CERVUS' MANAGEMENT'S DISCUSSION & ANALYSIS & CONSOLODATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of March 13, 2013 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, 2012 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, 2012 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") website 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 commercial 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 of 24 John Deere dealership locations with 8 in Alberta, 5 in Saskatchewan, 1 in British Columbia and 10 in New Zealand. The commercial and industrial equipment segment consists of 19 dealership locations with 11 Bobcat/ JCB, Clark, Sellick, Nissan and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, Nissan and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba; and 4 Peterbilt truck dealerships and 1 collision repair center operating in Saskatchewan. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP and Cervus Contractors Equipment LP, Cervus Agriculture NZ Ltd. ("Ag New Zealand") and its subsidiary, Cervus Rental & Leasing NZ Ltd., Cervus Collision Center LP and 101169185 Saskatchewan Ltd., 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. 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 and a 35% interest in Windmill Ag Pty Ltd., based in Australia and comprised of 5 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.

Non-IFRS Measures

Throughout the MD&A, reference is made to EBITDA, which Cervus' management defines as earnings before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and is 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.

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 Uncertainties" 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 this MD&A we state that the Company expects to continue making quarterly dividend payments to its shareholders. The most recent quarterly dividend payment of $0.19 per share was made to the shareholders of record as of December 31 on January 15, 2013. See "Capital Resources - Cautionary note regarding dividends" for a cautionary note regarding future dividends.

In addition, in this MD&A we make certain statements regarding the expected tax consequences of the plan of arrangement involving Cervus LP and Vasogen Inc. completed in October 2009 pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation. See "Business Risks and Uncertainties – Other Risks" for a cautionary note regarding deferred income taxes recorded.

Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Cervus are 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 CEO and the 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.

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2012, 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, the CEO and the CFO concluded that, as of December 31, 2012, Cervus' internal control over financial reporting is effective.

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of our disclosure controls and procedures. The CEO and CFO concluded that the disclosure controls and procedures were effective as of December 31, 2012 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 overall farm income will stay relatively flat in 2013 due to relatively cautious economic outlook and that over the medium term, prices of grains, oilseeds and special crops are expected to decline from the recent price peaks seen in 2012, but remain well above historical levels. CIBC Market Outlook remains bullish on agricultural storage, retail and farm equipment stating that with 12-month grain futures at all-time highs, they expect farm spending to be strong in 2013. Deere & Company, in their annual report for 2012 commented that "industry agricultural machinery sales in the U.S. and Canada for 2013 are forecast to remain approximately the same, compared to healthy levels in 2012."

Commercial & Industrial Equipment

In the fourth quarter 2012 Housing Outlook for Alberta, Canada Mortgage and Housing Corporation ("CMHC") is forecasting a 4% increase in housing starts for 2013 when compared to 2012. PACCAR Inc. is calling for flat to slightly higher heavy duty truck markets with a slight market share increase in Canada. In Raymond James Industrial, Infrastructure & Construction report, there is a forecasted decline of approximately 5% which represents a modest contraction in the industry by historical standards.

Overall

Market and economic conditions would indicate that 2013 will be a strong year in our agricultural equipment segment with slight increases expected and will remain relatively flat and stable in our commercial and industrial equipment segment with continued improvement moving into 2014.

HIGHLIGHTS OF THE YEAR

- Purchased 4 Peterbilt dealerships and 1 collision repair center dealership ("transportation group"), together with their respective lands and buildings, in Saskatchewan for an aggregate purchase price of $35 million.
- Acquired $57.6 million of real estate assets including $26.3 million from Proventure Income Fund (the "Fund"), $14.4 million through the acquisition of the transportation group and $16.9 million in shop expansions and the construction of a new John Deere store in Saskatoon, Saskatchewan and the preparation of construction of a new John Deere store in Calgary, Alberta.
- Purchased the remaining 39.7% of Cervus Equipment NZ Ltd. for $1.6 million through the issuance of approximately 84 thousand common shares of the Company at $18.90 per share.
- Purchased 5 John Deere dealerships in New Zealand for an aggregate purchase price of $3.6 million with $2.6 million in cash and approximately $1 million through the issuance of approximately 54 thousand common shares of the Company at $18.90 per share.
- The Company issued $34.5 million of convertible debentures for net proceeds of $32.9 million.
- The Company purchased a 34.6% interest in Windmill AG Pty Ltd., an Australian John Deere dealership for approximately $3.1 million. The investment is recorded as an investment in associates, at equity.
- Gross revenue increased by $174.6 million or by 31.2% to $734.2 million for the year when compared to 2011. Same store sales increased 12.7% or $71.2 million.
- Net profit for the year increased by $6.5 million or 35.6% to $24.6 million from the $18.1million reported in 2011.
- Basic earnings per share for the year increased to $1.65 per share or 29.9% from $1.27 per share for 2011.
- Cervus ranked 92nd on the Alberta Venture's list of the 250 highest grossing companies in Alberta.

OVERALL PERFORMANCE

During the year ended December 31, 2012, revenue increased by $174.6 million or 31.2% ($70.7 million from our agricultural equipment segment and $116.5 million from our commercial and industrial equipment segment). Same store revenue increased $71.2 million or 12.7% ($62.5 million or 15.3% from our agricultural equipment segment and $8.7 million or 5.8% from our commercial and industrial equipment segment).

For the year ended December 31, 2012, overall gross margin increased slightly to 19.1% from 19.0% reported in 2011, an increase of 10 basis points. The increase was primarily a result of change in sales mix in our commercial and industrial equipment segment from the purchase of the transportation group in March 2012.

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 2012 when compared to 2011 of $6.5 million or 35.6%. Selling, general and administrative expenditures remained the same in 2012 at 14.8% of total revenue when compared to 2011.

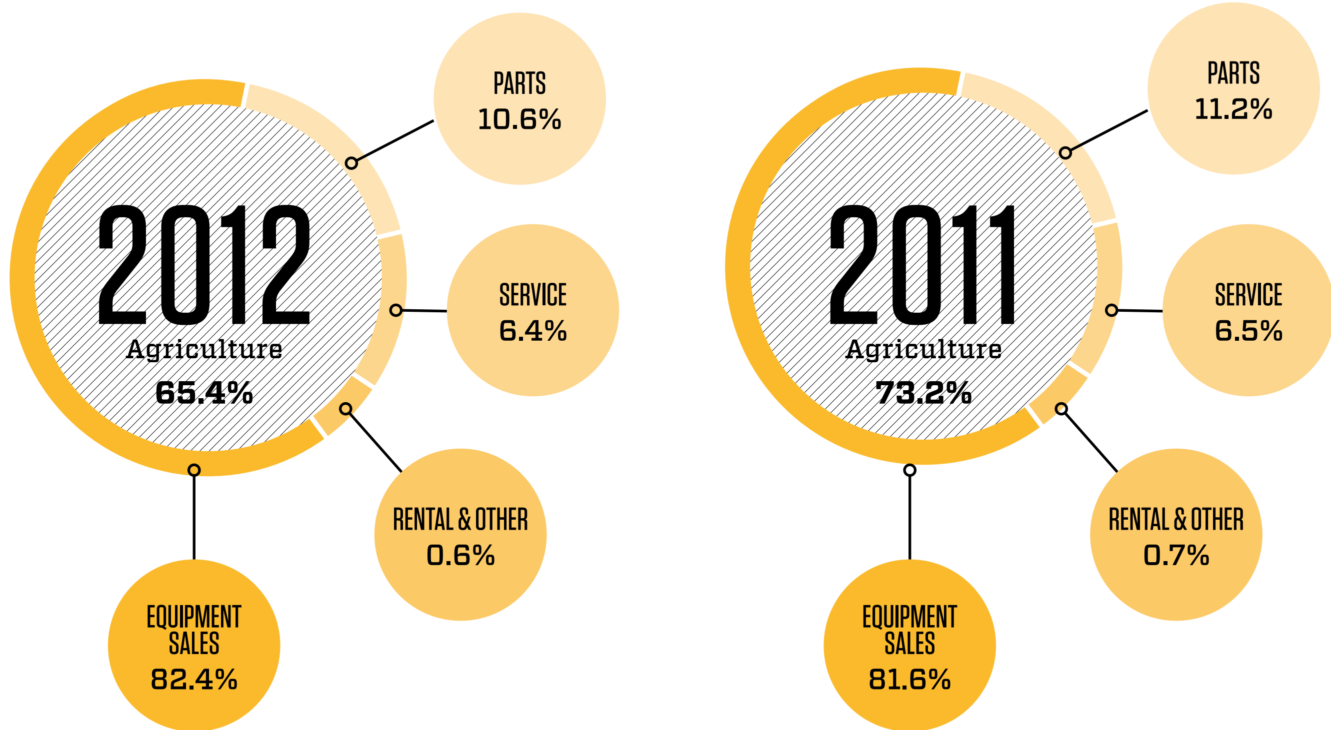
SELECTED ANNUAL INFORMATION

($ thousands, except per share amounts)	2012	2011	% change
Revenues	734,245	559,598	31.2
Gross profit	140,178	106,335	31.8
Gross margin	19.1%	19.0%	0.5
Profit before income tax expense	33,687	26,026	29.4
Profit for the year	24,582	18,126	35.6
Profit attributable to shareholders	24,394	18,444	32.3
Net earnings per share			
Basic	1.65	1.27	29.9
Diluted	1.58	1.22	29.5
Cash provided by operating activities	18,951	25,849	(26.7)
Per share – basic	1.28	1.78	(28.1)
EBITDA[1]	48,412	35,643	35.8
EBITDA margin[1]	6.6%	6.4%	3.1
Per share – basic	3.27	2.45	33.5
Dividends declared to shareholders	11,031	10,484	5.2
Per share	0.745	0.72	3.5
Weighted average shares outstanding			
Basic	14,791	14,546	1.7
Diluted	15,406	15,061	2.3
Actual shares outstanding	14,900	14,703	1.3
Closing market price per share	18.74	14.72	27.3
Price earnings ratio[1] – basic	11.35	11.59	(2.1)
Total assets	401,957	281,455	42.8
Long-term liabilities	69,562	9,928	600.7
Total debt	199,172	97,736	103.8
Shareholders' equity	202,785	183,719	10.4
Market capitalization[1]	279,224	216,428	29.0
Net book value per share – diluted[1]	13.16	12.20	7.9

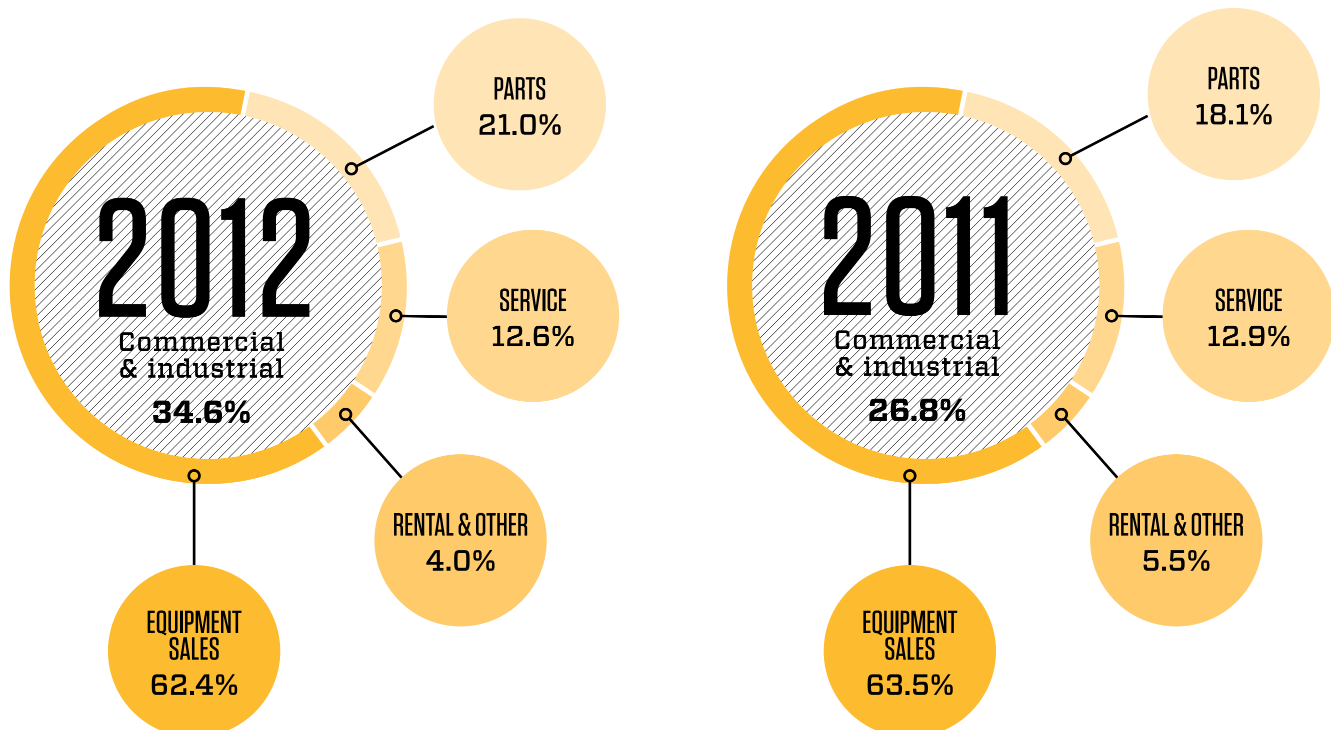
[1] These financial measures are identified and defined under the section "Non-IFRS Financial Measures".

RESULTS OF OPERATIONS

AGRICULTURE Gross Sales by Segment



COMMERCIAL & INDUSTRIAL Gross Sales by Segment



Revenues by Segment

($ thousands)	2012	2011	% change
Agricultural equipment:			
Equipment			
New	257,300	206,713	24.5
Used	138,852	127,551	8.9
Total	396,152	334,264	18.5
Parts	50,701	45,992	10.2
Service	30,885	26,600	16.1
Rental and other	2,815	2,966	(5.1)
	480,553	**409,822**	**17.3**
Commercial and industrial equipment:			
Equipment			
New	140,416	85,065	65.1
Used	17,780	10,112	75.8
Total	158,196	95,177	66.2
Parts	53,524	27,180	96.9
Service	31,939	19,252	65.9
Rental and other	10,033	8,167	22.8
	253,692	**149,776**	**69.4**
Total	**734,245**	**559,598**	**31.2**

Agricultural Equipment

Revenue for our agricultural equipment segment increased by $70.7 million or 17.3% ($62.5 million or 15.3% on a same store basis) for the year ended December 31, 2012 when compared to the same period of 2011. Same store sales exclude the results from the purchase of the 5 additional stores in New Zealand in 2012. Since these sales represent less than 2% of the increase, no further discussion is included in our analysis below.

New equipment sales increased by $50.6 million or 24.5% and used equipment sales increased by $11.3 million or 8.9%. The primary reason for the increase sales were due to increases seen in all our equipment lines, especially 2WD and 4WD tractors, harvest, sprayer, windrower and implements. We have also seen a significant increase in our turf and sport department (compact utility tractors and lawn mowing equipment). According to the Association of Equipment Manufacturers' ("AEM") December 2012 Flash Report, Canada Unit Retail Sales, total farm tractors increased by 4.6% (2WD increased 3.9% and 4WD increased 16.6%) and self-propelled combines increased by 1.1% in 2012 when compared to 2011 which is consistent with increases we experienced in 2012.

Our parts revenue has increased by $4.7 million or 10.2% and our service revenue has increased by $4.3 million or 16.1% during the year ended December 31, 2012 when compared to the same period of 2011. The overall increase in parts and service sales was a combination of an increase in 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.

Commercial & Industrial Equipment

Revenue from our commercial and industrial segment increased by $103.9 million or 69.4% (same store increased $8.7 million or 5.8%) for the year ended December 31, 2012 when compared to the same period of 2011. Same store sales exclude the results of the Company's purchase of the transportation group in March 2012.

New equipment sales increased by $55.4 million or 65.1% (same store increased $5.8 million or 6.9%) and used equipment sales increased by $7.7 million or 75.8% (same store decreased $778 thousand or 7.7%) during the year ended December 31, 2012 when compared to the same period of 2011. The increase in our same store new and used equipment sales is primarily due to the increased activity being experienced in our material handling and forklift equipment group.

Parts revenues have increased $26.3 million or 96.9% (same store increased $1.3 million or 4.9%) and service revenue has increased by $12.7 million or 65.9% (same store increased $2.0 million or 10.6%) during the year ended December 31, 2012 when compared to the same period of 2011. The overall increase in parts and service revenues is due to a combination of an increase in sales activity as well as an increase in external customer work performed as customers are hesitant in purchasing new equipment at this time.

Rental income has increased by $1.9 million or 22.8% (same store increased $305 thousand or 3.7%) for the year ended December 31, 2012 when compared to the same period of 2011.

GROSS PROFIT

Gross profit by segment, is as follows:

($ thousands)	2012	2011	% change
Agricultural equipment:			
Gross margin dollars	81,082	67,930	19.4
Gross margin percentage	16.9%	16.6%	1.8
Commercial and industrial equipment:			
Gross margin dollars	59,096	38,405	53.9
Gross margin percentage	23.0%	25.6%	(10.2)
Total gross margin dollars	**140,178**	**106,335**	**31.8**
Total gross margin percentage	**19.1%**	**19.0%**	**0.5**

Agricultural Equipment

Gross profit dollars increased $13.2 million ($12.2 million or 18.0% on a same store basis) during the year ended December 31, 2012 when compared to the same period of 2011. Overall gross profit margin has remained consistent with gross profit movements between product lines offsetting each other.

Commercial & Industrial Equipment

Gross profit dollars have increased by $20.7 million (same store increased by $2.7 million or 7.0%) during the year ended December 31, 2012 when compared to the same period of 2011. Gross profit margin decreased by 260 basis points or 10.2% primarily due to lower overall gross margins reported from the transportation group in their parts department primarily and to some degree, the service department.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses by segment are as follows:

($ thousands)	2012	2011	% change
Agricultural equipment			
Selling, general and administrative	55,126	47,896	15.1
Depreciation and amortization	3,447	2,678	28.7
Total for segment	**58,573**	**50,574**	**15.8**
Commercial and industrial equipment			
Selling, general and administrative	46,540	29,621	57.1
Depreciation and amortization	3,553	2,406	47.7
Total for segment	**50,093**	**32,027**	**56.4**
Total	**108,667**	**82,601**	**31.6**
% of revenue by segment			
Agricultural equipment	**12.2**	**12.3**	**(0.8)**
Commercial and industrial equipment	**19.7**	**21.4**	**(7.9)**
Total	**14.8**	**14.8**	**-**

Agricultural Equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $8.0 million (same store increased $6.4 million or 12.6%) for the year ended December 31, 2012 when compared to the same period of 2011. The primary reason for the increase in selling, general and administrative expenses is due to general increases in payroll and increased commissions on increases in gross sales. In addition, depreciation and amortization has increased due primarily to land and building additions during the year from construction of a new building in Saskatoon, SK, and from the purchase of assets from Proventure Income Fund (the "Fund") at the beginning of 2012.

Commercial & Industrial Equipment

The commercial and industrial equipment segment's selling, general and administrative expenses increased $18.1 million (same store increased $3.9 million or 12.1%) for 2012 when compared to 2011. The primary reason for the overall increase in selling, general and administrative expenses was due to the purchase of the transportation group and the business development and professional fees related to the purchase as well as general increases to wages and benefits and commissions due to increased sales activity. In addition, depreciation and amortization also has increased primarily from land and building additions during the year from construction of facilities in Edmonton, AB and from the purchase of assets from the Fund at the beginning of 2012 and from the depreciation and amortization of land and building additions and intangibles related to the purchase of the transportation group in March 2012.

NET FINANCE COSTS

Finance Income

Finance income is comprised of interest earned on customer accounts receivable, contract lease receivables, related party advances and held-to-maturity investments. Total finance income was $1.2 million (same store was $566 thousand) for the year ended December 31, 2012 when compared to $380 thousand in 2011. The primary reason for the increase in same store finance income is related to interest earned on advances to related parties and interest on amounts due the Company on accounts receivable. Overall finance income has increased primarily due to interest income earned on finance contracts from the purchase of the transportation group.

Finance Costs & Other Interest

Finance costs are comprised of interest expenses related to the Company's loans and borrowings as well as floor plan payables and other financial liabilities. Interest expense is also recorded on loans and borrowings related to the Company's rental fleet which is recorded in cost of sales.

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 by segment.

($ thousands)	2012	2011	% change
Agricultural equipment:			
Interest expense	2,599	566	359.2
Interest in cost of sales	167	257	(35.0)
Total for segment	**2,766**	**824**	**235.8**
Commercial and industrial equipment:			
Interest expense	1,937	698	177.5
Interest in cost of sales	92	142	(35.2)
Total for segment	**2,029**	**840**	**141.5**
Total	**4,795**	**1,664**	**188.2**
As a % of revenue			
Agricultural equipment	**0.6**	**0.2**	**200.0**
Commercial and industrial equipment	**0.8**	**0.6**	**33.3**
Total	**0.7**	**0.3**	**133.3**

Overall interest expense has increased $3.1 million (same store increased $2.8 million) during the year ended December 31, 2012 when compared to the same period in 2011. The increase is primarily related to a combination of interest recorded on the $34.5 million debentures since July 24, 2012 of $1.1 million, interest on vendor take back mortgage for the purchase of the transportation group properties of $467 thousand and mortgage interest on land and building additions and properties purchased from the Fund, a related party, of $1.0 million.

Floor plan liabilities as a percentage of inventories at December 31, 2012 were 42.9% compared to 49.0% at December 31, 2011, a reduction of 6.1%. In addition during the period, the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during 2012 was $1.3 million and $1.1 million for 2011.

As a result of the Company's debenture issue in July 2012, the Company issued $34.5 million of 6% convertible debentures of which accrued interest and amortization of conversion features has resulted in a gross increase in finance costs of $1.1 million. The convertible debentures, including interest payable, costs and conversion feature results in an effective interest rate of 9.1% related to the debentures. The debenture funds were used for a combination of repayments on floor plan liabilities and the repayment of mortgage funding for land and buildings.

Income Taxes

As at December 31, 2012, Cervus has the following tax pools available to be used in future periods:

	($ thousands)
Carrying values in excess of tax values of tangible assets	$ (930)
Carrying values in excess of tax values of intangible assets	(2,830)
Carrying values in excess of tax values of convertible debenture	(676)
Non-capital losses carry-forward	35,791
Federal investment tax credits	12,842
Capital losses carried forward	19,705
Total estimated deferred tax asset	**63,902**
Less: amount of non-capital and capital losses carried forward for which no deferred tax asset has been recognized	**(19,705)**
Balance, December 31, 2012	**$ 44,197**

For the year ended December 31, 2012, deferred income tax expense amounted to $9.1 million. The Company's combined tax rate is 25.8% and its effective tax rate is 27.0%. The difference between the combined tax rate and the effective rate is primarily related to the excess carrying values of tangible and intangible assets over their respective tax values (see "Business Risks and Uncertainties – Other Risks").

PROFIT & COMPREHENSIVE INCOME

The Company has a foreign subsidiary, AG New Zealand, 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, income of $71 thousand has been recorded as other comprehensive income for the year ended December 31, 2012 and $213 thousand for the same period of 2011. This translation adjustment is the only difference between the profit for the year and total comprehensive profit.

The profit attributed to shareholders for the period excludes the allocation of profit to non-controlling interests. 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):	2012	2011	% change
Profit for the year:			
Agricultural equipment segment	18,129	14,086	28.7
Allocation to non-controlling interest	(188)	318	N/A
Profit attributable to shareholders from agricultural equipment segment	17,941	14,404	24.6
Commercial and industrial equipment	6,453	4,040	59.7
Profit attributable to shareholders	**24,394**	**18,444**	**32.3**
Net profit attributable to shareholders as a % of total segment revenues			
Agricultural equipment	3.7	3.4	8.8
Commercial and industrial equipment	2.5	2.7	(7.4)
Total	**3.3**	**3.2**	**3.1**
Net Earnings Per Share:			
Shares outstanding – basic	**14,791**	**14,546**	**1.7**
Agricultural equipment	1.22	0.99	23.2
Commercial and industrial equipment	0.43	0.28	53.6
Total	**1.65**	**1.27**	**29.9**

EBITDA (SEE NON-IFRS FINANCIAL MEASURES)

($ thousands)	2012	2011	$ change
EBITDA by segment:			
Agricultural equipment			
Profit for the year	18,129	14,086	4,043
Add:			
Interest	2,766	824	1,943
Deferred income taxes	6,322	5,602	720
Depreciation and amortization	4,836	3,511	1,325
EBITDA	**32,053**	**24,023**	**8,031**
% of segment revenue	**6.7**	**5.9**	
Commercial and industrial equipment			
Profit for the year	6,453	4,040	2,413
Add:			
Interest	2,029	840	1,189
Deferred income taxes	2,783	2,298	485
Depreciation and amortization	5,094	4,442	651
EBITDA	**16,359**	**11,620**	**4,738**
% of segment revenue	**6.4**	**7.8**	
Total EBITDA	**48,412**	**35,643**	**12,769**
% of revenue	**6.6**	**6.4**	

EBITDA is used by management to monitor its results and compare profitability between itself and other entities in its industries.

For the year ended December 31, 2012, EBITDA increased by $12.8 million or 35.8% when compared to the year ended December 31, 2011. The most significant factor contributing to the increase in EBITDA for the year was the increase in net profit before income taxes which amounted to $7.7 million.

Of the $4.1 million increase in profit in the agriculture equipment segment, $1.1 million of the increase comes from an increase in the segment's share of profit from equity accounted investees, improved results from AG New Zealand and an increase in same store profit.

The increase in profit of $2.4 in the commercial and industrial equipment segment was primarily a result of profit from the acquisition of the transportation group in March 2012.

SUMMARY OF QUARTERLY RESULTS

($ thousands, except per share amounts)	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Revenues	193,128	234,680	196,654	109,782
Profit attributable to the shareholders	6,912	8,836	7,428	1,218
Basic earnings per share	0.46	0.60	0.50	0.08
Diluted earnings per share	0.45	0.57	0.49	0.08
Weighted average shares outstanding				
- Basic	14,895	14,825	14,719	14,715
- Fully diluted	15,513	15,416	15,278	15,240

($ 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

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. The commercial and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the four quarters of 2012 when compared to 2011 is from the acquisition of the transportation group in March 2012 and the increase in same store profit in the agricultural equipment segment.

LIQUIDITY

($ thousands, except ratio amounts)	2012	2011
Current assets	219,823	166,948
Total assets	402,633	281,455
Current liabilities	129,610	87,808
Long-term liabilities	69,562	9,928
Shareholders' equity	202,785	183,719
Working capital (see "Non-IFRS Financial Measures")	90,213	79,140
Working capital ratio (see "Non-IFRS Financial Measures")	1.7	1.9

Working Capital

Our working capital increased by $11.1 million to $90.2 million at December 31, 2012 when compared to $79.1 million at December 31, 2011. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1 and as at December 31, 2012, the ratio is 1.7 to 1. As at the date of this report, the Company is in compliance with all of its covenants.

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 new and used equipment inventories and available mortgage financing. 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, 2012 are described below.

The Company has bank credit facilities available for its current use of $54.3 million as follows:

Type of facility	($ thousands)	Borrowed
Operating	15,000	—
Inventory	18,000	1,946
Rental equipment	7,000	—
Capital asset purchase	3,000	1,672
Lease loan	5,500	1,727
Used truck and trailer	2,200	—
Flexible rate term loan (NZ$1,342)	1,103	1,103
Flexible credit (NZ$1,500)	1,233	1,233
Overdraft (NZ$250)	206	—
Commercial credit card (NZ$50)	41	—
Financial guarantee (NZ$1,200)	970	—
Total	**54,253**	**7,681**

Inventories

As at December 31, 2012, inventories had increased by $66.0 million (same store increased $51.4 million) to $172.8 million when compared to December 31, 2011 balance of $106.8 million. New equipment inventories comprise the bulk of the increase at $39.3 million (same store increased $31.9 million) to $83.6 million and used equipment increased $19.8 million (same store increased $18.0 million) to $65.7 million. Parts inventories have also increased by $7.0 million (same store increased $2.3 million) to $22.2 million. Work-in-process increased by $588 thousand (same store decreased by $10 thousand) to $1.3 million.

On a same store basis, inventories increased by $51.4 million over the prior year. The agriculture equipment segment accounted for $36.2 million of the inventory increase and the commercial and industrial equipment segment accounted for $15.2 million of the increase over the prior year. The primary increase in our inventories, being equipment has been driven by the substantial increase in equipment sales in both of our segments as well as the timing of delivery to our customers of new equipment received in both of our segments.

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 commercial and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used commercial 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. As at December 31, 2012, 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, Ag New Zealand, 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 and its foreign equity investment, an increase or decrease of 5% in foreign currency exchange rates would impact the Company's consolidated profit by approximately $12 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, 2012, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $1.4 million.

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 17 days for the year ended December 31, 2012 (20 days for the year ended December 31, 2011) 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 $65 thousand to $916 thousand at December 31, 2012 which represents approximately 3.4% of outstanding trade accounts receivable and 0.1% of gross revenue. Write-offs during the year ended December 31, 2012 amounted to $793 thousand (2011 - $358 thousand).

Cash & Cash Equivalents

Cervus' primary sources and uses of cash flow for the year ended December 31, 2012 are as follows:

Operating Activities

Net cash from operating activities was $19.0 million for the year ended December 31, 2012 when compared to $25.8 million for the same period of 2011, a decrease of $6.8 million. The primary reason for the decrease in operating cash flow was from the use of $21.7 million in cash resources for net repayments of working capital items, primarily inventories and related floor plan financing. We used a net $35.7 million for increases in inventory levels and repayments of floor plan facilities during the year. This was offset by an increase in accounts payable and customer deposits of $13.3 million.

Investing Activities

During the year ended December 31, 2012, the Company used $44.2 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $42.6 million, net of proceeds, business acquisitions used $22.3 million and we received $15.4 million from loans made to related parties.

Financing Activities

During the year ended December 31, 2012, financing activities provided $26.8 million in cash flows. The issuance of the debenture in July 2012 provided $33.2 million of cash, we paid $9.9 million in dividends during the year and term debt, net of repayments, provided $6.7 million from the financing of land and building acquisitions.

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 2013	Due 2014 through 2015	Due 2016 through 2017	Due thereafter
Long-term debt	43,686	4,657	20,323	2,973	15,733
Notes payable	2,652	2,652	-	-	-
Convertible Debenture	30,534	-	-	30,534	-
Operating leases	8,480	2,168	3,510	1,536	1,266
Total contractual obligations	85,352	9,477	23,833	35,043	16,999

The contractual obligations for the long-term debt obligations include $12.7 million due in 2014 through 2015 for the vendor take back mortgage for land and buildings purchased in the acquisition of the transportation group which we intend to enter into a long-term finance agreement and $3.4 million is included in the due thereafter column for construction in progress financing received for which no terms of repayment have been established.

In July 2012, the Company completed a financing of $34.5 million principal amount (including $4.5 million via exercise of over-allotment option) of convertible debentures. The convertible debentures have an annual coupon rate of 6.00%, payable semi-annually on January 31 and July 31, mature on July 31, 2017 and are convertible, at the holder's option, into common shares at a conversion price of $26.15 per common share. On or after July 31, 2015 and prior to the maturity date, the convertible debentures may be redeemed in whole or in part, at our option, at a price equal to their principal plus accrued interest thereon, provided the average market price of the common shares on the date on which notice is given is not less than 125% of the conversion price of $26.15 per common share. The convertible debentures trade on the Toronto Stock Exchange under the symbol "CVL.DB".

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, 2012 is as follows:

($ thousands)	Total amount	Borrowings	Letters of credit	Amount available
Operating and other bank credit facilities	16,233	1,233	900	14,100
Term loans	1,103	1,103	-	-
Floor plan facilities and rental equipment term loan financing	287,369	96,122	-	191,247
Total	304,705	98,458	900	205,347

Operating & 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 2013.

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, 2012, 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, 2012 and December 31, 2011 represented approximately 42.9% and 49.0% of our inventories, excluding work-in process, 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 14,917 thousand common shares, 91 thousand share options, and 566 thousand deferred shares outstanding. The Company also has $34.5 million principal amount of convertible debentures, convertible at the holder's option, into common shares at a conversion price of $26.15 per common share (see "Contractual Obligations"). As at December 31, 2012 and 2011, the Company had the following weighted average shares outstanding:

($ thousands)	2012	2011
Basic weighted average number of shares outstanding	14,791	14,546
Dilutive impact of deferred share plan	600	498
Dilutive impact of share options	15	17
Diluted weighted average number of shares outstanding	15,406	15,061

Dividends Paid & 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, 2012 ($ thousands, except per share amounts):

Record date	Dividend per share	Dividend payable	Dividends reinvested	Net dividend paid
March 31, 2012	0.1825	2,686	207	2,479
June 30, 2012	0.1850	2,725	210	2,515
September 30, 2012	0.1875	2,790	331	2,459
December 31, 2012	0.1900	2,831	206	2,625
Total dividend		**11,032**	**954**	**10,078**

The Company expects that dividends will continue to be paid quarterly on or about the 15th day of the month following the record date (see "Capital Resources – Cautionary note regarding dividends"). 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, 2012 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 directors, officers, and employees and those of our subsidiaries, in accordance with our governing legislation, our constating documents 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, 2012, payments in arrears by such customers aggregated $184 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2012, the net residual value of such leases aggregated $95.0 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 $1.9 million at December 31, 2012. 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 $1.5 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.

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, 2012 and 2011 was:

($ thousands)	2012	2011
Short-term benefits	$ 1,651	$ 1,274
Share-based payments	444	332
	$ 2,095	$ 1,606

Key Management Personnel & Director Transactions

Key management and directors of the Company control approximately 27% of the common voting shares of the Company.

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6,400 thousand. The guarantees are kept in place until released by John Deere. During the three and twelve month periods ended December 31, 2012 and 2011, the Company paid those individuals $192 thousand, respectively, for providing these guarantees which represents a similar amount to guarantee fees paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

The Chief Executive Chair of the Company was the CEO of Proventure Income Fund (the "Fund") until the sale of the Fund in September 2012. In January 2012, the Company purchased certain real estate assets from the Fund for $26.3 million. The purchase price was paid through a combination of cash of $12.2 million, assumption of mortgages of $11.4 million and a reduction in advances made to the Fund of $2.7 million of which $1.1 million remains outstanding at December 31, 2012.

FOURTH QUARTER RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2012 & 2011

($ thousands, except per share amounts)	**2012**	**2011**	**% change**
Revenues	193,128	141,356	36.6
Cost of sales	155,952	113,209	38.7
Gross profit	37,176	28,147	28.2
Other income (loss)	(18)	831	28.5
Selling, general and administrative	(28,768)	(22,025)	30.6
Results from operating activities	8,390	6,953	20.7
Finance income	293	156	87.8
Finance costs	(1,492)	(222)	572.1
Net finance costs	(1,199)	(66)	1,716.7
Share of profit of equity accounted investees, net of income tax	504	144	250.0
Profit before income tax expense	7,695	7,031	9.4
Income tax expense	(784)	(2,506)	(68.7)
Profit for the period	**6,911**	**4,525**	**52.7**
Profit for the period allocated to shareholders	6,911	4,396	57.2
Net earnings (loss) per share			
- Basic	0.46	0.30	53.3
- Diluted	0.45	0.29	55.2
Cash flow from operations	(1,516)	3,480	-
Per share - diluted	(0.10)	0.24	-
Dividends declared to common shareholders	2,831	2,646	7.0
Per share	0.19	0.18	5.6
EBITDA[1]	11,692	9,454	23.7
EBITDA margin[1]	6.1%	6.7%	(9.0)
Per share - diluted	0.75	0.65	15.4
Weighted average shares outstanding			
Basic	14,895	14,699	1.3
Diluted	15,513	15,211	2.0

Notes: (1) These financial measures are identified and defined under the section "Non-IFRS Financial Measures".

Revenues

The following is a summary of revenues by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Equipment			
New	65,096	48,960	33.0
Used	31,325	29,224	7.2
Total	96,421	78,184	23.3
Parts	9,919	9,250	7.2
Service	7,777	6,306	23.3
Rental and other	996	948	5.1
Agricultural equipment	**115,113**	**94,688**	**21.6**
Equipment			
New	42,728	28,779	48.5
Used	5,341	2,672	100.0
Total	48,069	31,451	52.8
Parts	17,218	7,786	121.1
Service	10,350	5,315	94.7
Rental and other	2,378	2,116	12.4
Commercial and industrial equipment	**78,015**	**46,668**	**67.2**
Total	**193,128**	**141,356**	**36.6**

Agricultural Equipment

Revenue for the agriculture equipment segment for the 3 month period ended December 31, 2012 increased $20.4 million ($12.2 million same store) when compared to the same period during 2011.

The same store increase of $12.2 million was primarily from an increase in new and used equipment sales which increased by $12.8 million in the fourth quarter of 2012 when compared to 2011. This increase is primarily due to an increase in our 2WD and 4WD tractors as indicated in our year to date results.

Parts and service revenues increased $2.1 million in the 4th quarter of 2012 when compared to the same period of 2011, substantially all from the acquisition of the 4 stores in New Zealand.

Commercial & Industrial Equipment

Revenue for our commercial and industrial equipment segment increased $31.3 million or 67.2% (same store increased $748 thousand) during the 4th quarter of 2012 when compared to the same period of 2011.

New and used equipment revenues increased $16.6 million (same store decreased $1.2 million or 3.8%). Same store sales decrease was primarily due to decreased activity being experienced in the oil and gas sector of Alberta.

Parts and service revenues increased $14.5 million or 110.4% (same store increased $2.1 million or 15.9%) during the three month period ended December 31, 2012 when compared to the same period of 2011. The increase in same store parts and service revenue is due to increased customer work due to our customers being hesitant to purchase new equipment at this time.

GROSS PROFIT

The following is a summary of gross profit by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Agricultural equipment:			
Gross margin dollars	19,736	17,129	15.2
Gross margin percentage	17.1%	18.1%	(5.5)
Commercial and industrial equipment:			
Gross margin dollars	17,440	11,018	58.3
Gross margin percentage	22.4%	23.6%	(5.1)
Total gross margin dollars	**37,176**	**28,147**	**32.1**
Total gross margin percentage	**19.2%**	**19.9%**	**(3.5)**

Agricultural Equipment

Gross profit dollars increased $2.6 million ($835 thousand or 4.8% on a same store basis) during the three month period ended December 31, 2012 when compared to the same period of 2011. Overall gross profit margin has decreased by 100 basis points or 5.5% primarily due to a reduction in margin being experienced in our new equipment sales however; this is primarily due to the settlement of our new equipment inventories resulting in timing differences in the recognition of volume discounts in 2012 compared to 2011.. The profit margin before volume discount is comparable in the fourth quarter of 2012 when compared to the previous period in 2011.

Commercial & Industrial Equipment

Gross profit dollars have increased by $6.4 million (same store increased by $724 thousand or 6.5%) during the 4th quarter of 2012 when compared to the same period of 2011. Gross profit margin decreased by 120 basis points or 5.1% primarily due to lower overall gross margins reported from the acquisition of the transportation group when compared to historical amounts.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

The following is a summary of selling, general and administrative expenses by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Agricultural equipment			
Selling, general and administrative	13,706	11,831	15.8
Depreciation and amortization	824	792	4.0
Total for segment	**14,530**	**12,623**	**15.1**
Commercial and industrial equipment			
Selling, general and administrative	13,306	8,770	51.7
Depreciation and amortization	933	633	47.4
Total for segment	**14,239**	**9,403**	**51.4**
Total	**28,769**	**22,026**	**31.6**
% of revenue by segment			
Agricultural equipment	**12.6**	**13.3**	**(5.3)**
Commercial and industrial equipment	**18.3**	**20.1**	**(8.9)**
Total	**14.9**	**15.6**	**(4.5)**

Agricultural Equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $1.9 million (same store increased $294 thousand or 2.3%) for the three month period ended December 31, 2012 when compared to the same period of 2011. The primary reason for the increase in selling, general and administrative expenses is due to general increases in payroll and increased commissions on increases in gross sales. In addition, depreciation and amortization has increased due primarily to land and building additions during the year from construction of a new building in Saskatoon, SK, and from the purchase of assets from the Fund at the beginning of 2012.

Commercial & Industrial Equipment

The commercial and industrial equipment segment's selling, general and administrative expenses increased $4.8 million (same store increased $120 thousand or 1.3%) for the 4th quarter of 2012 when compared to 2011. The primary reason for the overall increase in selling, general and administrative expenses was due to the purchase of the transportation group as well as general increases to wages and benefits and commissions due to increased sales activity. In addition, depreciation and amortization also has increased primarily from land and building additions during the year from construction of facilities in Edmonton, AB and from the purchase of assets from the Fund at the beginning of 2012 and from the depreciation and amortization of land and building additions and intangibles related to the purchase of the transportation group in March 2012.

FINANCE COSTS & OTHER INTEREST

The following is a summary of finance costs and other interest by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Agricultural equipment			
Interest expense	914	52	1,657.7
Interest in cost of sales	20	124	(83.9)
Total for segment	**934**	**176**	**430.7**
Commercial and industrial equipment:			
Interest expense	577	170	239.4
Interest in cost of sales	8	26	(69.2)
Total for segment	**585**	**196**	**198.5**
Total	**1,519**	**372**	**308.3**
As a % of revenue			
Agricultural equipment	**0.8**	**0.2**	**300.0**
Commercial and industrial equipment	**0.7**	**0.4**	**75.0**
Total	**0.8**	**0.3**	**166.7**

Overall interest expense has increased $1.1 million (same store increased $1.0 million) during the three month period ended December 31, 2012 when compared to the same period in 2011. The increase is primarily related to a combination of interest recorded on the $34.5 million debenture of $690 thousand, interest on vendor take back mortgage for the purchase of the transportation group properties of $154 thousand and mortgage interest on land and building additions and properties purchased from the Fund, a related party, of $205 thousand.

In addition during the period, the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during the three months period ended December 31, 2012 was $404 thousand (2011 - $277 thousand).

PROFIT & COMPREHENSIVE INCOME

The profit attributed to shareholders for the three month period ended December 31 excludes the allocation of profit to non-controlling interests. Earnings per share are calculated based on the profit for the period attributed to shareholders of the Company only.

($ thousands except net earnings per share):	2012	2011	% change
Profit for the period:			
Agricultural equipment segment	4,881	3,735	30.7
Allocation to non-controlling interest	-	(129)	(100.0)
Profit attributable to shareholders from agricultural equipment segment	4,881	3,606	35.4
Commercial and industrial equipment	2,030	790	157.0
Profit attributable to shareholders	**6,911**	**4,396**	**57.2**
Net profit attributable to shareholders as a % of total segment revenues			
Agricultural equipment	4.2	3.8	10.5
Commercial and industrial equipment	2.6	1.7	52.9
Total	**3.6**	**3.1**	**16.1**
Net Earnings Per Share:			
Shares outstanding – basic	**14,895**	**14,699**	**1.3**
Agricultural equipment	0.32	0.25	28.0
Commercial and industrial equipment	0.14	0.05	180.0
Total	**0.46**	**0.30**	**53.3**

EBITDA (SEE NON-IFRS FINANCIAL MEASURES)

The following is a summary of EBITDA by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	$ change
Agricultural equipment			
Profit for the period	**4,881**	**3,735**	**1,146**
Add:			
Interest	934	176	758
Income taxes	663	1,518	(855)
Depreciation and amortization	1,539	924	615
EBITDA	**8,017**	**6,353**	**1,664**
% of segment revenue	**7.0**	**6.7**	
Commercial and industrial equipment			
Profit for the period	2,030	790	1,240
Add:			
Interest	585	196	389
Income taxes	121	987	(866)
Depreciation and amortization	939	1,128	(189)
EBITDA	**3,675**	**3,101**	**574**
% of segment revenue	**4.7**	**6.6**	
Total EBITDA	**11,692**	**9,454**	**2,238**
% of revenue	**6.1**	**6.7**	

For the three month period ended December 31, 2012, EBITDA increased by $2.2 million or 23.7% when compared to the same period in 2011. The most significant factor contributing to the increase in EBITDA for the year was the increase in net profit before income taxes which amounted to $2.4 million.

Of the $1.1 million increase in profit in the agriculture equipment segment, $360 thousand of the increase comes from an increase in the segment's share of profit from equity accounted investees, an increase in same store profit and improved results from AG New Zealand.
The increase in profit of $1.2 million in the commercial and industrial equipment segment was primarily a result of profit from the acquisition of the transportation group in March 2012.

Cash & Cash Equivalents

The Company used $12.4 million of cash and cash equivalents during the three month period ended December 31, 2012. The primary sources and use of these cash flows in the three month period are as follows:

Operating Activities

Net cash used in operating activities was $1.5 million when compared to cash provided of $3.5 million for the same period of 2011, a decrease of $5.0 million. The primary reason for the decrease in operating cash flow was from the use of $10.8 million in cash resources for net repayments of working capital items, primarily inventories and related floor plan financing. We used a net $26.6 million for increases in inventory levels and repayments of floor plan facilities during the period. This was offset by an decrease in accounts receivable and customer deposits of $16.2 million.

Investing Activities

The Company used $5.1 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $3.2 million, net of proceeds and the payment of the remaining balance from business acquisitions of $2.0 million.

Financing Activities

Financing activities used $5.8 million in cash flows in the period, primarily through the payment of dividends of $2.5 million, repayment of notes payable of $2.8 million and the repayment of $593 thousand of term debt.

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 & Amortization of Intangible Assets & Property & 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 & 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 (see "Business Risks and Uncertainties – Other Risks").

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.

BUSINESS RISKS & UNCERTAINTIES

Reliance on our key manufacturers and dealership arrangements

Cervus' primary source of income is from the sale of agricultural and commercial 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: (i) circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements or (ii) one or more of the equipment manufacturers will decide not to renew their dealership agreements with us upon expiry.

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, New Zealand and Australia within the agricultural sector and industry diversification into the construction, transportation and material handling sector.

The commercial and industrial 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.

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. The transportation equipment group primarily sells transport equipment through PACCAR, which manufacturers Peterbilt trucks. The major competitors to Peterbilt are Kenworth, International, Freightliner and Mack trucks. The trucks are very dependent on consumer and commercial transportation of goods and service industries, such as oil and gas. This diverse customer base does mitigate the risks inherent in any one of those customer segments.

Presently the majority of the commercial 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 commercial 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.

Further, there is a risk that the tax consequences contemplated by Cervus may be materially different from the tax consequences anticipated by Cervus in undertaking the conversion transaction. The Canada Revenue Agency has requested information relating to the plan of arrangement involving Cervus LP and Vasogen Inc. completed in October 2009 pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation. It is important to note that, at this time, the Canada Revenue Agency has only requested information from Cervus and has not issued a reassessment of Cervus' tax filings nor has it proposed to issue a reassessment. Cervus remains confident in the appropriateness of its tax-filing position and the expected tax consequences of the conversion and intends to defend such position vigorously if a notice of reassessment is received from the Canada Revenue Agency. Cervus strongly believes that the general anti-avoidance rule does not apply to the conversion and intends to file its future tax returns on a basis consistent with its view of the outcome of the conversion. While Cervus is confident in the appropriateness of its tax-filing position and the expected tax consequences of the arrangement and the conversion transaction, there remains a possibility that, if the Canada Revenue Agency elects to challenge Cervus tax filings and such challenge is successful, it could potentially negatively affect the availability or quantum of the tax losses or other tax accounts of Cervus. If, at some point, Cervus receives such a reassessment, to appeal it Cervus will be required to make a payment of 50% of the taxes the Canada Revenue Agency claims are owed for such years. Based on Cervus' 2009, 2010 and 2011 taxation years, that 50% amount is approximately $8 million. Cervus would also be required to make a payment of 50% of the taxes the Canada Revenue Agency claims are owed in any future tax year if the Canada Revenue Agency issues a similar notice of reassessment for such years and Cervus appeals it. If Cervus is ultimately successful in defending its position, such payments, plus applicable interest, will be refunded to Cervus. If the Canada Revenue Agency is successful, Cervus will be required to pay the balance of the taxes claimed plus applicable interest.

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;

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.

WORKING CAPITAL;

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

MARKET CAPITALIZATION;

Market capitalization is calculated as current common shares outstanding at a particular time multiplied by the market value of those respective shares at that time.

NET BOOK VALUE PER SHARE – DILUTED;

Net book value per share – diluted is calculated as shareholders' equity divided by the weighted average number of shares outstanding on a diluted basis.