CERVUS EQUIPMENT CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD FROM JANUARY 1, 2013 TO MARCH 31, 2013

The following Management's Discussion & Analysis ("MD&A") was prepared as of May 8, 2013 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or "Company") financial performance for the three month period ended March 31, 2013 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying interim unaudited condensed consolidated financial statements for the period ended March 31, 2013 and the notes contained therein. The accompanying unaudited condensed 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 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 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 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.

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 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 $0.1925 per share was made to the shareholders of record as of March 31, 2013 on April 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.

NON-IFRS MEASURES

Throughout the MD&A, reference is made to certain non-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with the "Non-IFRS Financial Measures" section at the end of this MD&A.

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 Company's internal control over financial reporting as of March 31, 2013, 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 March 31, 2013, 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 March 31, 2013 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

Record-high farm income levels occurred in 2012 and there is a positive outlook for 2013. As described in our annual report, Agriculture and Agri-Food Canada's 2013 preliminary forecasts have indicated that farm income will remain relatively flat. Agriculture and Agri-Food Canada's Medium Term Outlook indicates that there are continued high commodity and livestock prices. Although Canadian grains and oilseeds prices are expected to moderate in 2013, they will nonetheless remain at higher than historical levels. While industry reports indicated a 20-30% increase in agricultural equipment sales for the first two months of 2013, there may be a subsequent decline due to cooler weather in March and April delaying the spring seeding. This is supported by the USDA's crop progress report which has confirmed the anticipated planting delays as of the beginning of April.

Commercial and industrial equipment

In their first quarter 2013 Housing Outlook, CMHC projected a slight decrease in total housing starts in Alberta and Saskatchewan in 2013 even though gross domestic product for both provinces is expected to increase by 2.3% in 2013. This moderation in the market is due to the heightened level of production in 2012 (Saskatchewan reached all-time highs since 1979) that resulted in an increase in supply, particularly of multi-family homes. Alberta and Saskatchewan's gross domestic product are projected to increase in 2014 by 2.9% and 2.8% respectively and CMHC is projecting a slight increase in total housing starts for 2014.

According to the National Automobile Dealers Association, year-over-year heavy truck sales continue to be down in the first quarter of 2013, largely due to economic uncertainty. However, truck demand in North America has been above replacement levels since December, providing optimism in this sector for the second half of 2013.

Overall

Market and economic conditions would indicate that 2013 will be a fairly strong year in our agricultural equipment segment. The overall market will remain relatively flat and stable in our commercial and industrial equipment segment, with weakness being experienced in the construction sector.

HIGHLIGHTS OF THE QUARTER

- Revenue increased by $39.2 million (same store $15.1 million) to $148.9 million from $109.8 million.
- Profit for the period was $500 thousand, a decrease of $896 thousand over the 2012 profit of $1.4 million and net income per share was $0.03 compared to $0.08 in 2012.
- Net cash used in operating activities increased by $23.7 million to $7.9 million compared to a contribution of $15.8 million in the same period of 2012.

OVERALL PERFORMANCE

During the first three months of 2013 when compared to the same period of 2012, revenue grew by $39.2 million or 35.7% to $148.9 million. Same store sales increased by $15.1 million or 14.2%. This increase is attributable to an increase in revenues in the agricultural equipment segment of 28.5% (22.1% on a same store basis) and a 49.0% increase in revenues in the commercial and industrial equipment segment (2.0% decrease on a same store basis). Same store results in the commercial and industrial equipment segment exclude the 4 Peterbilt dealerships and 1 collision repair center dealership (the "Transportation Group") that were acquired in March 2012. Similarly, in the agricultural segment, same store results exclude the results of the five New Zealand John Deere dealerships that were purchased in July 2012.

Profit for the three month period ended March 31, 2013 decreased by $896 thousand to $500 thousand from $1.4 million in 2012. This decrease is due to the decrease in overall gross margin and an increase in interest expense. Selling, general and administrative expenditures decreased to 18.4% of total revenue for the three month period ended March 31, 2013 compared to 19.4% for the same period in 2012.

SELECTED QUARTERLY INFORMATION

$ thousands, except per share amounts	March 31, 2013	March 31, 2012	% change
Revenues	148,932	109,782	35.7
Gross profit	28,522	23,055	23.7
Gross margin	19.2%	21.0%	(8.6)
Profit for the period	500	1,396	(64.2)
Per share – basic and diluted	0.03	0.08	(62.5)
Net cash provided by (used in) operating activities	(7,871)	15,839	n/a
Per share – basic	(0.53)	1.08	n/a
EBITDA[1]	5,289	5,290	n/a
EBITDA margin[1]	3.6%	4.8%	(25.0)
Per share – basic	0.35	0.36	(2.8)
Dividends declared to common shareholders	2,877	2,686	7.1
Per share	0.1925	0.1825	5.5
Weighted average shares outstanding			
Basic	14,918	14,715	1.4
Diluted	15,535	15,240	1.9
Actual common shares outstanding	14,943	14,717	1.5
Closing market price per share	20.50	18.75	9.3
Total assets	414,408	351,836	17.8
Long-term liabilities	72,808	42,733	70.4
Total liabilities	213,319	168,814	26.4
Total equity	201,089	183,022	9.9
Net book value per share - diluted	12.94	12.01	7.7

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

RESULTS OF OPERATIONS

Revenues

$ thousands	March 31, 2013	March 31, 2012	% change
Revenues by segment:			
Agricultural equipment			
New	*51,254*	*33,008*	*55.3*
Used	*21,456*	*22,012*	*(2.5)*
Total equipment revenue	72,710	55,020	32.2
Parts	10,643	9,483	12.2
Service	7,367	5,975	23.3
Rental and other	1,066	951	12.1
Total for segment	**91,786**	**71,429**	**28.5**
Commercial and industrial equipment			
New	*28,565*	*20,842*	*37.1*
Used	*3,217*	*2,454*	*31.1*
Total equipment revenue	31,782	23,296	36.4
Parts	14,819	7,846	88.9
Service	8,284	5,355	54.7
Rental and other	2,261	1,856	21.8
Total for segment	**57,146**	**38,353**	**49.0**
Total	**148,932**	**109,782**	**35.7**

Agricultural equipment

Revenue for our agricultural equipment segment increased by $20.4 million or 28.5% ($15.8 million or 22.1% on a same store basis) for the three month period ended March 31, 2013 when compared to the same period of 2012.

New equipment sales increased by $18.2 million or 55.3% ($16.4 million or 49.6% on a same store basis) and used equipment sales decreased by $556 thousand or 2.5% ($1.2 million or 5.6% on a same store basis). The primary reason for the increase in new sales is related to an increase in our 2WD and 4WD tractors which are consistent with the Association of Equipment Manufacturers summary of Canada Unit Retail Sales for the year to date period ended March 31, 2013.

Our parts revenue has increased by $1.2 million or 12.2% (decrease of $18 thousand or 0.2% on a same store basis) and our service revenue has increased by $1.4 million or 23.3% ($562 thousand or 9.4% on a same store basis) during the three month period ended March 31, 2013 when compared to the same period of 2012. The increase in service sales on a same store basis is primarily due to increases in shop labor rates and technicians.

Commercial and industrial equipment

Revenue from our commercial and industrial segment increased by $18.8 million or 49.0% (decrease of $712 thousand or 2.0% on a same store basis) for the three month period ended March 31, 2013 when compared to the same period of 2012.

New equipment sales have increased by $7.7 million or 37.1% (decrease of $950 thousand or 4.8% on a same store basis) and used equipment sales have increased by $763 thousand or 31.1% (decrease of $695 thousand or 33.3% on a same store basis) during the three month period ended March 31, 2013 when compared to the same period of 2012. The decrease in our new and used equipment sales on a same store basis is due to a decrease in our construction sector which was somewhat offset by an increase in our forklift and material handling sector. The decrease in our construction sector is primarily related to decreased activity being experienced in the oil and gas sector of Alberta.

Parts revenues have increased $7.0 million or 88.9% ($470 thousand or 7.1% on a same store basis) and service revenue has increased by $2.9 million or 54.7% ($402 thousand or 8.5% on a same store basis). The overall increase in parts and service revenues is related to the acquisition of the Peterbilt dealerships in March 2012.

GROSS PROFIT

	March 31, 2013	March 31, 2012	% change
Gross profit margin by segment:			
Agricultural equipment	15.9%	17.8%	(10.7)
Commercial and industrial equipment	24.4%	27.0%	(9.6)
Total	**19.2%**	**21.0%**	**(8.6)**

Agricultural equipment

Gross profit dollars increased by $1.9 million or 15% (same store increased $723 thousand or 5.7%) during the three month period ended March 31, 2013 when compared to the same period of 2012 on increased gross revenue.

Gross margin percentage declined by 1.9% to 15.9% compared to 17.8% in 2012 (same store declined by 2.4% to 15.4% compared to 17.8% in 2012). This decrease on a same store basis is due to a decline in gross margin across all departments compounded by a change in revenue mix. During the first quarter of 2013 whole good sales, which generate a lower profit margin than parts, service and rentals, represented 80% of total sales compared to 77% in the same period of 2012.

Commercial and industrial equipment

Gross profit dollars have increased by $3.6 million or 34.4% (same store decreased $432 thousand or 4.5%) on increased sales activity during the three month period ended March 31, 2013 when compared to the same period of 2012.

Gross margin percentage declined by 2.6% to 24.4% compared to 27.0% in 2012 (same store declined by 0.7% to 26.6% compared to 27.3% in 2012). The decrease in overall gross margin as a percentage of sales is primarily related to the profit margins generated in the Peterbilt dealerships and collision repair center that were acquired in March of 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

$ thousands	March 31, 2013	March 31, 2012	% change
Selling, general and administrative expenses by segment:			
Agricultural equipment			
Selling, general and administrative	13,187	11,541	14.3
Depreciation and amortization	962	850	13.2
Total for segment	**14,149**	**12,391**	**14.2**
Commercial and industrial segment			
Selling, general and administrative	12,218	8,146	50.0
Depreciation and amortization	1,091	752	45.1
Total for segment	**13,309**	**8,898**	**49.6**
Total	**27,458**	**21,289**	**29.0**
% of revenue			
Agricultural equipment	15.4	17.3	(11.1)
Commercial and industrial equipment	23.3	23.2	0.4
Total	**18.4**	**19.4**	**(4.9)**

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $1.8 million or 14.2% for the three month period ended March 31, 2013 when compared to the same period of 2012. However, selling, general and administrative expenses as a percentage of revenue have decreased 11.1% from 17.3% in 2012 to 15.4% in 2013. The increase in total expense is primarily attributable to higher personnel costs as well as a slight increase in marketing costs. The increase in personnel costs is due to general wage increases, additions to staff levels as a result of acquisitions and an increase in commissions due to higher sales volumes.

Commercial and industrial equipment

The commercial and industrial equipment segment's selling, general and administrative expenses increased $4.4 million or 49.6% for the three month period ended March 31, 2013 when compared to the same period of 2012. Selling, general and administrative expenses as a percentage of revenue have remained constant year-over-year at approximately 23%. The primary reason for the overall increase in selling, general and administrative expenses was higher personnel costs due to a combination of general salary increases, additions to staff levels as a result of acquisitions and an increase in commissions due to higher sales volumes. Marketing costs also increased slightly quarter over quarter.

FINANCE INCOME

Finance income is comprised of interest earned on customer accounts receivable, contract lease receivables and held-to-maturity investments. Total finance income was $212 thousand for the three month period ended March 31, 2013 compared to $338 thousand for the same period of 2012.

FINANCE COSTS AND OTHER INTEREST

Finance costs are comprised of interest expense 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.

$ thousands	March 31, 2013	March 31, 2012	$ change
Interest by segment:			
Agricultural equipment			
Interest expense	948	397	551
Interest in cost of sales	58	66	(8)
Total for segment	**1,006**	**463**	**543**
Commercial and industrial equipment			
Interest expense	772	189	583
Interest in cost of sales	10	29	(19)
Total for segment	**782**	**218**	**564**
Total	**1,788**	**681**	**1,107**
% of revenue	**0.6**	**0.6**	**n/a**

Floor plan liabilities as a percentage of inventories at March 31, 2013 were 46.6% compared to 42.6% at December 31, 2012 and 61.6% at March 31, 2012. 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 first three months of 2013 was $412 thousand compared to $241 thousand in the same period of 2012.

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 an increase in finance costs of $742 thousand ($371 thousand per segment). The convertible debentures, including interest payable, costs and conversion feature, have an effective interest rate of 9.1%.

NET PROFIT AND 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 $36 thousand has been recorded as other comprehensive income for the three month period ended March 31, 2013 and $90 thousand for the same period of 2012. This translation adjustment is the only difference between the profit for the period and total comprehensive profit for the period.

The net 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	**March 31, 2013**	**March 31, 2012**	**% change**
Net profit for the period:			
Agricultural equipment segment	205	301	n/a
Adjust for income from non-controlling interest	-	(178)	n/a
Net profit attributable to shareholders from agricultural equipment segment	205	123	66.7
Commercial and industrial equipment	295	1,095	(73.1)
Net profit attributable to shareholders	**500**	**1,218**	**(58.9)**
Profit as a % of total segment revenues			
Agricultural equipment	0.2	0.2	n/a
Commercial and industrial equipment	0.5	2.9	(81.9)
Total	**0.3**	**1.1**	**(69.7)**
Net Earnings Per Share:			
Shares outstanding – basic	14,918	14,715	1.4
Agricultural equipment	0.01	0.01	64.4
Commercial and industrial equipment	0.02	0.07	(73.4)
Total	**0.03**	**0.08**	**(59.5)**

EBITDA (SEE "NON-IFRS FINANCIAL MEASURES")

$ thousands	March 31, 2013	March 31, 2012	$ change
EBITDA by segment:			
Agricultural equipment			
Net profit	205	301	(96)
Add:			
Interest	1,006	463	543
Income taxes	73	(89)	162
Depreciation and amortization	1,220	1,061	159
EBITDA	**2,504**	**1,736**	**768**
% of segment revenue	**2.7**	**2.4**	**n/a**
Commercial and industrial equipment			
Net profit	295	1,095	(800)
Add:			
Interest	782	218	564
Income taxes	109	943	(834)
Depreciation and amortization	1,599	1,298	301
EBITDA	**2,785**	**3,554**	**(769)**
% of segment revenue	**4.9**	**9.3**	**n/a**
Total EBITDA	**5,289**	**5,290**	**(1)**
% of revenue	**3.6**	**4.8**	**n/a**

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 three month period ended March 31, 2013, EBITDA remained unchanged at $5.3 million when compared to the same period of 2012.

SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Revenues	148,932	193,128	234,680	196,654
Profit attributable to the shareholders	500	6,912	8,836	7,428
Basic earnings per share	0.03	0.46	0.60	0.50
Diluted earnings per share	0.03	0.45	0.57	0.49
Weighted average shares outstanding				
• Basic	14,918	14,895	14,825	14,719
• Fully diluted	15,535	15,513	15,416	15,278

$ thousands, except per share amounts	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
Revenues	109,782	141,356	186,878	147,091
Profit attributable to the shareholders	1,218	4,397	8,193	5,912
Basic earnings per share	0.08	0.30	0.56	0.40
Diluted earnings per share	0.08	0.29	0.54	0.39
Weighted average shares outstanding				
• Basic	14,715	14,699	14,659	14,618
• Fully diluted	15,240	15,211	15,152	15,074

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, profit or loss may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the last four quarters presented when compared to the first four is from the acquisition of the Transportation Group in March 2012 and the increase in same store profit in the agricultural equipment segment. However, the decrease in net profit in the first quarter of 2013 is due to a decrease in overall gross margin and an increase in interest expense.

LIQUIDITY

$ thousands, except ratio amounts	March 31, 2013	December 31, 2012
Current assets	229,848	219,823
Total assets	414,408	401,957
Current liabilities	140,511	129,610
Long-term liabilities	213,319	199,172
Shareholders' equity	201,089	202,785
Working capital (see "Non-IFRS Measures")	89,337	90,213
Working capital ratio (see "Non-IFRS Measures")	1.64	1.70

Working capital

Our working capital decreased by $876 thousand to $89.3 million at March 31, 2013 when compared to $90.2 million at December 31, 2012. 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 March 31, 2013 the ratio is 1.64 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 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.

As at March 31, 2013, inventories had increased by $17.0 million to $189.9 million when compared to December 31, 2012. Used equipment inventories increased $7.5 million to $74.2 million at March 31, 2013 and new equipment increased $6.5 million to $89.1 million. Parts inventories have also increased by $2.6 million to $24.8 million. Work-in-process increased by $447 thousand to $1.7 million. The primary increase in our inventories during the quarter, being both new and used equipment, has been driven by the substantial increase in equipment sales, primarily in our agricultural 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 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 March 31, 2013, 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.

The average time to collect the Company's outstanding accounts receivable was approximately 18 days as at March 31, 2013 (17 days for the year ended December 31, 2012) and no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. 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 decreased by $7 thousand to $1.1 million at March 31, 2013 which represents 4.6% of outstanding trade accounts receivable and 0.2% of gross revenue on an annualized basis. Write-offs during the three month period ended March 31, 2013 amounted to $55 thousand.

Cash and cash equivalents

The Company has approximately $3.8 million in bank indebtedness as at March 31, 2013. The Company's primary sources and uses of cash flow for the three month period ended March 31, 2013 are as follows:

Operating activities

Net cash used in operating activities was $7.9 million compared $15.8 million provided from operating activities for the same period of 2012, representing a decrease in cash provided from operating activities of $23.7 million. The primary reason for this decrease is the use of $10.3 million in cash resources for net repayments of working capital items during the first quarter as compared to $11.5 million of cash that was received on these items in the same period of 2012. The current period use of cash is the result of a $16.9 million increase in inventories, a $1.1 increase in accounts receivable and a $6.8 decrease in accounts payable and customer deposits offset by a $14.5 million increase in floor plan payables.

Investing activities

The Company used $4.7 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $5.8 million, which was somewhat offset by $1.0 million of proceeds received from the disposal of property.

Financing activities

The Company's financing activities provided $4.4 million in net cash flows, primarily from advances from credit facility of $3.8 million, advances of new term debt financing of $2.7 million and the repayment of $358 thousand of deposits previously held by John Deere, offset by the payment of dividends in the amount of $2.6 million.

Contractual obligations

The Company has certain contractual obligations including payments under long-term debt agreements and operating lease commitments. There have been no material changes from the contractual obligations outstanding at December 31, 2012.

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 March 31, 2013 is as follows:

$ thousands	Total amount	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	20,027	8,504	2,556	8,967
Floor plan facilities and rental equipment term loan financing	258,033	92,694	-	165,339
Capital facilities	62,300	24,434	-	37,866
Total	**340,360**	**125,632**	**2,556**	**212,172**

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. 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 the remainder of 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 Finance G.P., GE Commercial Distribution Finance Canada, TCF Commercial Finance Canada Inc., and US Bank. At March 31, 2013, floor plan payables related to inventories were $88.4 million and rental equipment term loan financing was $2.9 million. Floor plan payables at March 31, 2013 represented approximately 46.6% of our inventories (December 31, 2012 – 42.6%). 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.

Capital facilities

Capital facilities consist of capital asset financing for non-rental fleet assets with Toronto-Dominion Bank and Farm Credit Canada.

Outstanding share data

As of the date of this MD&A, there are 14,957 thousand common shares, 83 thousand share options, and 606 thousand deferred shares outstanding. As at March 31, 2013 and 2012, the Company had the following weighted average shares outstanding:

In thousands	2013	2012
Basic weighted average number of shares outstanding	14,918	14,715
Dilutive impact of deferred share plan	606	504
Dilutive impact of share options	11	21
Diluted weighted average number of shares outstanding	**15,535**	**15,240**

During the three month period ended March 31, 2013, 12 thousand common shares were issued through the Company's dividend reinvestment program from the December 31, 2012 dividend paid in January 2013.

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 three month period ended March 31, 2013 ($ thousands, except per share amounts):

Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2013	0.1925	2,877	220	2,657

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.

Taxation

Cervus' dividends declared and paid to March 31, 2013 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 March 31, 2013, payments in arrears by such customers aggregated $151 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 March 31, 2013, the net residual value of such leases aggregated $96.8 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 March 31, 2013. 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 $2.6 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 three month period ended March 31, 2013 and 2012 was:

in $ thousands		2013		2012
Short-term benefits	$	659	$	627
Share-based payments		81		49
Total	**$**	**740**	**$**	**676**

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. 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. Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2012 as filed on SEDAR at **www.sedar.com.** There have been no changes to our critical accounting estimates in the first quarter of 2013.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2013, the Company changed certain of its accounting policies as a result of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other entities, as well as the consequential amendments to IAS 28 Investments in Associates and Joint Ventures (2011), IFRS 13 Fair Value Measurement and IFRS 7 Amendments to Financial Instrument Disclosures. The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013.

BUSINESS RISKS AND UNCERTAINTIES

The Company's business risks and uncertainties remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2012 as filed on SEDAR at **www.sedar.com.**

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 net 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 net 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. We have provided a reconciliation of net profit as determined in accordance with IFRS to EBITDA in the section "Net profit and comprehensive income".

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.