The following Management's Discussion & Analysis ("MD&A") was prepared as of November 12, 2013 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and nine month period ended September 30, 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 September 30, 2013 and the notes contained therein. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 29 John Deere dealership locations with 8 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 10 in New Zealand and 5 in Australia. 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 Equipment Australia Pty Ltd., and its 53.3% owned subsidiary Windmill AG Pty 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 21.45% interest in Maple Farm Equipment Partnership ("Maple") that is based in Saskatchewan and Manitoba which is comprised of 7 John Deere dealerships. The cash flow of Cervus is primarily dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of those limited partnerships to Cervus by means of partnership allocations.

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 $0.1975 per share was made to the shareholders of record as of September 30, 2013 on October 15, 2013. See "Capital Resources - Cautionary note regarding dividends" for a cautionary note regarding future dividends. In addition, in our annual MD&A for the year ended December 31, 2012 we made 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. The outlook regarding these expected tax consequences remains unchanged at September 30, 2013. Our December 31, 2012 annual report and MD&A are filed on SEDAR at www.sedar.com.

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 September 30, 2013, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). Based on this assessment, the CEO and the CFO concluded that, as of September 30, 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 September 30, 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

The record Canadian harvest supports strong farm income levels leading into the 2013-14 crop year. Statistics Canada's October 4, 2013 crop survey reported a canola harvest of 16.0 million tonnes, a 16% increase compared to 2012, and well in excess of the previous record of 14.6 million tonnes in 2011. Likewise, Canadian 2013 wheat production is anticipated to reach 33.0 million tonnes, a 22% increase over 2012 harvest, and exceeding the previous record of 32.1 million tonnes set in 1990.[1] The record harvest is attributed to ideal growing conditions across most of Western Canada in 2013, with strong moisture and above average temperatures more than compensating for late seeding.

The record US corn crop as forecast by the USDA has materialized, with the USDA expecting a record corn crop of 13.8 billion bushels for 2013, substantially above 2012 production of 10.8 billion bushels largely due to favorable growing conditions combined with additional seeded acres.

The exceptional yields throughout North America relieved the inflationary price pressure seen in 2012, with Canadian canola pricing at September 2013 down approximately 21%, and wheat prices at September down 26%, when compared to September 2012. These pricing pressures are partially offset by 2013 yield increases particularly for producers who have on-site storage capacity. Current year yield combined with record farm income levels in 2012, supports a stable outlook for agricultural machinery into the 2014 crop year.

Precipitation in New Zealand is tracking at average levels, after experiencing the worst drought in 40 years in the 2013 crop year. Australian crop outlook is positive with the Australian Bureau of Agriculture forecasting a 7% increase in crop production in the 2013-14 crop year, with particularly favorable weather to date in Southern Australia where the Company's operations are located.

For the first nine months, demand for agriculture equipment in Canada remained strong with industry reports[2] indicating an 8% and 5.5% overall average increase in tractor and combine sales for the nine and three months ended September 30, 2013 compared to the same period in 2012, respectively. For the nine months ended September 30, 2013 the Company has experienced demand significantly exceeding this national average, due to a combination of earlier receipt of equipment from the manufacturer in 2013 compared to 2012, customers' general positive outlook translating to increased demand, and the Company's focused sales efforts in 2013.

Commercial and industrial equipment

In their third quarter 2013 Housing Outlook, CMHC projected a stable construction market in Alberta for 2014 with new home construction increases of 1.8% over 2013, reaching the highest levels since 2010. Regional non-residential construction activity increased by 5.7% in Alberta for the quarter ended September 30, 2013 compared to the same period in 2012. Further, Sproule's forecast price for light Edmonton Par Crude is forecast to remain above $89/bbl through 2018[3]. These positive macro indicators are supported by sector specific indicators, such as commercial equipment rental companies renewing and expanding their rental fleets,[4] a leading indicator of anticipated industry activity. Combined, these factors are positive indicators for the Company's construction and industrial operations, located primarily in Alberta.

[1] Statistics Canada "Production of Principal Field Crops, September 2013" dated October 4, 2013. Statistics Canada will release final 2013 estimates December 4, 2013.
[2] Association of Equipment Manufacturers *September 2013 Flash Report, Canada Unit Retail Sales*
[3] Sproule *Forecasts, September 30, 2013 retrieved from www.sproule.com/forecasts*
[4] United Rentals *Third Quarter 2013 Results.*

According to PACCAR's third quarter press release dated October 29, 2013, year-over-year total US and Canadian heavy truck sales are forecast between 205,000 and 215,000 trucks in 2013, slightly below the July 2013 forecast of 210,000 to 230,000. PACCAR estimates industry total class 8 truck sales between 210,000 to 240,000 units in 2014, consistent with the 225,000 class 8 sold in 2012[5]. Today`s Trucking reports Canadian class 8 truck sales for the 8 months ending August 2013 of 18,400 units, down 11.9% from the 20,900 units sold through the same period in 2012. However, Today`s Trucking reports consistent performance in Saskatchewan for the eight months ended August 2013, with sales of 1,003 class 8 trucks compared to 1,007 for the comparable period of 2012.[6] The Saskatchewan results are consistent with our experience, and we expect consistent performance from our Transportation group through the fourth quarter of 2013 and into 2014 due to a strong Saskatchewan economy and related transportation trucking activity.

Longer term, TD Economics[7] is forecasting national real GDP growth of 2.4% in 2014, down slightly from 2.5% projected in their July 10, 2013 forecast. Regionally, Alberta and Saskatchewan are forecast to nominally exceed these levels, while real GDP for British Columbia is in line with the national average, sustaining the growth in GDP since 2010. We anticipate these broad indicators of sustained economic momentum will provide a solid foundation, supporting favorable industry specific indicators, translating to stable demand for the products represented by the Company's commercial and industrial equipment offerings.

HIGHLIGHTS OF THE QUARTER

- Revenue for the three and nine months ended September 30, 2013 increased by $26.8 million and $123.5 million to $260.8 million and $661.9 million respectively, compared to total revenue of $234.0 million and $538.5 million for the three and nine months ended September 30, 2012.
- Same store revenue for the three and nine month period ended September 30, 2013 increased $12.0 million and $74.3 million, to $246.0 million and $609.1 million respectively, compared to total same store revenue of $234.0 million and $535.0 million for the three and nine months ended September 30, 2012.
- Net profit available to shareholders for the three and nine month period ended September 30, 2013 remained consistent at $8.6 million and increased by $0.3 million to $16.8 million, respectively.

OVERALL PERFORMANCE

During the three month period ended September 30, 2013, revenue grew by $26.8 million or 11.5% to $260.8 million compared to the same period in 2012. This increase is attributable to a revenue increase in the agricultural equipment segment of 8.9% (increase of 0.1% on a same store basis) and a 18.4% increase in revenues in the commercial and industrial equipment segment (18.4% increase on a same store basis).

During the first nine months of 2013 when compared to the same period of 2012, revenue grew by $123.5 million or 22.9% to $661.9 million. This increase is attributable to an increase in revenues in the agricultural equipment segment of 24.9% (16.9% on a same store basis) and an 18.8% increase in revenues in the commercial and industrial equipment segment (7.4% increase on a same store basis).

[5] PACCAR October 29, 2013 press release and January 31, 2013 press release, respectively.
[6] Today's Trucking, *Class 8 Truck Sales,* retrieved October, 31, 2013 from: www.todaystrucking.com
[7] TD Economics: *Quarterly Economic Forecast*, September 25, 2013, and, *Provincial Economic Forecast,* October 11, 2013

Throughout this MD&A, same store results in the commercial and industrial equipment segment exclude the four Peterbilt dealerships and one collision repair center ("Transportation") for the period January to March 2013, as these stores were acquired in March 2012. However, year to date same store sales include the operations of the Transportation group for the months of April through September 2013. In the agricultural segment, same store results exclude the results of the five New Zealand John Deere dealerships that were purchased in July 2012, and the five Australian John Deere dealerships acquired in May of 2013.

Net profit available to shareholders for the three and nine month period ended September 30, 2013 remained consistent at $8.6 million and increased by $0.3 million to $16.8 million, respectively. This performance is primarily due to increased equipment sales volume offset by margin pressure on equipment, increased amortization on trade name intangibles, and increased commission expense on higher unit sales. Selling, general and administrative expenditures increased to 13.5% and decreased to 14.4% of total revenue for the three and nine month period ended September 30, 2013 respectively, compared to 12.7% and 14.8% for the same periods in 2012.

SELECTED QUARTERLY INFORMATION

(in $ thousands, except per share amounts)	**Three Months Ended September 30, 2013**	Three Months Ended September 30, 2012	% change	**Nine Months Ended September 30, 2013**	Nine Months Ended September 30, 2012	% change
Revenues	**260,796**	233,997	11.5%	**661,945**	538,465	22.9%
Gross profit	**47,445**	41,990	13.0%	**120,122**	101,599	18.2%
Gross margin	**18.2%**	17.9%	1.4%	**18.1%**	18.9%	-3.8%
Net profit	**8,741**	8,606	1.6%	**16,954**	16,722	1.4%
Net profit attributable to shareholders	**8,646**	8,606	0.5%	**16,841**	16,534	1.9%
Per share - Basic	**0.58**	0.58	-0.6%	**1.13**	1.12	0.5%
Per share - Diluted	**0.55**	0.56	-1.0%	**1.08**	1.08	0.1%
Cash provided by operating activities	**20,046**	2,936	582.8%	**18,252**	20,467	-10.8%
Per share – Basic	**1.34**	0.20	575.3%	**1.22**	1.39	-12.0%
EBITDA[1]	**17,337**	16,984	2.1%	**38,879**	35,316	10.1%
EBITDA margin [1]	**6.6%**	7.3%	-8.4%	**5.9%**	6.6%	-10.4%
Per share – basic	**1.16**	1.15	1.0%	**2.60**	2.39	8.6%
Dividends declared to shareholders	**2,961**	2,780	6.5%	**8,756**	8,200	6.8%
Per share	**0.20**	0.19	6.7%	**0.59**	0.56	5.4%
Weighted average shares outstanding						
Basic	**14,989**	14,825	1.1%	**14,955**	14,756	1.3%
Diluted	**15,650**	15,416	1.5%	**15,615**	15,344	1.8%
Actual shares outstanding				**14,994**	14,880	0.8%
Closing market price per share				**20.79**	19.60	6.1%
Total assets				**455,311**	418,863	8.7%
Long-term liabilities				**79,493**	75,366	5.5%
Total liabilities				**240,601**	222,477	8.1%
Shareholders' equity				**211,192**	196,086	7.7%
Net book value per share - diluted				**13.52**	12.78	5.8%

RECASTING OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

In the process of preparing equipment for sale, Cervus incurs costs for parts and technician time related to configuration of new equipment and refurbishment of used equipment. The costs vary by division and equipment model, and are incidental to the market value of individual pieces of machinery.

Upon analysis during the quarter, it was determined that the labour and parts related to preparing equipment for sale have been added to the carrying value of equipment inventory at their market value, not at the cost to Cervus. When the equipment inventory is sold to the end customer, the difference reverses and there is no remaining impact to the financial statements. However, for items which remain in inventory at a period end, the previous treatment resulted in a premature recognition of gross margin on the parts and service related to preparing equipment for sale, and overstatement of inventory by an equal amount.

The impact of the previous treatment described above is not material to any individual period, and therefore the Company has recast prior periods. Recasting adjusts prior period amounts for consistency with the prospective treatment, where parts and service revenue related to preparing equipment for sale is not recognized until third party sale. The following adjustments have been made in the corresponding periods compared to presentation under the previous treatment:

Impact on Comprehensive Income for Period (in $ thousands)	**Prior to January 1, 2012**	**Three months ended September 30, 2012**	**Nine months ended September 30, 2012**	**Year ended December 31, 2012**	**Three months ended September 30, 2013**	**Nine months ended September 30, 2013**
Revenue						
Parts	-	(238)	(817)	(913)	201	(633)
Service	-	(445)	(1,834)	(1,746)	169	(1,578)
Cost of Goods Sold						
Parts	-	(171)	(591)	(663)	144	(481)
Service	-	(166)	(656)	(627)	58	(596)
Income tax recovery (expense)	-	117	455	412	(46)	248
Comprehensive income impact in period	-	**(230)**	**(950)**	**(957)**	**121**	**(886)**

Cumulative Impact on Financial Position as at: (in $ thousands)	**Prior to January 1, 2012**	**September 30, 2012**	**December 31, 2012**	**September 30, 2013**
Inventory				
New inventory	(1,238)	(2,217)	(2,185)	(2,820)
Used inventory	(463)	(888)	(883)	(1,384)
Deferred income tax asset	517	972	929	1,177
Retained earnings	(1,184)	(2,133)	(2,141)	(3,027)

RESULTS OF OPERATIONS

Revenues

Revenues by segment: (in $ thousands)	Three Months Ended			Nine Months Ended		
	September 30, 2013	September 30, 2012	%change	**September 30, 2013**	September 30, 2012	%change
Agricultural equipment						
Equipment						
New	**85,634**	91,824	-6.7%	**240,491**	192,205	25.1%
Used	**61,789**	50,114	23.3%	**131,985**	107,527	22.7%
Total equipment	**147,423**	141,938	3.9%	**372,476**	299,732	24.3%
Parts	**24,566**	18,629	31.9%	**50,850**	40,247	26.3%
Service	**12,461**	8,836	41.0%	**28,570**	21,879	30.6%
Rental and other	**652**	638	2.2%	**2,376**	1,819	30.6%
Total for segment	**185,102**	170,041	8.9%	**454,272**	363,677	24.9%
Commercial and industrial equipment						
Equipment						
New	**43,002**	33,651	27.8%	**113,967**	97,688	16.7%
Used	**4,600**	4,706	-2.3%	**11,155**	12,439	-10.3%
Total equipment	**47,602**	38,357	24.1%	**125,122**	110,127	13.6%
Parts	**16,245**	14,409	12.7%	**47,743**	36,023	32.5%
Service	**8,777**	7,751	13.2%	**26,643**	20,983	27.0%
Rental and other	**3,070**	3,439	-10.7%	**8,165**	7,655	6.7%
Total for segment	**75,694**	63,956	18.4%	**207,673**	174,788	18.8%
Total	**260,796**	233,997	11.5%	**661,945**	538,465	22.9%

Agricultural equipment

Revenue for our agricultural equipment segment increased by $15.1 million or 8.9% (increased $0.2 million or 0.1% on a same store basis) for the three month period ended September 30, 2013 when compared to the same period of 2012. For the nine months ended September 30, 2013 revenue increased $90.6 million or 24.9% over the same period in 2012, and increased $61.6 million or 16.9% year to date on a same store basis.

Used equipment sales revenue comprised the largest portion of the current period variance, increasing by $11.7 million or 23.3% ($9.1 million or 18.1% on a same store basis) for the three months ended September 30, 2013, and increased $19.7 million or 18.3% year to date on a same store basis. New equipment sales decreased by $6.2 million or 6.7% (decreased $14.6 million or 15.9% on a same store basis) for the three months ended September 30, 2013, and increased $48.3 million or 25.1% year to date (increased $32.4 million or 16.9% year to date on a same store basis).

The primary decline in new sales in the three months ended September 30, 2013 relates to sales of two and four wheel drive tractors combined with harvesting equipment. Equipment from the OEM was received earlier in 2013 than in 2012, and was in turn delivered to the customer earlier in 2013. This is evidenced by same store revenues of tractors and harvesting equipment for the six months ended June 30, 2013 being 86% higher than the six months ended June 30, 2012, declining to a 19% increase for the nine months ended September 30, 2013.

Despite the impact of inventory timing, the Company has experienced significant growth in this sector with 19% year to date growth substantially exceeding the industry trends observed by the Association of Equipment Manufacturers. This growth is due to customers' general positive outlook translating to increased demand, and the Company's continued focused sales efforts in 2013.

Our parts and service revenue has increased by $9.5 million or 34.8% (increase of $5.7 million or 20.9% on a same store basis) for the three months ended September 30, 2013, and $17.3 million or 27.8% year to date (increase of $9.0 million or 14.4% year to date on a same store basis). The increase in same store parts and service sales for 2013 year to date is primarily due to an 11% increase in the monthly average number of technicians employed compared to 2012 year to date, combined with strong maintenance and repair demand.

Commercial and industrial equipment

For the commercial and industrial segment, same store financial measures are the same as total financial measures for the three months ended September 30, 2013, as Transportation was purchased in March 2012 and is included in the comparative figures for the three months ended September 30, 2012. Likewise year to date results of Transportation for January through March 2013 have been excluded from the same store results as Transportation was not owned by the Company in the first quarter of 2012.

Revenue from our commercial and industrial segment increased by $11.7 million or 18.4% for the three month period ended September 30, 2013 when compared to the same period of 2012, and $32.8 million or 18.8% year to date. Year to date, same store revenue has increased $12.7 million or 7.4% over the same period in 2012.

New equipment sales have increased by $9.4 million or 27.8% for the three month period ended September 30, 2013 when compared to the same period of 2012. This increase in our new equipment sales is primarily attributable to new sales increases within our Construction group, specifically a $5.0 million increase in sales of our mulcher line in the quarter. Same store new sales for year to date 2013 increased $7.6 million or 7.9% compared to 2012, primarily due the same factors impacting the three months ended September 30, 2013.

Used equipment sales have held constant, with a $0.1 million or 2.3% decrease during the three month period ended September 30, 2013 when compared to the same period of 2012, and decreased $1.3 million or 10.3% year to date, (decrease of $2.7 million or 22.7% on a same store basis year to date). The revenue decrease in used equipment primarily relates to intentionally reducing the emphasis on used equipment within our Transportation group.

For the three months ended September 30, 2013, parts and service revenues have increased $2.9 million or 12.9% compared to the same period in 2012, and $7.6 million or 13.6% for same store year to date. Increases in parts and service revenues reflect increased industry activity, facilitated by an 8.6% increase in the number of service technicians employed.

GROSS PROFIT

Gross profit margin by segment:	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Agricultural equipment - gross profit $	**$ 29,609**	$ 27,913	**$ 70,390**	$ 60,460
Commercial and industrial equipment - gross profit $	**17,836**	14,077	**49,732**	41,139
Total gross profit dollars	**$ 47,445**	$ 41,990	**$ 120,122**	$ 101,599
Agricultural equipment - gross profit %	**16.0%**	16.4%	**15.6%**	16.8%
Commercial and industrial equipment - gross profit %	**23.6%**	22.0%	**24.0%**	23.7%
Total gross profit percent	**18.2%**	17.9%	**18.3%**	19.0%

Agricultural equipment

For the three months ended September 30, 2013, gross margin percentage declined by 0.4% to 16.0% compared to 16.4% in 2012, and declined 1.2% to 15.6% year to date. Same store gross margin for the three months ended September 30, 2013 declined 0.8% to 15.8% compared to 16.4% in 2012, and declined 1.4% to 15.2% year to date. The change in same store gross margin for the three months ended September 30, 2013 was driven primarily by a reduction in gross margin of 1.8% and 2.1% on new and used equipment respectively, compared to the three months ended September 30, 2012. Year to date September 30, 2013, same store gross margin decreased 1.2% and 1.4% on new and used equipment respectively.

Gross profit dollars increased by $1.7 million or 6.1% (same store decreased $1.0 million or 3.5%) during the three month period ended September 30, 2013 when compared to the same period of 2012, and increased $4.2 million or 6.8% same store year to date.

The change in gross profit percentage is attributable to increased competition in the market reflected in tightening of gross margin on new and used equipment, compounded with what we consider to be high used inventory levels across the industry, partially offset by strong parts and service performance.

Commercial and industrial equipment

Gross profit dollars have increased by $3.8 million or 26.7% for the three month period ending September 30, 2013 primarily due to increased new sales revenue and increased gross margin across all revenue streams. We attribute the improved gross margin to a stronger industry outlook compared to the three months ended September 30, 2012 combined with a focus on account management and strong demand for used equipment. As a result, gross margin percentage increased 1.6% to 23.6% compared to 22.0% for the three months ended September 30, 2012. Year to date gross profit dollars on a same store basis have increased $4.2 million to $44.5 million while gross margin percentage increased 0.7% to 24.2%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses by segment: (in $ thousands)	Three Months Ended			Nine Months Ended		
	September 30, 2013	September 30, 2012	% change	**September 30, 2013**	September 30, 2012	% change
Agricultural equipment						
Selling, general and administrative	**19,284**	16,151	19.4%	**49,677**	41,420	19.9%
Depreciation and amortization	**1,127**	850	32.6%	**3,034**	2,623	15.7%
Total for segment	**20,411**	17,001	20.1%	**52,711**	44,043	19.7%
Commercial and industrial equipment						
Selling, general and administrative	**13,051**	11,858	10.1%	**38,363**	33,235	15.4%
Depreciation and amortization	**1,667**	945	76.4%	**4,495**	2,620	71.6%
Total for segment	**14,718**	12,803	15.0%	**42,858**	35,855	19.5%
Total	**35,129**	29,804	17.9%	**95,569**	79,898	19.6%
% of revenue						
Agricultural equipment	**11.0%**	10.0%	10.3%	**11.6%**	12.1%	-4.2%
Commercial and industrial equipment	**19.4%**	20.0%	-2.9%	**20.6%**	20.5%	0.6%
Total	**13.5%**	12.7%	5.8%	**14.4%**	14.8%	-2.7%

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $3.4 million or 20.1% for the three month period ended September 30, 2013 primarily due to the inclusion of Windmill in the current quarter. Year to date, SG&A has increased $8.3 million or 19.9% compared to the nine months ended September 30, 2012, primarily due to inflationary adjustments on wages, inclusion of Windmill and marketing initiatives. Total selling, general, and administrative expenses as a percentage of revenue have increased to 11.0% for the three months ended September 30, 2013, from 10.0% in the same period in 2012 (year to date decrease to 11.6% compared to 12.1% in the prior year).

On a same store basis for the three months ended September 30, 2013 selling, general, and administrative expenses decreased $0.3 million or 1.8% to $16.7 million compared to $17.0 million in the prior period (year to date same store increased $2.7 million or 6.2% to $46.8 million, from $44.1 million in 2012). The increase year to date is primarily attributed to additional personnel combined with cost of living adjustments in wages, and marketing costs associated with the Company's branding initiative.

Commercial and industrial equipment

The commercial and industrial equipment segment's selling, general and administrative expenses increased $1.9 million or 15% for the three month period ended September 30, 2013 when compared to the same period of 2012. The increase was attributable to accelerated amortization, branding costs and cost of living adjustments in wages.

Year to date, selling, general and administrative expenses have increased $7.0 million or 19.5% compared to year to date 2012, primarily due to the inclusion of Transportation for the entire period in 2013, accelerated amortization, and branding costs. Same store selling, general and administrative expense for the nine months ended September 30, 2013 increased $3.1 million or 8.8% to $38.4 million from $35.3 million for the same period of 2012, primarily due to additional amortization related to trade name intangibles, combined with branding and marketing initiatives.

FINANCE INCOME

Total finance income was $0.1 million for the three month period ended September 30, 2013 compared to $0.3 million for the same period of 2012, and $0.4 million for the nine months ended September 30, 2013 compared to $1.0 million for the prior year, primarily due to non-recurring interest receipts in 2012 related to short term investment of debenture proceeds. Finance income is comprised of interest earned on customer accounts receivable, contract lease receivables and held-to-maturity investments.

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. 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.

Interest by segment:	Three Months Ended			Nine Months Ended		
(in $ thousands)	**September 30, 2013**	September 30, 2012	% change	**September 30, 2013**	Nine Months Ended	% change
Agricultural equipment						
Interest expense	**1,071**	824	30.0%	**3,061**	1,685	81.7%
Interest in cost of sales	**(23)**	45	-151.1%	**130**	148	-12.2%
Total for segment	**1,048**	869	20.6%	**3,191**	1,833	74.1%
Commercial and industrial equipment						
Interest expense	**803**	629	27.7%	**2,218**	1,359	63.2%
Interest in cost of sales	**82**	14	485.7%	**109**	85	28.2%
Total for segment	**885**	643	37.6%	**2,327**	1,444	61.1%
Total	**1,933**	1,512	27.8%	**5,518**	3,277	68.4%
% of revenue	**0.74%**	0.65%	14.7%	**0.83%**	0.61%	37.0%

For the three and nine months ended September 30, 2013 total interest expense has increased $0.4 million and $2.2 million, respectively. The balance of this increase is attributable to the Company's outstanding debenture issued in July 2012, whereby the Company issued $34.5 million of 6% convertible debentures. The convertible debentures including interest payable, costs and conversion feature, have an effective interest rate of 9.1%. The interest expense on these debentures, for the three and nine months ended September 30, 2013 was $0.7 million and $2.1 million respectively, equally allocated between the two segments.

The remainder of interest expense is attributable to higher inventory levels in both segments, offset by a lower percentage of total inventories being floor planned. Inventory levels at September 30, 2013 have increased 30.5% from September 30, 2012. Floor plan liabilities as a percentage of inventories at September 30, 2013 were 48.1% compared to 56.5% at September 30, 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 three months ended September 30, 2013 was $0.4 million (three months ended September 30, 2012 - $0.3 million) compared to $1.1 million year to date (nine months ended September 30, 2012 - $0.9 million).

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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.

Net profit by segment:	**Three months ended**			**Nine Months Ended**		
(in $ thousands except net earnings per share)	**September 30, 2013**	September 30, 2012	% change	**September 30, 2013**	September 30, 2012	% change
Agricultural equipment segment	**6,903**	7,273	-5.1%	**12,655**	12,671	-0.1%
Adjust for loss (income) from non-controlling interest	**(95)**	-	-100.0%	**(113)**	(188)	-40.0%
Net profit attributable to shareholders from agricultural equipment segment	**6,808**	7,273	-6.4%	**12,542**	12,483	0.5%
Commercial and industrial equipment	**1,838**	1,333	37.9%	**4,299**	4,051	6.1%
Net profit attributable to shareholders	**8,646**	8,606	0.5%	**16,841**	16,534	1.9%
Profit as a % of total segment revenues						
Agricultural equipment	**3.7%**	4.3%	-14.0%	**2.8%**	3.4%	-19.6%
Commercial and industrial equipment	**2.4%**	2.1%	16.5%	**2.1%**	2.3%	-10.7%
Total	**3.3%**	3.9%	-15.0%	**2.5%**	**3.1%**	-17.1%
Net earnings per share by segment:						
Shares outstanding – basic	**14,989**	14,825	1.1%	**14,955**	14,756	1.3%
Agricultural equipment	**0.46**	0.49	-5.4%	**0.84**	0.85	-0.9%
Commercial and industrial equipment	**0.12**	0.09	36.4%	**0.29**	0.27	4.7%
Total	**0.58**	0.58	-0.6%	**1.13**	1.12	0.5%

Total net profit available to shareholders has remained consistent, increasing $40 thousand for the three months ended September 30, 2013 compared to the same period in the prior year, driven by the variances as discussed in preceding analysis. A significant driver of this variance is the overall $5.3 million increase in selling, general and administrative costs, primarily related to a $3.4 million increase on the inclusion of Windmill, increased branding and marketing costs of $0.8 million, and $1.6 million of increased amortization on trade name intangibles, slightly offset by reduced sales commissions on lower sales margins. This overall increase in selling general and administrative expense, negated the $5.5 million increase in overall gross margin dollars that was achieved in the three months ended September 30, 2013 compared to the same period in 2012.

COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS

The Company has two foreign subsidiaries, Ag New Zealand, and Windmill, which upon consolidation, result in unrealized gains and losses on the currency translation of financial statements of foreign operations which use a currency other than the Canadian dollar as their functional currency. As a result, recoveries of $0.9 million and $0.2 million have been recorded as other comprehensive income for the three and nine month period ended September 30, 2013 respectively (losses of $0.4 and $0.3 million for the three and nine months ended September 30, 2012 respectively). This translation adjustment is the only difference between the profit for the period and total comprehensive profit for the period.

EBITDA (SEE "NON-IFRS FINANCIAL MEASURES")

EBITDA by segment:	Three Months Ended			Nine Months Ended		
(in $ thousands, except %)	September 30, 2013	September 30, 2012	% change	September 30, 2013	September 30, 2012	% change
Agricultural equipment						
Net profit	**6,903**	7,273	-5.1%	**12,655**	12,671	-0.1%
Add:						
Interest	**1,048**	869	20.6%	**3,191**	1,834	74.0%
Income taxes	**2,619**	3,969	-34.0%	**5,002**	5,350	-6.5%
Depreciation and amortization	**1,127**	850	32.6%	**3,034**	2,623	15.7%
Depreciation and amortization in cost of sales	**(25)**	202	-112.4%	**586**	674	-13.1%
EBITDA for segment	**11,672**	13,163	-11.3%	**24,468**	23,152	5.7%
% of segment revenue	**6.3%**	7.7%		**5.4%**	6.4%	
Commercial and industrial equipment						
Net profit	**1,838**	1,333	37.9%	**4,299**	4,051	6.1%
Add:						
Interest	**885**	643	37.6%	**2,327**	1,444	61.1%
Income taxes	**695**	398	74.7%	**1,681**	2,516	-33.2%
Depreciation and amortization	**1,667**	945	76.4%	**4,495**	2,620	71.6%
Depreciation and amortization in cost of sales	**580**	502	15.5%	**1,609**	1,533	5.0%
EBITDA for segment	**5,665**	3,821	48.3%	**14,411**	12,164	18.5%
% of segment revenue	**7.5%**	6.0%		**6.9%**	7.0%	
Total EBITDA	**17,337**	16,984	2.1%	**38,879**	35,316	10.1%
% of revenue	**6.6%**	7.3%		**5.9%**	6.6%	

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 and nine month period ended September 30, 2013, EBITDA increased $0.4 million and $3.6 million respectively when compared to the same periods in 2012. EBITDA increase for the three months ended September 30, 2013 is a factor of increased revenues, offset by decreased gross margin percentage and increased selling, general, and administrative expenses as detailed herein.

SUMMARY OF QUARTERLY RESULTS

(in $ thousands, except per share amounts) (Recast)	**September 30, 2013**	June 30, 2013	March 31, 2013	December 31, 2012
Revenues	**260,796**	253,858	147,290	193,121
Profit (loss) attributable to the shareholders	**8,646**	8,318	(124)	6,907
Gross margin percentage	**18.2%**	17.7%	18.8%	19.3%
Basic earnings per share	**0.58**	0.56	(0.01)	0.46
Diluted earnings per share	**0.55**	0.53	(0.01)	0.45
Weighted average shares outstanding				
- Basic	**14,989**	14,956	14,918	14,895
- Fully diluted	**15,650**	15,576	15,535	15,513

(in $ thousands, except per share amounts) (Recast)	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Revenues	233,997	195,753	108,714	141,187
Profit attributable to the shareholders	8,606	7,098	825	4,312
Gross margin percentage	17.9%	19.0%	20.7%	19.9%
Basic earnings per share	0.58	0.48	0.06	0.29
Diluted earnings per share	0.56	0.46	0.05	0.28
Weighted average shares outstanding				
- Basic	14,825	14,719	14,715	14,699
- Fully diluted	15,416	15,278	15,240	15,211

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 and Australia 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 quarters ended March 31, 2013 and December 31, 2012, when compared to corresponding quarters in prior years is due to the acquisition of Transportation in March 2012 and same store increases in profit experienced by the agricultural equipment segment.

LIQUIDITY

(in $ thousands, except ratio amounts)	**September 30, 2013**	December 31, 2012
Current assets	**274,878**	216,753
Total assets	**455,311**	399,816
Current liabilities	**161,108**	129,610
Long-term liabilities	**79,493**	199,172
Shareholders' equity	**211,192**	200,644
Working capital (see "Non-IFRS Measures")	**113,770**	87,143
Working capital ratio (see "Non-IFRS Measures")	**1.71**	1.67

Working capital

Our working capital increased by $26.6 million to $113.8 million at September 30, 2013 when compared to $87.1 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 September 30, 2013 the ratio is 1.71 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 September 30, 2013, inventories had increased by $40.6 million to $210.4 million when compared to December 31, 2012. Used equipment inventories increased $11.5 million to $77.2 million at September 30, 2013 and new equipment increased $23.4 million to $103.8 million. Parts inventories have also increased by $4.8 million to $27.1 million. Work-in-process increased by $1.1 million to $2.3 million. The increase in our new and used inventories during the nine months ended September 30, 2013, is primarily attributable to seasonality augmented by the substantial equipment demand year to date, 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 September 30, 2013, the Company believes that the recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve has been recorded or is required.

The rolling twelve month average time to collect the Company's outstanding accounts receivable was approximately 19 days as at September 30, 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 increased by $38 thousand to $1.2 million at September 30, 2013 which represents 4.3% of outstanding trade accounts receivable and 0.1% of gross revenue on an annualized basis. Recoveries and write-offs of allowance for doubtful accounts during the three and nine month period ended September 30, 2013 amounted to a $195 thousand recovery and $80 thousand write-off respectively.

Cash and cash equivalents

The Company is not in an overdraft position as at September 30, 2013. The Company's primary sources and uses of cash flow for the three and nine month period ended September 30, 2013 is as follows:

Operating activities

Net cash provided by operating activities for the three months ended was $20.0 million compared to $2.9 million provided from operating activities for the same period of 2012, representing an increase in cash provided from operating activities of $17.1 million. This increase is primarily attributable to $17.4 million positive changes in working capital, related to reduction of inventory in the current period of $13.3 million compared to the inventory balance at June 30, 2013.

For the nine months ended September 30, 2013 operating activities resulted in $18.3 million source of cash compared to a $20.5 million source of cash in year to date 2012, a net change of $2.2 million. This change in cash primarily relates to reductions in non-cash working capital for the nine months ended September 30, 2013 compared to the same period in 2012.

Investing activities

For the three months ended September 30, 2013, the Company generated $3.0 million of net cash from investing activities compared to a use of cash of $4.0 million for the same period in 2012. Primary uses of cash were $4.7 million of capital additions, related to the construction of a replacement Agriculture dealership near Calgary, Alberta, offset by $4.9 million of proceeds on assets held for sale which were received on the sale of excess land at the new Calgary area dealership location.

For the nine months ended September 30, 2013 investing activities resulted in a $9.6 million use of cash compared to a $39.0 million use of cash for the same period in 2012. Uses of cash for the period were $11.9 million of capital additions primarily related to replacement of service vehicles and commercial rental fleets, and $7.3 million of land and building additions including the Calgary area dealership. Sources of cash were primarily $4.9 million of proceeds on the sale of excess land at the new Calgary area dealership location, and $4.2 million of proceeds primarily related to disposal of rental fleet and service vehicles.

Financing activities

For the three months ended September 30, 2013, the Company's financing activities used $6.5 million of cash, compared to $24.2 million generated in the corresponding period in 2012. Use of cash in the current period primarily relates to the payment of dividends of $2.5 million and repayment of floor plan financing of $7.7 million, offset $3.7 million of proceeds from debt primarily related to the construction of a replacement Agriculture dealership near Calgary, Alberta.

Net cash flows from financing activities for the nine months ended September 30, 2013 used $0.2 million compared to a source of $32.6 million in the comparative period of 2012. The primary uses of cash for the nine months ended September 30, 2013 related to payment of dividends of $7.8 million, offset by proceeds on term debt of $7.1 million related to construction of the replacement facilities near Calgary, Alberta.

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 September 30, 2013 is as follows:

(in $ thousands)	Total amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	20,551	1,799	2,556	-	16,196
Floor plan facilities and rental equipment term loan financing	322,183	111,023	-	75,095	136,065
Capital facilities	72,943	36,239	-	-	36,704
Total	**415,677**	**149,061**	**2,556**	**75,095**	**188,965**

Operating and other bank credit facilities

Operating and other bank credit facilities include the Canadian amounts as well as the New Zealand and Australian 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 John Deere Financial Inc. ("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 September 30, 2013, floor plan payables related to inventories were $101.0 million and rental equipment term loan financing was $10.0 million. Floor plan payables at September 30, 2013 represented approximately 48.1% of our inventories (December 31, 2012 – 43.3%). Floor plan payables fluctuate significantly from quarter to quarter due to fluctuation in inventory levels and 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, Farm Credit Canada, and Affinity Credit Union.

Outstanding share data

As of the date of this MD&A, there are 15,005 thousand common shares, 71 thousand share options, and 653 thousand deferred shares outstanding. As at September 30, 2013 and 2012, the Company had the following weighted average shares outstanding:

	Three months ended		Nine Months Ended	
(in thousands)	**September 30, 2013**	September 30, 2012	**September 30, 2013**	September 30, 2012
Basic weighted average number of shares outstanding	**14,989**	14,825	**14,955**	14,756
Dilutive impact of deferred share plan	**653**	561	**653**	561
Dilutive impact of share options	**8**	30	**7**	27
Diluted weighted average number of shares outstanding	**15,650**	15,416	**15,615**	15,344

During the three month period ended September 30, 2013, 23 thousand common shares were issued through the Company's dividend reinvestment program from the June 30, 2013 dividend paid in July 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 and nine month periods ended September 30, 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
June 28, 2013	0.1950	2,918	431	2,487
September 30, 2013	0.1975	2,961	240	2,721
Total		**8,756**	**891**	**7,865**

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 September 30, 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 Financial 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 September 30, 2013, payments in arrears by such customers aggregated $135 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with John Deere Financial for the net residual value of the lease outstanding at the maturity of the contract. At September 30, 2013, the net residual value of such leases aggregated $115.6 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. John Deere Financial retains 1% of the face amount of the finance or lease contract for amounts that the Company owes John Deere Financial 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 $2.4 million at September 30, 2013. John Deere Financial reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, John Deere Financial refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to John Deere Financial 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 and nine month periods ended September 30, 2013 and 2012 was:

	Three months ended		Nine Months Ended	
(in $ thousands)	**September 30, 2013**	September 30, 2012	**September 30, 2013**	September 30, 2013
Short-term benefits	**$ 321**	$ 294	**$ 1,573**	$ 1,176
Share-based payments	**158**	180	**285**	259
Total	**$ 479**	$ 474	**$ 1,858**	$ 1,435

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 for the nine months ended September 30, 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.