Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2015 to March 31, 2015

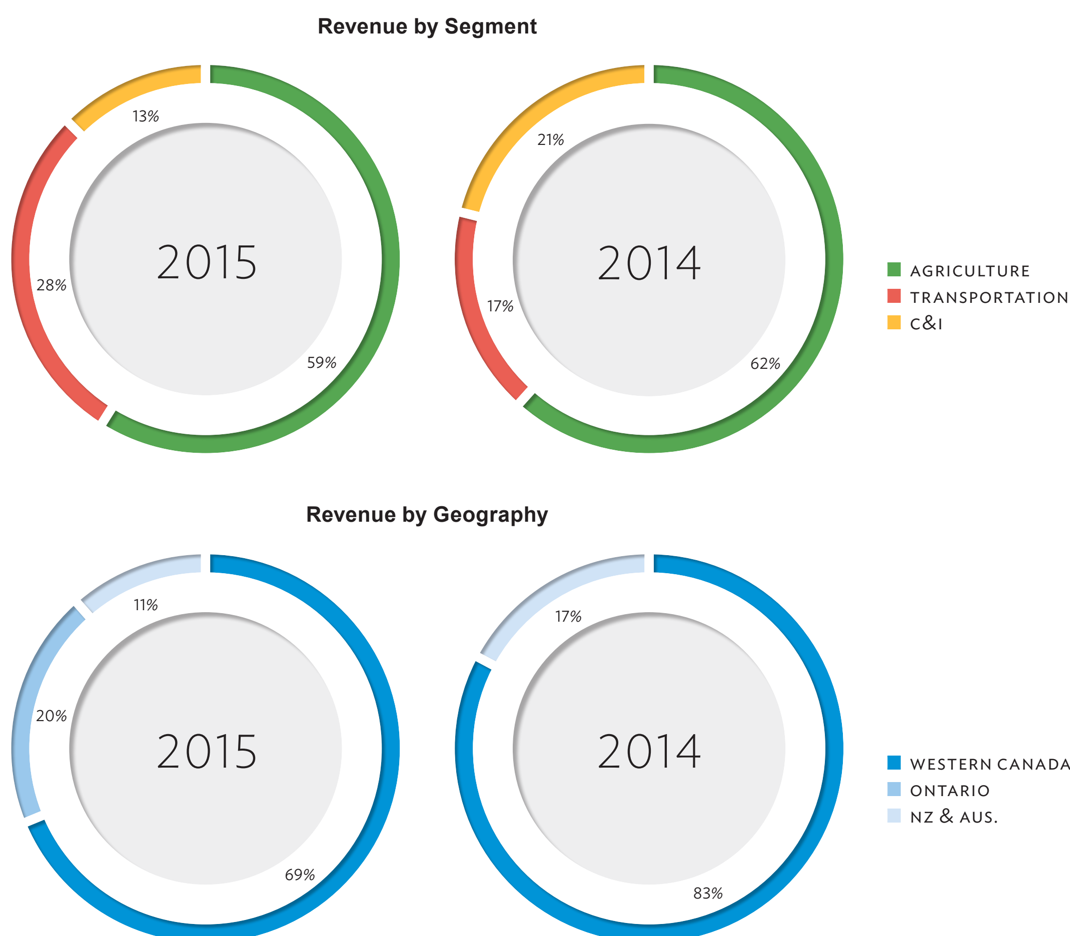
The following Management's Discussion & Analysis ("MD&A") was prepared as of May 12, 2015 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three month period ended March 31, 2015 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the period ended March 31, 2015 and notes contained therein. The accompanying interim 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. During the fourth quarter of 2014, the Company realigned its operating segments as a result of changes to the governance and organizational structure resulting from the acquisition of 13 Ontario Peterbilt dealerships. The Company realigned the operating segments to be the following: Agricultural, Transportation, and Commercial and Industrial ("C&I") segments comprised of dealerships based on the industry which they serve. While Cervus continues to operate all segments under a unified corporate strategy, the expansion of Peterbilt operations and the appointment of a vice-president dedicated to Transportation operations, caused changes in how management presents and reviews information for financial reporting and management decision making purposes. Each segment continues to operate under the same unified Cervus brand and values, but are managed separately, providing segment leaders latitude to make strategic decisions relevant to the markets they serve. All prior period disclosure has been updated to reflect changes in operating segments, and certain amounts have been reclassified to conform to the current year presentation.



The Agricultural equipment segment consists of interests in 42 John Deere dealership locations with 14 in Alberta, 11 in Saskatchewan, 1 in British Columbia, 1 in Manitoba, 9 in New Zealand and 6 in Australia. Of the 42 John Deere Dealerships, 35 are wholly owned, and the Company holds a minority interest in 7.

The Commercial and Industrial ("C&I") equipment segment consists of 15 dealership locations with 12 Bobcat/ JCB, Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba.

The Transportation segment consists of 18 dealership locations with 4 Peterbilt truck dealerships and 1 collision repair center operating in Saskatchewan, and 13 Peterbilt truck dealerships operating in Ontario.

Note Regarding Forward-Looking Statements

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

The most recent quarterly dividend payment of $0.2125 per share was made to the shareholders of record as of March 31, 2015 on April 15, 2015. See “Capital Resources - Cautionary note regarding dividends” for a cautionary note regarding future dividends.

Highlights of the Quarter

- Revenues increased $71.5 million and gross profit dollars increased $11.2 million compared to three months ended March 31, 2014. Same store revenues decreased $11.0 million.
- SG&A as a percentage of revenue decreased to 18.6% in the first quarter of 2015, compared to 19.8% in the three months ended March 31, 2014.
- Income from operating activities increased $0.5 million in the Agriculture segment. Overall income from operating activities for the three months ended March 31 decreased $2.5 million resulting in a loss of $1.1 million, which included a $1.3 million loss on unrealized foreign exchange.
- Profit available to shareholders decreased $0.7 million when excluding $1.3 million of unrealized loss on foreign exchange.
- Earnings before interest, taxes, depreciation, and amortization (“EBITDA”) increased 2% to $4.1 million.

Update on Canada Revenue Notice of Objection

On March 4, 2014, the Company received a proposal letter from the Canada Revenue Agency ("CRA") indicating that they intended to challenge Cervus's tax filing positions stemming from the conversion of the Company from a limited partnership structure into a business corporation in October 2009 (the "Conversion").

On May 4, 2015, the Company reached an agreement with CRA to adjust certain of the Company's tax pools stemming from the Conversion. The agreement results in:

- The Company not owing any federal cash taxes for the years 2009 through 2014;
- The Company carrying forward into the 2015 tax year federal tax pools approximating $2.4 million of cash tax savings to apply against income taxes payable in 2015 and subsequent tax years;
- The Company will impair $32.1 million of deferred income tax assets recognized at December 31, 2014, which will be recorded through a non-cash charge to earnings in the quarter ended June 30, 2015, as these tax pools initially recognized on the Conversion will not be available for deduction against taxable income subsequent to December 31, 2014.
- The Company owing $3.4 million of provincial cash taxes due as of December 31, 2014.

As a result of the agreement, the Company also has carryforward capital losses available to offset approximately $39.7 million of net taxable capital gains in 2015 and subsequent tax years. However, due to uncertainty regarding the future occurrence of taxable income on account of capital, the Company will not recognize these capital loss carryforwards, consistent with past practice.

First Quarter Consolidated Performance

Throughout this MD&A, same store results for the first quarter of 2015 in the Agricultural segment exclude the results of six John Deere dealerships acquired in 2014 during the months of October and December. Further, Agricultural segment same store results exclude the consolidated results of Deer Star Systems Inc. ("Deer Star"), as Cervus did not own a majority interest in these operations for the comparative period in 2014. For the Transportation segment, same store results for the first quarter of 2015 exclude the results of thirteen Peterbilt dealerships acquired in August 2014.

	Three months period ended March 31				
	Total 2015		2015 Same Store		
($ thousands, except per share amounts)	2015	% Change Compared to 2014	2015 Same Store[1]	% Change Compared to 2014	2014
Revenue	**238,422**	43%	155,903	(7%)	166,889
Cost of sales	**(194,110)**	(45%)	(123,612)	8%	(133,768)
Gross profit	**44,312**	34%	32,291	(3%)	33,121
Other income	**153**	(88%)	445	(65%)	1,281
Unrealized foreign exchange gain (loss)	**(1,326)**		(604)		11
Total other income	**(1,173)**	(191%)	(159)	(112%)	1,292
Selling, general and administrative expense	**(44,271)**	(34%)	(32,411)	2%	(33,088)
(Loss) income from operating activities	**(1,132)**	(185%)	(279)	(121%)	1,325
Finance income	**57**	6%	56	4%	54
Finance costs	**(2,643)**	(60%)	(1,804)	(9%)	(1,652)
Share of profit (loss) of equity accounted investees, net of income tax	**321**	145%	321	145%	(714)
Loss before income tax expense	**(3,397)**	(244%)	(1,706)	(73%)	(987)
Income tax recovery	**422**	83%	212	(8%)	230
Loss for the period	**(2,975)**	(293%)	(1,494)	(97%)	(757)
Loss attributable to shareholders	**(2,896)**	(248%)	(1,415)	(70%)	(833)
EBITDA[1]	**4,128**	2%	3,465	(15%)	4,053
EBITDA margin[1]	**1.7%**		2.2%		2.4%
Ratios as a percentage of revenue:					
Gross profit margin	**18.6%**		20.7%		19.8%
Selling, general and administrative	**18.6%**		20.8%		19.8%
Loss per share					
Basic	(0.19)	(217%)	(0.09)	(50%)	(0.06)
Diluted	(0.18)	(260%)	(0.09)	(80%)	(0.05)

[1] - Refer to Non-IFRS Measures herein

Operating Summary

Loss before income tax expense increased $2.4 million, primarily on $1.3 million of unrealized foreign currency losses, economic factors impacting our C&I and Saskatchewan Transportation operations, and higher interest on acquisition related financing, partially offset by a $1.0 million of increased earnings from equity investments.

Same Store Highlights

On a same store basis, loss before income tax increased $0.7 million, primarily due to a $1.6 million decrease in operating income offset by a $1.0 million increase in earnings from equity investments. Loss from operating activities increased due to $0.6 million of unrealized foreign currency exchange loss in Transportation operations, and regional economic factors reducing activity in the oil and gas sector, which impacted equipment demand in our C&I operations and Saskatchewan Transportation. Unrealized foreign exchange fluctuations relate to floorplan payables denominated in US dollars, and are not realized until the payable is settled. The Company has implemented processes to limit the impact of realized exchange gains and losses. Partially offsetting these decreases was a $0.3 million increase in Agriculture same store operating income.

Acquisition Performance

Acquisitions recorded a loss before income tax expense of $1.7 million in the first quarter of 2015, primarily due to $0.7 million loss on unrealized foreign currency exchange, and $0.8 million of incremental interest on floorplan and acquisition financing. Acquisitions contributed $82.5 million of incremental revenue in the period and contributed $0.7 million incremental EBITDA.

First Quarter Business Segment Performance

The Company has three reportable segments: Agricultural, Transportation, and Commercial and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and usage based metrics as outlined in Note 14 of the accompanying Unaudited Condensed Interim Consolidated Financial Statements.

Agricultural Segment Results

	Three months period ended March 31				
	Total 2015		2015 Same Store		
($ thousands, except per share amounts)	**2015**	**% Change Compared to 2014**	**2015 Same Store**	**% Change Compared to 2014**	**2014**
Equipment					
New equipment	**71,475**	22%	50,629	(14%)	58,602
Used equipment	**42,137**	69%	31,776	28%	24,870
Total equipment revenue	**113,612**	36%	82,405	(1%)	83,472
Parts	**17,184**	49%	13,879	21%	11,501
Service	**8,154**	8%	6,772	(10%)	7,553
Rental and other	**1,132**	63%	1,113	60%	696
Total revenue	**140,082**	36%	104,169	1%	103,222
Cost of sales	**(117,052)**	(36%)	(85,529)	1%	(86,176)
Gross profit	**23,030**	35%	18,640	9%	17,046
Total other income	**511**	(48%)	491	(50%)	979
Selling, general and administrative expense	**(22,734)**	(28%)	(18,491)	(4%)	(17,725)
Income from operating activities	**807**	169%	640	113%	300
EBITDA	**3,575**	369%	2,770	263%	763
Ratios as a percentage of revenue:					
Gross profit margin	**16.4%**		17.9%		16.5%
Selling, general and administrative	**16.2%**		17.8%		17.2%

Operating Summary

Income from operating activities increased $0.5 million in the three month period ended March 31, 2015 compared to 2014. Same store operations contributed $0.3 million on profit margin growth and new acquisitions contributed $0.2 million. EBITDA increased $2.8 million and by $2.0 million on a same store basis on higher operating income and $1.0 million increased earnings from equity investments.

Same Store Highlights

Same store income from operations improved by $0.3 million when compared to the three months ended March 31, 2014, primarily due to a $1.6 million increase in gross profit partially offset by $0.8 million of increased SG&A. Increased gross profit was achieved on consistent revenues, due to margin growth across most revenue streams. Parts revenue increased 21% on targeted aftermarket account management, while total equipment revenues remained comparable although shifting in favor of used equipment. The strengthening of the US dollar has increased the price of new equipment, contributing to the value proposition of used equipment and supporting used profit margin.

Acquisition Performance

Acquisitions contributed $0.2 million of operating income on $35.9 million of revenue during the period. Gross profit dollars of $4.4 million partially offset by lower overall SG&A as a percent of revenue in the acquired entities, resulted in $0.2 million of incremental operating income generated from acquisitions. Consistent with our existing operations, the new Alberta stores are exposed to seasonality during the first quarter.

Transportation Segment Results

	Three months period ended March 31				
	Total 2015		2015 Same Store		
($ thousands, except per share amounts)	2015	% Change Compared to 2014	2015 Same Store	% Change Compared to 2014	2014
Equipment					
New equipment	**31,933**	125%	8,417	(41%)	14,192
Used equipment	**3,690**	147%	830	(44%)	1,495
Total equipment revenue	**35,623**	127%	9,247	(41%)	15,687
Parts	**23,006**	153%	8,439	(7%)	9,108
Service	**6,988**	121%	3,104	(2%)	3,161
Rental and other	**2,178**	415%	399	(6%)	423
Total revenue	**67,795**	139%	21,189	(25%)	28,379
Cost of sales	**(55,140)**	(148%)	(16,165)	27%	(22,269)
Gross profit	**12,655**	107%	5,024	(18%)	6,110
Other income (loss)	**(452)**	(841%)	(140)	(330%)	61
Unrealized foreign exchange gain (loss)	**(1,326)**		(604)		11
Total other income	**(1,778)**	(2569%)	(744)	(1133%)	72
Selling, general and administrative expense	**(12,694)**	(132%)	(5,077)	7%	(5,468)
(Loss) income from operating activities	**(1,817)**	(354%)	(797)	(212%)	714
EBITDA	**(374)**	(128%)	(232)	(117%)	1,344
Ratios as a percentage of revenue:					
Gross profit margin	**18.7%**		23.7%		21.5%
Selling, general and administrative	**18.7%**		24.0%		19.3%

Operating Summary

Loss from operating activities increased $2.5 million primarily due to $1.3 million of unrealized foreign exchange loss. Excluding the impact of unrealized foreign exchange loss, the operating loss in our Ontario operations was $0.3 million, and a $0.2 million loss in Saskatchewan. EBITDA decreased $0.4 million excluding foreign exchange.

Same Store Highlights

On a same store basis, loss from operating activities increased $1.5 million due to a $6.4 million decrease in equipment sales, combined with unrealized foreign currency exchange loss of $0.6 million. These loses were partly offset by lower SG&A expenses and gross margin percentage increase.

The rapid decline in oil prices impacted equipment demand particularly in two of our Saskatchewan locations most closely linked to the industry. While exposed to similar market pressures, parts and service revenue did not decrease to the same extent as equipment revenue, due to focused effort combined with continued industry activity in maintaining existing resource production. These factors resulted in a significant sales mix shift, with parts comprising 40% of revenue in Q1 2015 compared to 32% in the comparative period. This shift was the primary driver of the 2.2% increase in gross margin percentage over the same period in 2014.

Acquisition Performance

Our Ontario acquisition had an operating loss of $1.0 million due to a $0.7 million unrealized foreign exchange loss on the conversion of US dollar denominated floorplans and $0.2 million of non-recurring acquisition and integration related costs. Ontario operations generated $46.6 million of additional revenue at an overall gross margin percentage of 16.4%. Excluding the impact of the unrealized foreign exchange loss, the acquired operations generated $0.6 million of EBITDA, with the primary difference between EBITDA and the $1.0 million loss from operating activities relating to depreciation of capital property and intangible assets identified on acquisition.

Commercial and Industrial Segment Results

	Three months period ended March 31		
	Total 2015		
($ thousands, except per share amounts)	2015	% Change Compared to 2014	2014
Equipment			
New equipment	**15,984**	(19%)	19,675
Used equipment	**1,991**	2%	1,957
Total equipment revenue	**17,975**	(17%)	21,632
Parts	**6,853**	(9%)	7,512
Service	**3,925**	(8%)	4,275
Rental and other	**1,792**	(4%)	1,869
Total revenue	**30,545**	(13%)	35,288
Cost of sales	**(21,918)**	13%	(25,323)
Gross profit	**8,627**	(13%)	9,965
Total other income	**94**	(61%)	241
Selling, general and administrative expense	**(8,843)**	11%	(9,895)
(Loss) income from operating activities	**(122)**	(139%)	311
EBITDA	**927**	(52%)	1,946
Ratios as a percentage of revenue:			
Gross profit margin	**28.2%**		28.2%
Selling, general and administrative	**29.0%**		28.0%

Operating Summary

Loss from operating activities increased $0.4 million in the Commercial and Industrial (C&I) segment, primarily due to a decrease in new and used equipment sales in the period partly offset by lower SG&A dollars. EBITDA decreased by $1.0 million.

Loss from operating activities increased $0.4 million on lower equipment volumes decreasing gross margin dollars. This decrease was partly offset by $1.1 million of SG&A expense reductions, including a $0.6 million reduction of amortization on brand name intangibles, as accelerated amortization of acquired brand name intangibles was complete at December 31, 2014.

Revenue decreased $4.7 million during the three month period ended March 31, 2015 compared to 2014. The decrease in revenue is primarily from a decrease in the new and used equipment sales consistent with the overall market. In particular, the mild winter in Western Canada reduced demand for equipment for snow and ice removal, while uncertainty in the resource sector has tempered equipment demand for some customers. Parts and service revenues retained comparative strength as existing equipment continues to operate. Gross margin percentage overall has held consistent on all revenue streams.

First Quarter Cash Flows

Cash and Cash Equivalents – Three Months Ended March 31, 2015

Cervus' primary sources and uses of cash flow for the three months ended March 31, 2015 are as follows:

Operating Activities

Net cash used in operating activities was $13.2 million for the three months ended March 31, 2015 when compared to cash provided of $1.0 million for the same period of 2014, a net decrease of $14.2 million. The primary reason for this decrease is $15.0 million of net cash used for working capital items, compared to $3.0 million used in 2014, due to a $9.2 million decrease in accounts payable and customer deposits compared to a $6.0 million increase in 2014, a $5.5 million net decrease in cash from inventory and floorplan compared to $14.2 million in 2014, and a $1.6 million increase in accounts receivable compared to a $2.9 million decrease in 2014.

Investing Activities

During the three months ended March 31, 2015, the Company used $7.6 million of net cash for investing activities compared to cash provided of $2.0 million for the same period in 2014, for a net use of $9.6 million. When compared to the same period in 2014, there were higher capital additions in 2015 ($4.9 million) and the non-recurrence of proceeds received on the sale of an Agriculture building in 2014.

Financing Activities

During the three months ended March 31, 2015, the Company's financing activities provided $13.9 million of cash, compared to a use of $2.3 million in 2014, for a net source of $16.2 million. The primary driver of the change when compared to the same period in 2014 is due to net proceeds from term debt of $18.3 million in 2015 primarily on drawings on Syndicate line for final payments on 2014 acquisitions and managing working capital during Q1 seasonality, compared to $1.9 million in 2014.

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	March 31, 2015	December 31, 2014
Current assets	**462,555**	410,214
Total assets	**724,025**	669,303
Current liabilities	**332,593**	290,838
Long-term liabilities	**166,554**	148,974
Shareholders' equity	**224,878**	229,491
Working capital (see "Non-IFRS Measures")	**129,962**	119,376
Working capital ratio (see "Non-IFRS Measures")	**1.39**	1.41

Working Capital

Cervus' working capital increased by $10.6 million to $130.0 million at March 31, 2015 when compared to $119.4 million at December 31, 2014. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at March 31, 2015, the Company had the ability to floor plan an additional $35.8 million of inventory, and $191.8 million of undrawn floor plan capacity.

The Company's ability to maintain sufficient liquidity is primarily driven by revenue, gross profit realization, and judicious allocation of resources. 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 equipment inventories or accessing undrawn credit facilities. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year to fund general operations caused by the seasonal nature of our sales activity.

Inventories

As at March 31, 2015, inventories had increased by $40.2 million to $364.8 million when compared to $324.6 million at December 31, 2014. Of the $40.2 million increase, $28.0 million relates to new equipment, $7.6 million in used and $3.7 million in parts. Inventory has increased $142.0 million when compared to March 31, 2014. Included in the increase is $95.2 million of inventory from acquisitions. On a same store basis, inventory has increased by $46.8 million compared to March 31, 2014, comprised of a $32.5 million increase in new equipment, a $10.8 million increase in used equipment, and a $3.3 million increase in parts. In the Canadian agriculture sector, a later harvest in 2014 drove increased in-season new sales, which generally come with used equipment taken on trade, increasing used inventory levels at December 31, 2014 into the first quarter of 2015. The increase in our same store new equipment inventory at March 31, 2015 compared to March 31, 2014 is primarily in our transportation and construction inventory. These groups have been impacted by reduced Q1 demand for equipment due to market factors, combined with carrying additional inventory as OEM manufacturing lead times have increased.

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, a limited portion of our Transportation sales come with a trade-in, and our Commercial and Industrial equipment sales usually do not have trade-ins. This results in a higher amount of used Agriculture equipment than used Transportation and 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 in inventory. The majority of our product lines, in all segments, are manufactured in the US with pricing based in US dollars, but invoiced in Canadian dollars.

As at March 31, 2015, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no general impairment reserve is required or has been recorded.

Accounts Receivable

For the three month period ended March 31, 2015 the average time to collect the Company's outstanding accounts receivable was approximately 20 days as compared to 16 days for the same period in 2014. At March 31, 2015 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 account aging, combined with specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections has increased to $1.3 million at March 31, 2015 (March 31, 2014 - $0.8 million), which represents 3.0% (March 31, 2014 – 2.9%) of outstanding trade accounts receivable and 0.1% (March 31, 2014 - 0.1%) of gross revenue on an annual basis. Bad debt expense for the three months ended March 31, 2015 amounted to a $0.1 million recovery (2014 - $0.2 million recovery).

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, 2015 is as follows:

($ thousands)	Total Amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	103,431	63,185	2,556	-	37,690
Floor plan facilities and rental equipment floor plan facilities	509,851	227,160	-	90,893	191,798
Capital facilities	64,141	44,095	-	-	20,046
Total	677,423	334,440	2,556	90,893	249,534

Operating and Other Bank Credit Facilities

At March 31, 2015 the Company has a committed revolving credit facility with a syndicate of lenders, with a principal amount of $100.0 million. The facility is committed for a two year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80.0 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at March 31, 2015 there was $62.6 million drawn on the facility and $2.4 million had been utilized for outstanding letters of credit to John Deere.

Operating and other bank credit facilities include both the Canadian and New Zealand amounts. The New Zealand operating facility of NZ $1.5 million (CAD $1.3 million), represents the Company's operating credit facility with its New Zealand bank.

We believe that the credit facilities available to the Company outlined above are sufficient to meet our market share targets and working capital requirements for 2015.

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, De Lage Landen Financial Services Canada Inc., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At March 31, 2015, floor plan payables related to inventories was $208.5 million.

Floor plan payables at March 31, 2015 represented approximately 57.1% of our inventories (December 31, 2014 - 54.4%). 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. In addition to cyclical industry factors, floor planned inventory has been intentionally increased through December 31, 2014 to reallocate the proceeds of the 2012 convertible debenture for acquisition purposes with increases through to March 31, 2015.

Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest free periods. Total Agricultural segment interest otherwise payable on John Deere floor plans approximates $0.6 million for the three month period ended March 31, 2015. This amount was offset by rebates applied during the three month period ended March 31, 2015 of $0.4 million. At March 31, 2015 approximately 61% of the C&I and Transportation segment's outstanding floor plan balance was non-interest bearing due to various incentives and interest free periods in place.

Capital Facilities

Capital facilities consist of capital asset financing primarily through credit facilities with Farm Credit Canada and Affinity Credit Union.

Outstanding Share Data

As of the date of this MD&A, there are 15,487 thousand common shares, 39 thousand share options, and 724 thousand deferred shares outstanding. The Company also has convertible debentures with a face value of $34.5 million, convertible at the holder's option, into common shares prior to the maturity date at a conversion price of $26.15 per common share see "Contractual Obligations"). As at March 31, 2015 and 2014, the Company had the following weighted average shares outstanding:

(thousands)	March 31, 2015	March 31, 2014
Basic weighted average number of shares outstanding	**15,382**	15,035
Dilutive impact of deferred share plan	**716**	682
Dilutive impact of share options	**-**	12
Diluted weighted average number of shares outstanding	**16,098**	15,729

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 period ended March 31, 2015 ($ thousands, except per share amounts):

Record Date	Dividend per Share	Dividend Payable	Reinvested	Net Dividend Paid
March 31, 2015	$ 0.2125	$ 3,287	$ 292	$ 2,995
Total	**$ 0.2125**	**$ 3,287**	**$ 292**	**$ 2,995**

As of the date of this MD&A, all dividends as described above were paid (see "Capital Resources – Cautionary note regarding dividends").

Dividend Reinvestment Plan ("DRIP")

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

During the three month period ended March 31, 2015, 15 thousand common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' dividends declared and paid to March 31, 2015 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.

Summary of Results

Quarterly Results Summary

($ thousands, except per share amounts)	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Revenues	**238,422**	289,040	286,192	237,488
Profit (loss) attributable to the shareholders	**(2,896)**	5,870	7,707	5,618
Gross profit dollars	**44,312**	55,954	52,345	45,253
Gross margin percentage	**18.6%**	19.4%	18.3%	19.1%
EBITDA	**4,128**	15,909	17,599	13,247
Basic earnings per share	**(0.19)**	0.38	0.51	0.37
Diluted earnings per share	**(0.18)**	0.37	0.49	0.35
Weighted average shares outstanding				
- Basic	**15,382**	15,273	15,148	15,130
- Fully diluted	**16,098**	16,023	15,884	15,835

($ thousands, except per share amounts)	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Revenues	166,889	225,813	249,394	244,245
Profit (loss) attributable to the shareholders	(833)	6,250	8,646	8,318
Gross profit dollars	33,121	43,188	47,445	45,001
Gross margin percentage	19.8%	19.1%	19.0%	18.4%
EBITDA	4,053	13,120	17,242	17,081
Basic earnings per share	(0.06)	0.42	0.58	0.56
Diluted earnings per share	(0.05)	0.40	0.55	0.53
Weighted average shares outstanding				
- Basic	15,034	15,005	14,989	14,956
- Fully diluted	15,728	15,689	15,650	15,576

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 Transportation and Commercial and Industrial equipment sectors are not as volatile. Activity in the Transportation sector generally increases in winter months, while the Commercial and Industrial sector generally slows in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the four most recent quarters when compared to prior quarters is due to shifts in equipment demand within the Agricultural sector, driven by grain transportation constraints combined with softer commodity prices in the first and second quarter of 2014, combined with acquisitive growth beginning in the second quarter of 2014 which carried through to the fourth quarter of 2014.

Market Outlook (see "Note Regarding Forward-Looking Statements")

The Company's three operational segments are subject to broad market forces in addition to the underlying economic factors specific to the industries they serve. Further, the geographic diversity of the Company's operations may temper or accelerate broader market forces in their significance region to region. The following provides an overview of Management's market outlook as it relates to the Company's operations.

Alberta & Saskatchewan

Agriculture remains the driving variable in the Company's western Canadian operations, and farm fundamentals are sound. Agriculture and Agri-Food Canada (AAFC) reports consecutive records in average farm net worth in 2013, 2014, and forecasts further growth for 2015, while farm net cash income for 2014 is expected to close at 10% above the 2013 record, combined with record farm net operating income in 2014.[1] Driving this performance were record cattle receipts, stable input costs, and record 2013 yield. Against this backdrop, farmers are expecting to seed 3.9% more acres in 2015 than in 2014, a positive indicator of farm sentiment and an early indicator for equipment demand.[2] Further, AAFC is expecting strength in the livestock market, particularly cattle, to continue through 2015[3]. For our geography, we expect seeded acreage and strong livestock prices to support demand for servicing of our existing machine population, while being a positive indicator for equipment demand overall.

Our Commercial and Industrial operations are indirectly impacted by petroleum prices, linked through the impact resource prices have on residential and commercial construction in western Canada. Trends in oil prices over the past six months have impacted the western Canadian economy, although the duration and ultimate severity remain uncertain. TD Economics is forecasting Alberta's 2015 GDP growth to slow to 0.5%.[4] Decreased capital outlays in the oil industry is expected to translate to weaker employment and wage growth, in turn driving a slower resale housing market and corresponding decrease in new residential construction activity. TD Economics notes Saskatchewan's increased resource diversity; however, a period of housing price correction accompanied with reduced government spending is forecast. Outlook for mid-term oil prices remain uncertain, although TD Economics has increased their forecast for West Texas Intermediate to $70 by 2016, compared to the $60 forecast in January 2015. At the time of writing, trends in oil prices during the first quarter of 2015 have been positive. At present, construction projects in progress are expected to continue, although uncertainty has cooled the capital spending of customers in our Commercial and Industrial markets.

Our Saskatchewan Transportation operations are linked to resource activity in both the east and southern portion of the province. Oil prices have been a significant factor in reduced equipment demand in these areas of our operations, although parts and service for existing equipment has tempered the impact. The impact to our operations in the two major cities has been mitigated by the continued inter and intra provincial transportation of non-resource products. We expect a prolonged depression in oil prices would reduce growth in Saskatchewan compared to recent years, however, demand remains for parts and service, and industries outside of petroleum continue to require equipment.

Ontario

A weaker Canadian dollar, low interest prices, and economic activity in the United States have revived the manufacturing sector in Ontario. TD Economics reports manufacturing GDP in Ontario has increased 4.5% through the third quarter of 2014, compared to a 2.5% contraction in the same period in 2013.[5] This activity has accelerated demand for commercial transportation, reflected in PACCAR reporting record revenue in 2014 on the highest total North American class 8 truck sales since 2006.[6] Further, PACCAR reported a 38% increase in earnings in the first quarter of 2015 compared to 2014, and expects total 2015 North American class 8 truck sales to increase to between 260,000 to 290,000 units compared to the 250,000 sold in 2014.[7]

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[1] Agriculture and Agri-Food Canada, *2015 Canadian Agricultural Outlook,* Modified April 13, 2015, retrieved from www.agr.gc.ca
[2] Statistics Canada, *March Intentions of Principal Field Crop* Areas, Modified April 23, 2015, www.statscan.gc.ca
[3] Agriculture and Agri-Food Canada, *2015 Canadian Agricultural Outlook,*
[4] TD Economics, *Provincial Economic Forecast,* April 10, 2015, www.td.com/economics
[5] TD Economics, *Provincial Economic Forecast,* April 10, 2015, [Q4 2014 data was not final at the time of TD's writing]
[6] PACCAR, *PACCAR Reports Record Annual Revenues,* January 30, 2015, www.paccar.com/news
[7] PACCAR, *PACCAR Announces Higher First Quarter Revenues and Earnings,* January 30, 2015, www.paccar.com/news

Within these broader industry factors, Canadian trucking operators generated the highest January revenues in the last three years on a per shipment basis, while at the same time fuel prices decreased.[8] Compounded with accelerated shipping activity, these trends provide a positive outlook as demand and profitability facilitate the capital investment required to add incremental capacity and replace aging equipment. Our Ontario operations are well positioned geographically to participate in this growth, while our OEM has provided an excellent commercial long-haul platform for the market, as reflected by the PACCAR MX-13 engine being honoured as the 2015 Commercial Truck of the Year by the American Truck Dealers.

New Zealand & Australia

A substantial portion of agriculture activity in New Zealand is linked to dairy prices, which have dropped by more than half from the record levels of late 2013 and early 2014, on reduced demand from dairy importers. However, longer term pricing forecasts indicate a mild recovery is anticipated by late 2015 or early 2016. Our New Zealand area of operation has experienced average precipitation over their summer months, and price outlook for livestock and cash crops is positive. Under such circumstances, we expect farmers to be cautious with investments in equipment, although existing equipment population will continue to drive parts and service requirements.

The outlook for our Australian operations is influenced by a number of factors, reflecting the mixed farming prevalent in the geography served by our dealerships. Pricing for farm outputs remains positive, with livestock prices at or near five year highs, while grain and oilseed pricing approximate the five year average.[9] Precipitation remains a key variable in our south-eastern geography, which received adequate rainfall through the 2014 growing season and strong silage production in areas which is expected to reduce input prices in a challenging dairy market. Our dealership activity in 2015 is contingent on the continuation of positive pricing trends and sufficient precipitation in our geography.

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, 2015, payments in arrears by such customers aggregated $473 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, 2015, the net residual value of such leases aggregated $170.7 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 $3.3 million at March 31, 2015. 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 Deere Credit and another supplier in the aggregate amount of $2.4 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.

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[8] Canadian General Freight Index *Truckload and & Accessorials Continue to Drive Increases in Total Freight Costs,* April 1, 2015, www.nulogx.com
[9] NAB *Economic Report: Rural Commodities Wrap – February 2014*, Phin Ziebell http://business.nab.com/au

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. The Company contributes to the deferred share plan on behalf of directors and executive officers, and to the employee share purchase plan on behalf of 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, aside from permitting unvested deferred share units earned during employment to continue vesting upon retirement. In addition, no directors or executive officers are part of the share option plan.

Total remuneration of key management personnel and directors during the three months ended March 31, 2015 and 2014 was:

	Three month period ended	
($ thousands)	**March 31, 2015**	**March 31, 2014**
Short-term benefits	**1,420**	1,123
Share-based payments	**98**	232
Total	**1,518**	1,355

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.5 million. The guarantees are kept in place until released by John Deere. During the three month periods ended March 31, 2015 and 2014, the Company paid those individuals $49 thousand for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

Critical Accounting Estimates and Judgements

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, 2014 as filed on SEDAR at www.sedar.com. There have been no changes to our critical accounting estimates for the three months ended March 31, 2015.

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, 2014 as filed on SEDAR at www.sedar.com

Changes in Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2014 and as described in note 3 in those financial statements.

New Standards Not Yet Adopted

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the current or future periods. The new standards, amendments to existing standards effective for annual periods beginning on or after January 1, 2016 and have not been applied in preparing these consolidated financial statements are set out below.

Effective January 1, 2016, the Company will be required to adopt amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible for clarification on acceptable methods of depreciation and amortization. The amendments are to be applied prospectively for the annual period commencing January 1, 2016. The Company does not expected the amendments to have a material impact on the Company's financial statements.

Effective January 1, 2017, the Company will be required to adopt IFRS 15 related to revenue from contracts with customers. Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The extent of the impact of adoption has not yet been determined. The impact on the financial statements has yet to be determined.

The IASB has released updates to IFRS 9, related to the accounting and presentation of financial instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The mandatory effective date is January 1, 2018; however, early adoption is permitted. The Company does not intend to early adopt IFRS 9 (2009), IFRS 9 (2010), or IFRS 9 (2013) in its financial statements in this annual period beginning on January 1, 2015. The impact on the financial statements has yet to be determined.

Responsibility of Management and Board

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 ("ICFR"). 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. There have been no significant changes in the design of our ICFR during the three month period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

The control framework utilized to design the Company's ICFR is the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013).

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P"). 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, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. There have been no significant changes in the design of our DC&P during the three month period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect the Company's DC&P.

It should be noted a control system, including the Company's DC&P and ICFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met, and it should not be expected that DC&P and ICFR will prevent all errors or fraud.

Non-IFRS Financial Measures

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

EBITDA

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

EBITDA Three months ended March 31, 2015	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit (loss)	**(2,896)**	(118)	(2,338)	(440)
Add:				
Interest	**2,835**	1,501	886	448
Income taxes	**(422)**	(27)	(332)	(63)
Depreciation and Amortization	**4,611**	2,219	1,410	982
EBITDA	**4,128**	3,575	(374)	927

EBITDA - Same Store Three months ended March 31, 2015	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit (loss)	**(1,415)**	21	(996)	(440)
Add:				
Interest	**1,996**	1,174	374	448
Income taxes	**(212)**	(8)	(141)	(63)
Depreciation and Amortization	**3,096**	1,583	531	982
EBITDA	**3,465**	2,770	(232)	927

EBITDA Three months ended March 31, 2014	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit (loss)	**(833)**	(1,160)	305	22
Add:				
Interest	**1,730**	1,047	343	340
Income taxes	**(230)**	(328)	92	6
Depreciation and Amortization	**3,386**	1,204	604	1,578
EBITDA	**4,053**	763	1,344	1,946

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

EBITDA Margin

EBITDA margin is calculated as EBITDA divided by gross revenue.

Same Store

Same store illustrates the current period results for stores that were included in the comparable period for the prior year. Excluded from same store are the incremental results for newly acquired stores for the period they were not owned in the prior year, including any current year acquisition related costs and amortization of intangibles.

Price Earnings Ratio

Price earnings ratio is calculated by dividing the Company's market capitalization by its total annual profit.

Working Capital

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

Market Capitalization

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

Net Book Value Per Share – Diluted

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