advances from its New Zealand bank. We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets and working capital requirements for 2012.

FLOOR PLAN FACILITIES

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with JDL John Deere Financial, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, TCF Commercial Finance Canada Inc., and US Bank. At December 31, 2011, floor plan payables related to inventories were $51.9 million and rental equipment term loan financing was $2.5 million. Floor plan payables at December 31, 2011 and December 31, 2010 represented approximately 49% of our inventories, respectively. Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers.

OUTSTANDING SHARE DATA

As of the date of this MD&A, there are 14,717 thousand common shares, 99 thousand share options, and 498 thousand deferred shares outstanding. As at December 31, 2011 and 2010, the Company had the following weighted average shares outstanding:

($ thousands)	December 31, 2011	December 31, 2010
Basic weighted average number of shares outstanding	14,546	14,150
Dilutive impact of deferred share plan	498	316
Dilutive impact of share options	17	18
Diluted weighted average number of shares outstanding	15,061	14,484

During the year ended December 31, 2011, 425 thousand series 1 preferred shares, together with cumulative dividends in the amount of $79 thousand, were redeemed for 433 thousand common shares of the Company.

DIVIDENDS PAID AND DECLARED TO SHAREHOLDERS

The Company, at the discretion of the board of directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the year ended December 31, 2011 ($ thousands, except per share amounts):

Record Date	Dividend Per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2011	0.18	2,556	159	2,397
June 30, 2011	0.18	2,637	178	2,459
September 30, 2011	0.18	2,643	182	2,461
December 31, 2011	0.18	2,646	197	2,449
Preferred shares		79	-	79
Total dividends/distributions		**10,561**	**716**	**9,845**

Dividends are paid quarterly and are paid on or about the 15th day of the month following the record date. As of the date of this MD&A, all dividends as described above were paid.

DIVIDEND REINVESTMENT PLAN (“DRIP”)

The DRIP was implemented to allow shareholders to reinvest quarterly dividends and receive Cervus shares. Shareholders who elect to participate will see their periodic cash dividends automatically reinvested in Cervus shares at a price equal to 95% of the volume-weighted average price of all shares for the ten trading days preceding the applicable record date. Eligible shareholders can participate in the DRIP by directing their broker, dealer, or investment advisor holding their shares to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Clearing and Depository Services Inc. (“CDS”), or directly where they hold the certificates personally.

TAXATION

Cervus’ dividends declared and paid to December 31, 2011 are considered to be eligible dividends for tax purposes on the date paid.

CAUTIONARY NOTE REGARDING DIVIDENDS *(see “Note Regarding Forward-Looking Statements”)*

The payment of future dividends is not assured and may be reduced or suspended. Our ability to continue to declare and pay dividends will depend on our financial performance, debt covenant obligations and our ability to meet our debt obligations and capital requirements. In addition, the market value of the Company’s common shares may decline if we are unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we enter into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, and service agreements. We have also agreed to indemnify our subsidiary general partner’s directors, officers, and employees in accordance with our limited partnership agreement and other agreements. Certain agreements do not contain any limits on our liability and, therefore, it is not possible to estimate our potential liability under these indemnities. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we also maintain insurance policies that may provide coverage against certain claims under these indemnities.

John Deere Credit Inc. (“Deere Credit”) provides financing to certain of the Company’s customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At December 31, 2011, payments in arrears by such customers aggregated $242 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit, Agrifinance and Roynat Lease Finance for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2011, the net residual value of such leases aggregated $73.0 million of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company owes Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $1.5 million at December 31, 2011. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to JDL and another supplier in the aggregate amount of $4.0 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations. Also, the Company's foreign subsidiary, Agriturf, has $166 thousand (NZ$210 thousand) of financial guarantees issued for the purposes of providing financial guarantees to creditors and for a bankcard facility.

TRANSACTIONS WITH RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers, and contributes to the Company's deferred share plan and the employee share purchase plan on behalf of those directors and executive officers, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers. In addition, no directors or executive officers are part of the share option plan.

The remuneration of key management personnel and directors during the year ended December 31, 2011 and 2010 was:

($ thousands)	**2011**	**2010**
Short-term benefits	$ 1,610	$ 1,136
Share-based payments	332	260
Diluted weighted average number of shares outstanding	$ 1,942	$ 1,396

KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

Key management and directors of the Company control approximately 34% of the common voting shares of the Company.

During the year ended December 31, 2011, the Company transacted in the normal course of business, $208 thousand (2010 - $202 thousand), of parts sales with a company controlled by one of its Directors.

OTHER RELATED PARTY TRANSACTIONS

The Chief Executive Officer ("CEO") of the Company is the CEO of Proventure Income Fund (the "Fund"). He is also the single largest equity holder of the Company and the Fund. It must be noted that the Company and the Fund share a common board of directors. The Company had the following transactions with the Fund which are in the normal course of business and are recorded at fair value which is the amount agreed to between the two parties:

	2011	**2010**
Expenses	$	$
Real estate rentals	3,086	2,969
Guarantee fees	83	83
Revenue		
Fee for assumption of related party loans	400	-
Management fees ($2.5 thousand per month)	30	30
Interest on advances	91	76

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At December 31, 2011 and 2010, the Fund has outstanding guarantees with John Deere aggregating $2.75 million.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,400 thousand. During the three and twelve month periods ended December 31, 2011 and 2010, the Company paid those individuals $48 thousand and $192 thousand, respectively, for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

FOURTH QUARTER RESULTS

($ thousands, except per share amounts)	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	% Change
Revenues	141,356	109,541	29.0
Cost of sales, includes amortization of $618 (2010 - $884) and interest expense of $150 (2010 - $145)	113,209	86,962	30.2
Gross profit	28,147	22,579	24.7
Other income	831	632	31.5
Selling, general and administrative	(22,025)	(19,682)	11.9
Results from operating activities	**6,953**	**3,529**	**97.0**
Finance income	156	30	420.0
Finance costs	(222)	(385)	(42.3)
Net finance costs	**(66)**	**(355)**	**(81.4)**
Share of profit of equity accounted investees, net of income tax	144	211	(31.8)
Profit before income tax expense	7,031	3,385	107.7
Income tax expense	(2,506)	(1,288)	94.6
Profit for the period	4,525	2,098	115.7
Other comprehensive income			
Foreign currency translation differences for foreign operations	(32)	70	n/a
Total comprehensive income	4,493	2,168	107.2
Profit attributable to shareholders	4,397	2,187	101.0
Net earnings per share			
Basic	0.30	0.15	100.0
Diluted	0.29	0.15	93.3
Cash flow from operations	3,480	13,392	(74.0)
Per share - diluted	0.24	0.94	(74.5)
Dividends declared to common shareholders	2,646	2,554	3.6
Per share	0.18	0.18	-
EBITDA[1]	9,454	6,102	54.9
EBITDA margin[1]	6.7%	5.6%	19.6
Per share - diluted	0.65	0.43	51.1
Weighted average shares outstanding			
Basic	14,699	14,189	3.6
Diluted	15,211	14,616	4.0

[1] **These financial measures are identified and defined under the section "Non-IFRS Financial Measures".**

REVENUE

($ thousands)	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	% Change
Revenues by segment:			
Equipment:	78,184	57,606	35.7
New	48,960	34,576	41.6
Used	29,224	23,030	26.9
Parts	9,250	10,655	(13.2)
Service	6,306	6,111	3.2
Rental and other	948	1,279	(25.9)
Agricultural equipment	**94,688**	**75,651**	**25.2**
Equipment:	31,451	20,551	53.0
New	28,779	17,630	63.2
Used	2,672	2,921	(8.5)
Parts	7,786	6,675	16.6
Service	5,315	4,764	11.6
Rental and other	2,116	1,900	11.4
Construction and industrial equipment	**46,668**	**33,890**	**37.7**
Total	**141,356**	**109,541**	**29.0**

Revenue for fourth quarter of 2011 was up $31.8 million (same store $32.5 million) compared to the fourth quarter of 2010. Revenue for the agriculture equipment segment increased $19.0 million ($19.7 million same store) and the construction and industrial equipment segment revenue increased $12.8 million for the fourth quarter of 2011 when compared to the same period during 2010. The agricultural equipment segment increases were primarily caused by increased new and used equipment sales which increased by $20.6 in the fourth quarter of 2011 when compared to 2010. This increase is primarily a result of a relatively short harvest period which provided more time for the customer to consider purchases for the upcoming year. The construction equipment segment increase in sales in the fourth quarter of 2011 when compared to the same period of 2010 is a continuation of the increase in sales activity seen throughout 2011 due to increased oil & gas activity and increased activity in the transportation industry.

GROSS PROFIT AND GROSS MARGIN

GROSS PROFIT MARGINS

(percentage)	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	% Change
Gross profit margin by segment:			
Agricultural equipment	18.1	17.9	1.1
Construction and industrial equipment	23.6	26.6	(11.3)
Total	**19.9**	**20.6**	**(3.4)**

Gross profit dollars increased $5.6 million to $28.1 million for the fourth quarter of 2011 when compared to $22.6 million for the same period of 2010. This increase is directly related to the increase in sales revenues. Gross margin however has decreased by 3.4% to 19.9% overall for the fourth quarter of 2011 when compared to 20.6% overall for the same period in 2010. The overall decrease in gross margin is primarily a result of our sales mix in the fourth quarter of 2011 when compared to the same period of 2010. As shown above, whole goods have increased dramatically when compared to the prior year and these are primarily at lower margins than our other product lines.

SELLING, GENERAL, AND ADMINISTRATIVE

Selling, general, and administrative expenses increased $2.3 million or 11.9% in the fourth quarter of 2011 when compared to the same period of 2010. However, as a percentage of revenue, selling, general and administrative expenses decreased to 15.6% from 18.0%. The increase in selling, general and administrative expenses dollars is a combination of personnel costs, due to increases over prior year, commission expenses due to increase in sales volumes as well as marketing expenses.

PROFIT

Profit for the fourth quarter of 2011 was $4.5 million compared to $2.2 million for the fourth quarter of 2010, an increase of $2.3 million or 107%. The agricultural equipment segment contributed $3.7 million ($946 thousand in 2010) and the construction and industrial equipment segment contributed of $800 thousand ($630 thousand in 2010). The primary reason for the increase in profit was due to the increased sales activity.

CASH FLOW FROM OPERATIONS

Cash flow from operations for the three month period ended December 31, 2011 was $3.4 million, a decrease of 74% from the $13.4 million provided in the same period of 2010. The primary reason for the decrease in cash flow was from the net change in non-cash working capital related to accounts receivable collection, inventory purchases and floor plan financing.

CRITICAL ACCOUNTING ESTIMATES

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. Our significant accounting estimates include estimating bad debts on accounts receivable; amortization of intangible assets and property, plant, and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; the fair value of share-based awards; the fair value of goodwill for impairment testing purposes; and estimates of various taxation matters. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE

We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Our history of bad debt losses has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the agricultural business in which many of our customers operate, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

Our intangible assets and property, plant, and equipment are depreciated and amortized based upon estimated useful lives and salvage values. We review our historical experience with similar assets to ensure that these amortization rates are appropriate. However, the actual useful life of the assets may differ from our original estimate due to factors such as technological obsolescence and maintenance activity.

FAIR VALUE OF INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. The most significant area of accounting estimate involves our evaluation of used equipment inventory net realizable value. We perform ongoing quarterly reviews of our used equipment inventories based upon local market conditions and the changes in the U.S. currency exchange rates to determine whether any adjustments are required to our carrying cost of inventory balances to ensure they are properly stated.

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant, and equipment and intangible assets acquired, we rely on independent third party valuations.

ASSET IMPAIRMENT

We assess the carrying value of long-lived assets, which include property, plant, and equipment and intangible assets, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the Cash Generating Unit ("CGU") to its estimated recoverable amount to ensure that the recoverable amount is greater than the carrying value. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These valuation methods employ a variety of assumptions, including future revenue growth, expected profit, and profit multiples. Estimating the recoverable amount of a CGU is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

TAXATION MATTERS

Income tax provisions, including current and future income tax assets and liabilities, require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for the Company's income taxes is adequate.

FAIR VALUE OF SHARE-BASED AWARDS

The fair value of share options granted is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Sholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including share price volatility. Because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our share options granted.

IFRSs CHANGES

At the date of authorization of this MD&A, the following standards and interpretations were issued but not yet effective.

In addition to the issuance of new standards as detailed above, there have also been amendments to existing standards, including IAS 1, "Presentation of Financial Statements" ("IAS 1"), IAS 19, "Employee Benefits" ("IAS 19"), IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"), IAS 28, "Investments in Associates and Joint Venture" ("IAS 28"), IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") and IAS 32 "Financial Instruments: Presentation" ("IAS 32").

The amendments to IAS 1 will require that entities group items presented in other comprehensive income ("OCI") based on an assessment of whether such items may or may not be reclassified to profit at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted.

Amendments to IAS 19 eliminate an entity's option to defer the recognition of certain gains and losses related to postemployment benefits and require re-measurement of associated assets and liabilities in OCI. Amendments to IAS 19 are applicable on a modified retrospective basis to annual periods beginning on or after January 1, 2013, with early adoption permitted.

IAS 27 has been amended to address the accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements.

IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13 as outlined above. Amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted.

Amendments to IFRS 7 require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position. Amendments to IFRS 7 are applicable to annual periods beginning on or after January 1, 2013, with retrospective application required.

The amendments to IAS 32 clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. Early adoption is permitted.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

BUSINESS RISKS AND UNCERTAINTIES

RELIANCE ON OUR KEY MANUFACTURERS AND DEALERSHIP ARRANGEMENTS

Cervus' primary source of income is from the sale of agricultural and construction and industrial equipment and products and services pursuant to agreements to act as an authorized dealer. The agreement with JDL provides a framework under which JDL can terminate a John Deere dealership if such dealership fails to maintain certain performance and equity covenants. Each contract also provides a one-year remedy period whereby the Company has one year to restore any deficiencies.

The Company also has dealership agreements in place with Bobcat, JCB, CMI, Clark, Sellick, Nissan, and Doosan. These agreements are one or two year agreements and are normally renewed annually, except for unusual situations such as bankruptcy or fraud.

The successes of our dealerships depend on the timely supply of equipment and parts from our manufacturers to ensure the timely delivery of products and services to our customers. We also depend on our suppliers to provide competitive prices and quality products. Currently all of our dealership contracts are in good standing with our suppliers. There can be no guarantee that circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements.

DEPENDENCE ON INDUSTRY SECTORS

Authorized John Deere agricultural dealerships sell John Deere agricultural and turf and sport products and equipment. The majority of sales are derived from the agricultural sector. Consequently, grain and livestock prices, weather conditions, Canadian vs. U.S. currency exchange rates, interest rates, disease, Canadian and U.S. government trade policies and customer confidence have an impact on demand for equipment, parts and service.

The retail agricultural equipment industry is very competitive. The Company faces a number of competitors, including other "in-line" John Deere dealerships and other competitors including authorized Agco, Case, Kubota and New Holland dealerships that may be located in and around communities in which the Company's dealerships are located. Deere & Company has a reputation for the manufacture and delivery of high quality, competitively priced products. John Deere has the largest market share of manufacturing and sales of farm equipment in North America. There can be no assurance that John Deere will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

We have mitigated these risks by geographical diversification in Western Canada and New Zealand within the agricultural sector and industry diversification into the construction sector in Alberta.

The construction equipment group sells light and medium construction equipment and is comprised of several lines of equipment from two major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction equipment market is very much dependent upon residential and commercial construction. Based on CMHC's year ended housing report, the 2011 market estimate, though negative, appears to be an improvement over prior years and is expected to somewhat improve in 2012 and later years (see "Note Regarding Forward-Looking Statements").

The industrial equipment group sells material handling equipment from several manufacturers, Clark, Sellick, Nissan, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, and Caterpillar. The materials handling equipment is primarily sold to oilfield supply companies, building supply companies, warehousing, food processors, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments. However, this segment has been impacted negatively by the general slowdown in the oil and gas and construction sectors over the past few years.

Presently the majority of the construction and industrial equipment segment revenue is derived from the sale of Bobcat, JCB, Doosan, Nissan, Clark and Sellick equipment and products. All these equipment manufacturers have established themselves as industry leaders in the Western Canada market for the manufacture and delivery of light construction and industrial equipment. There can be no assurance however that these suppliers will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

OTHER RISKS

Although the Company has conducted investigations of, and engaged legal counsel to review, the corporate, legal, financial and business records of Vasogen Inc., with whom Cervus underwent its conversion from a limited partnership structure to that of a corporation in 2009, there may be liabilities and risks that the Company did not uncover in its due diligence investigation and that these liabilities and risks could have, individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of Cervus.

The steps under the plan of arrangement, pursuant to which the corporate conversion was completed, were structured to be tax-deferred to the Company and the Company's shareholders based on certain rules under the Income Tax Act (Canada). There is a risk that the tax consequences contemplated by the Company or the tax consequences of the plan of arrangement to the Company and the shareholders may be materially different from the tax consequences anticipated by the Company in undertaking the conversion. While the Company is confident in its current position, there is a risk that the Canada Revenue Agency could successfully challenge the tax consequences of the plan of arrangement or prior transactions of Vasogen. Such a challenge could potentially affect the availability or amount of the tax basis or other tax accounts of Cervus.

NON-IFRS FINANCIAL MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability to generate profit and cash flow from operations and to provide additional information on how these cash resources are used. These financial measures are identified and defined below:

EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to profit, EBITDA is a useful supplemental profit measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expense.

EBITDA margin EBITDA margin is calculated as EBITDA divided by gross revenue.

Price earnings ratio price earnings ratio is calculated by dividing the Company's market capitalization by its total annual profit. Market capitalization is calculated by multiplying the Company's shares outstanding by the current market price of one share.

Working capital working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities.

EVENTS AFTER THE REPORTING PERIOD AND PROPOSED TRANSACTIONS

On January 5, 2012, the Company purchased from a related party, the Fund, certain real estate assets. The purchase price for the real estate assets was $26.3 million and was paid to the Fund through an assumption of mortgages of $11.4 million, cash of $12.2 million and a reduction in the advances made to the Fund of $2.7 million.

The Company has agreed in principal to purchase substantially all the assets and liabilities from Frontier Peterbilt Sales Ltd. ("FPSL") and Frontier Collision Center Ltd. ("FCCL") for approximately $18.7 million. FPSL is a full service dealer, including sales, parts and service of principally Peterbilt branded transport equipment and FCCL is primarily in the business of collision repair as an Autopro Collision Centre. FCCL has one location in Saskatoon, Saskatchewan and FPSL operates out of four locations in Saskatoon, Lloydminster, Regina and Estevan, Saskatchewan.

In addition, the Company has agreed in principal to purchase the real properties in which FPSL and FCCL operate for an approximate purchase price of $14.4 million. The purchase price of these properties will be paid by way of $1 million in cash and a two year vendor take back mortgage at a rate of 4.75% per annum. The properties are located in Lloydminster, Saskatoon, Regina and Estevan, Saskatchewan.

The purchase of is subject to, among other things, the negotiation and execution of a definitive binding agreement and the execution of new manufacturer-dealer agreements. There can be no assurance that these conditions precedent, or any other conditions precedent, will

be satisfied. Further, there can be no assurance that the proposed transaction will be completed as proposed or at all. Upon completion of satisfactory due diligence and negotiation of the purchase price and structure, Cervus anticipates closing of the proposed transaction in the first quarter of 2012, assuming all agreements and approvals are in place.

The Company has agreed to purchase certain property consisting of 21.58 acres for the purposes of constructing a new location for its John Deere dealership in Calgary, Alberta. The purchase price for the land is approximately $8.5 million and is subject to a re-zoning condition. The company has paid a $100 thousand deposit and will finance the balance of the purchase price through an approved mortgage already in place. The Company plans to use approximately half the land purchased for the dealership and sub-divide and sell the remaining portion assuming suitable buyers can be located and the properties can be sold on reasonable terms.