Cervus Equipment Corporation

MANAGEMENT'S DISCUSSION + ANALYSIS

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

The following Management's Discussion & Analysis ("MD&A") was prepared as of March 15, 2015 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and twelve month periods ended December 31, 2015 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying consolidated financial statements for the period ended December 31, 2015 and notes contained therein. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CVL".

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

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

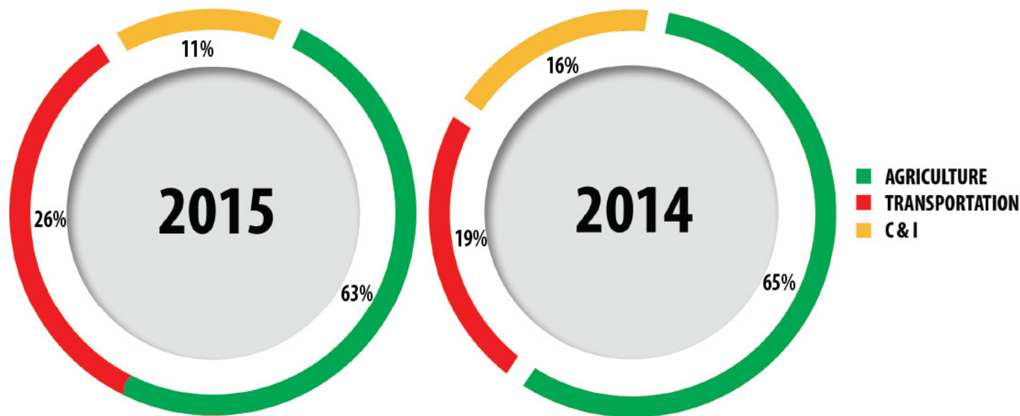
OVERVIEW OF CERVUS

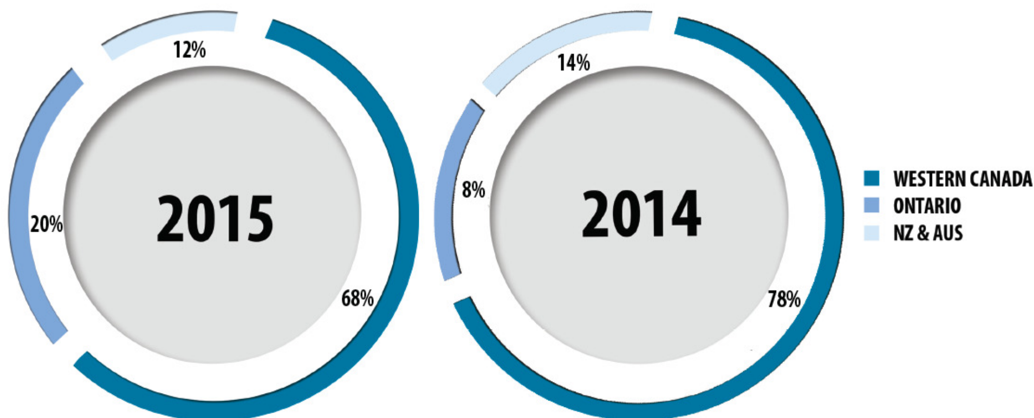
Cervus operates under three segments: Agriculture, Commercial and Industrial, and Transportation based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results.

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 13 dealership locations with 10 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 17 dealership locations with 4 Peterbilt truck dealerships and 1 collision repair centre operating in Saskatchewan, and 12 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 December 31, 2015 on January 15, 2016. See "Capital Resources - Cautionary note regarding dividends" section within.

HIGHLIGHTS OF THE YEAR

- The Company generated adjusted earnings[1] of $13.3 million for the year ended December 31, 2015, and adjusted basic earnings per share[1] of $0.86. For the comparable period in 2014, the Company generated adjusted earnings of $20.2 million and adjusted basic earnings per share of $1.33.

- The Company generated a loss of $27.4 million in 2015, including the $36.9 million non-cash settlement with the Canada Revenue Agency, compared to net income of $18.5 million in 2014.

- The Company generated $1.1 billion revenues in 2015, exceeding the 2018 strategic revenue goal three years earlier than target. Total revenues increased $154.3 million and gross profit dollars increased $20.3 million compared to 2014.

- Targeted cost reduction initiatives achieved a $12.6 million reduction in same store selling general and administrative ("SG&A") expenses, compared to 2014.

- Acquisitions contributed $5.9 million of earnings before interest, taxes, depreciation, and amortization ("EBITDA")[1]. Same store[1] EBITDA was $40.4 million during the year compared to $50.8 million in 2014.

- The Company extended and amended its revolving credit facility, extending maturity to December 2017. The $100 million syndicated credit facility provides stability for our existing operations and maintains capital flexibility for the future.

- The Company reached an agreement with Canada Revenue Agency, confirming the eligibility of approximately $44.3 million of tax savings claimed by the company through December 2014. The agreement resulted in a non-cash charge of $33.4 million related to the write-off of a portion of the Company's deferred tax asset.

- The Company completed a review of branch capacity resulting in construction and relocation to a new Agriculture equipment facility in Ponoka, Alberta, as well as the relocation of our Cranbrook, BC dealership to Creston, BC. We closed our Grande Prairie C&I dealership, and relocated the Essex, Ontario Transportation dealership to a new location in Windsor, Ontario. We also opened a new dealership in Barrie, Ontario to better serve the Ontario market.

- Dividends of $0.85 per share were declared to shareholders during 2015.

- The Company climbed to #66 from #72 on the Alberta Venture's 2015 Venture 250 ranking.

- The Saskatoon Peterbilt branch was awarded Peterbilt's Platinum Oval award for the third consecutive year, highlighting their outstanding performance as a dealership. Further, Cervus Equipment Peterbilt (Saskatchewan and Ontario) was one of ten North American dealer groups to earn Peterbilt's Best in Class award for 2015.

Throughout this MD&A, same store results are disclosed to assist the reader in identifying year over year trends in operations. Same store results reflect operations in the current period, for which the same operations existed in the comparative period. Same store results for our Agricultural segment exclude the 2015 results of six John Deere dealerships for the periods they were not owned by the Company in 2014. Four of these dealerships were acquired in October of 2014, and therefore 2015 same store results exclude the operations of these four dealerships prior to October 2015. Two of the dealerships were acquired in December of 2014, and 2015 same store results exclude their operating results for the period prior to December 2015. Agricultural segment same store results also exclude the consolidated results of Deer Star Systems Inc. ("Deer Star"), prior to October 2015 as Cervus did not own a majority interest Deer Star's operations during the comparative period in 2014. For the Transportation segment, same store results for the year ended December 31, 2015 exclude the January 1, 2015 to August 15, 2015 results of our Ontario Peterbilt dealerships acquired in August 2014.

[1] Refer to Non-IFRS Measures herein

ANNUAL CONSOLIDATED RESULTS

($ thousands, except per share amounts)	Total 2015		2015 Same Store[2]		
	2015	% Change Compared to 2014	2015 Same Store	% Change Compared to 2014	2014
Revenue	**1,133,878**	16%	889,211	(9%)	979,609
Cost of sales	**(926,937)**	17%	(720,257)	(9%)	(792,936)
Gross profit	**206,941**	11%	168,954	(9%)	186,673
Other income	**1,091**	(77%)	1,679	(64%)	4,667
Unrealized foreign exchange (loss)	**(2,810)**	195%	(1,826)	92%	(952)
Total other (loss) income	**(1,719)**	(146%)	(147)	(104%)	3,715
Selling, general and administrative expense	**(179,583)**	14%	(145,121)	(8%)	(157,678)
Income from operating activities	**25,639**	(22%)	23,686	(28%)	32,710
Finance income	**195**	(49%)	193	(50%)	384
Finance costs	**(11,428)**	49%	(9,279)	21%	(7,656)
Share of profit of equity accounted investees, net of income tax	**542**	(24%)	542	(24%)	712
Income before income tax expense	**14,948**	(43%)	15,142	(42%)	26,150
Income tax expense[1]	**(42,327)**	453%			(7,654)
Income (loss) for the period	**(27,379)**	(248%)			18,496
Income (loss) attributable to shareholders	**(27,421)**	(249%)			18,362
EBITDA[2]	**46,330**	(9%)	40,444	(20%)	50,811
EBITDA margin[2]	**4.1%**		4.5%		5.2%
Ratios as a percentage of revenue:					
Gross profit margin	**18.3%**		19.0%		19.1%
Selling, general and administrative	**15.8%**		16.3%		16.1%
Earnings per share					
Basic - Adjusted[2]	**0.86**	(35%)			1.33
Basic	**(1.77)**	(246%)			1.21
Diluted	**(1.77)**	(254%)			1.15

[1] – Includes impact of $36.9 million non-cash settlement with the CRA.

[2] - Refer to Non-IFRS Measures herein

Operating Summary:

Total EBITDA decreased $4.5 million compared to 2014 while income from operating activities decreased $7.1 million. Extended uncertainty in oil prices reduced demand for new equipment, particularly in the Commercial and Industrial (C&I) segment and the western Canadian locations of our Transportation segment. Within our Agriculture segment, early season uncertainty and appreciation of the U.S. dollar reduced demand for new equipment sales. The impact of lower new equipment demand across these segments was offset by relatively stable after-market activity and targeted expense control, which reduced same store SG&A expenses by $12.6 million in the year.

Same store highlights:

On a same store basis, operating income decreased $9.0 million compared to 2014. The C&I segment, and Transportation dealerships located in Saskatchewan were the primary cause of this decrease, resulting from the steep reduction in oil prices. The impact of the economic slowdown affecting our Saskatchewan transportation dealerships were offset by increased sales volumes and margin dollars in our Ontario dealerships within the Transportation segment. New Agriculture equipment sales during the year were impacted by negative early season outlook for the 2015 crop, combined with the impact of U.S. exchange on equipment pricing. The decrease in Agriculture new sales were partially offset by increased late season demand for used equipment as an average crop yield materialized. Parts and service activity across all segments were less volatile than new sales, as equipment continues to operate and require servicing. Further, the Company's cost reduction initiatives reduced SG&A by $12.6 million in the year compared to 2014.

Acquisition performance:

Acquisitions contributed $3.7 million of incremental adjusted [2] operating income. Agriculture acquisitions contributed $2.1 million of income from adjusted operating activities on $108.5 million of revenue, while Transportation acquisitions generated adjusted operating income of $1.6 million.

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[2] Excluding $1.0 million of unrealized foreign exchange loss on the conversion of U.S. dollar denominated floorplans and $0.8 million of non-recurring acquisition and integration related costs.

ANNUAL BUSINESS SEGMENT RESULTS

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 metrics to estimate use as outlined in Note 27 of the accompanying Consolidated Annual Financial Statements.

Agricultural Segment Results

($ thousands, except per share amounts)	Total 2015		2015 Same Store		
	2015	**% Change Compared to 2014**	**2015 Same Store**	**% Change Compared to 2014**	**2014**
Equipment					
New equipment	**356,445**	4%	302,010	(12%)	343,473
Used equipment	**229,265**	25%	191,183	5%	182,745
Total equipment revenue	**585,710**	11%	493,193	(6%)	526,218
Parts	**82,045**	24%	70,149	6%	66,341
Service	**39,260**	14%	35,623	3%	34,444
Rental and other	**4,328**	(7%)	3,896	(17%)	4,670
Total revenue	**711,343**	13%	602,861	(5%)	631,673
Cost of sales	**(590,638)**	13%	(499,342)	(5%)	(524,246)
Gross profit	**120,705**	12%	103,519	(4%)	107,427
Other income	**2,885**	(20%)	2,903	(20%)	3,609
Selling, general and administrative expense	**(97,129)**	15%	(81,702)	(3%)	(84,352)
Income from operating activities	**26,461**	(1%)	24,720	(7%)	26,684
EBITDA	**36,491**		32,889		34,095
Ratios as a percentage of revenue:					
Gross profit margin	**17.0%**		17.2%		17.0%
Selling, general and administrative	**13.7%**		13.6%		13.4%

Operating Summary:

EBITDA increased $2.4 million and income from operating activities was within 1% of the comparable period in 2014, as acquisition performance offset the decrease in our same store results. Same store results were impacted by lower early season equipment demand due to early season weather concerns, while late season demand was negatively impacted by the appreciation of the U.S. dollar. The impact of lower new equipment sales was offset by used equipment sales, parts and service activity and targeted SG&A expense control.

Same store highlights:

Income from operating activities decreased $2.0 million compared to 2014, primarily due to reduced new equipment demand on factors consistent with those experienced in the overall results above. As harvest outlook improved, demand for used equipment accelerated assisted by attractive used equipment pricing relative to new, with used equipment sales increasing 5% compared to 2014. Parts and service sales have increased over prior year on strong machine population in our geographies and parts price increases due to the higher U.S. dollar. Cost reduction initiatives and expense control reduced SG&A expenses by $2.7 million, resulting in operating income decreasing $2.0 million despite a $3.9 million decrease in gross profit.

Acquisition performance:

Acquisitions contributed $1.7 million of operating income on $108.5 million of revenue for the period not included in same store results above.[3] Operating income of $1.7 million was generated despite acquisition geography being significantly impacted by below average rainfall in 2015. Included in acquisition performance are operating activities generated by Deerstar Systems Inc., which the company acquired a controlling interest in as a result of the Evergreen acquisition. Deerstar Systems sells crop sprayers and the sales season for this equipment is typically early summer, which coincided with the period of uncertainty regarding overall crop yield leading to breakeven income from operating activities for this acquired entity.

[3] Same store results exclude the January - mid October 2015 results for the Evergreen acquisition, and the January through November results for the Deer Country acquisition. Results for these periods are reported within the Acquisition Performance section.

Transportation Segment Results

($ thousands, except per share amounts)	Total 2015		2015 Same Store		
	2015	**% Change Compared to 2014**	**2015 Same Store**	**% Change Compared to 2014**	**2014**
Equipment					
New equipment	**157,836**	52%	78,901	(24%)	104,051
Used equipment	**12,387**	88%	7,435	13%	6,589
Total equipment revenue	**170,223**	54%	86,336	(22%)	110,640
Parts	**93,048**	69%	55,392	1%	54,927
Service	**28,291**	55%	18,250	(0%)	18,281
Rental and other	**9,017**	81%	4,416	(12%)	4,990
Total revenue	**300,579**	59%	164,394	(13%)	188,838
Cost of sales	**(246,930)**	61%	(131,546)	(14%)	(153,223)
Gross profit	**53,649**	51%	32,848	(8%)	35,615
Other income	**(2,392)**	(931%)	(1,822)	(733%)	288
Unrealized foreign exchange (loss)	**(2,810)**	195%	(1,826)	92%	(952)
Total other (loss)	**(5,202)**		(3,648)		(664)
Selling, general and administrative expense	**(50,203)**	45%	(31,168)	(10%)	(34,505)
(Loss) income from operating activities	**(1,756)**	(494%)	(1,968)	(541%)	446
EBITDA	**5,000**		2,716		4,574
Ratios as a percentage of revenue:					
Gross profit margin	**17.8%**		20.0%		18.9%
Selling, general and administrative	**16.7%**		19.0%		18.3%

Operating Summary:

EBITDA for the segment increased $2.3 million (41%), and income from operating activities decreased $0.3 million excluding the impact of unrealized foreign exchange. Our Ontario dealerships generated a $2.4 million improvement in operating income on a same store basis due to increased revenues and improved process from integration efforts. The reduction in oil prices had a significant impact on equipment demand for our Saskatchewan dealerships, resulting in a $4.8 million decrease in operating income. Within Saskatchewan, the retention of parts and service revenues have supported gross margin dollars, due to maintenance of customer relationships and additional focus on internal efficiencies.

Same store highlights:

Saskatchewan equipment sales have been impacted by persisting low resource prices, compounded by the higher price of new equipment due to the appreciation of the U.S. dollar in the year. Saskatchewan equipment sales decreased $35.4 million compared to 2014, while parts and service revenues remained resilient due to continuing utilization of existing equipment. The decrease in parts and service was limited to 6% compared to the 58% decrease in equipment sales. Further, we have scaled the cost structure in our Saskatchewan dealerships, eliminating $3.4 million of SG&A compared to 2014.

Same store operations include the results of Peterbilt of Ontario for August 16, 2015 through to December 31, 2015. For this period, the Ontario dealerships generated a $2.0 million improvement in operating income. This improvement resulted from increased sales volume across all Ontario revenue streams, including a number of larger fleet sales, increased parts and service volumes, and improved parts and service margins. This was achieved despite SG&A dollars increasing $0.1 million as we continue to invest in developing the management team and implementing the framework to support operations.

Acquisition performance:

Excluding the portion of Ontario's results already included in same store results above, Ontario recorded adjusted operating income of $1.6 million for the eight months ended August 15, 2015.[4] During this period, Ontario achieved sales of $136.2 million, while profitability was impacted by margin pressures on reducing acquired inventory in the first quarter combined with implementing process and structural efficiencies post acquisition.

For the twelve months ended December 31, 2015, Ontario's income from operating activities was $1.9 million excluding unrealized foreign exchange losses and acquisition costs.

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[4] Excluding $1.0 million of unrealized foreign exchange loss and $0.5 million of non-recurring acquisition and integration related costs

Commercial and Industrial Segment Results

($ thousands, except per share amounts)	Total 2015 2015	Total 2015 % Change Compared to 2014	2014
Equipment			
New equipment	**65,191**	(32%)	95,681
Used equipment	**8,798**	3%	8,533
Total equipment revenue	**73,989**	(29%)	104,214
Parts	**26,767**	(9%)	29,414
Service	**14,737**	(12%)	16,810
Rental and other	**6,463**	(25%)	8,660
Total revenue	**121,956**	(23%)	159,098
Cost of sales	**(89,369)**	(23%)	(115,467)
Gross profit	**32,587**	(25%)	43,631
Other income	**598**	(22%)	770
Selling, general and administrative expense	**(32,251)**	(17%)	(38,821)
Income from operating activities	**934**	(83%)	5,580
EBITDA	**4,839**		12,142
Ratios as a percentage of revenue:			
Gross profit margin	**26.7%**		27.4%
Selling, general and administrative	**26.4%**		24.4%

Operating Summary:

EBITDA decreased $7.3 million in the C&I segment, and income from operating activities decreased $4.6 million, due to the economic impact of reduced oil prices. Resource prices have had a significant impact on the light construction industry in Alberta, and is most apparent in our customers' demand for new construction equipment which decreased 32% year over year.

Income from operating activities decreased in the C&I segment on lower volume of equipment sales in our construction operations. The impact of reduced oil prices has been less significant for our industrial customers.

Across the segment, parts and service revenues were less volatile than equipment revenue during the year, decreasing 10% over prior year compared to the 29% decrease in equipment revenue. Revenue and gross margin decreases were offset by a $6.6 million reduction in SG&A costs, a result of cost reduction initiatives enacted early in the year.

Cash and cash equivalents – Year Ended December 31, 2015

Cervus' primary sources and uses of cash flow for the year ended December 31, 2015 are as follows:

Operating activities

Net cash provided by operating activities was $23.7 million for the year ended December 31, 2015 when compared to $61.6 million for the same period of 2014, a decrease of $37.9 million. The primary reason for this decrease is cash taxes paid in 2015 of $7.8 million, higher interest paid of $5.9 million, and $7.9 million of net cash used from working capital items, compared to $13.9 million provided by working capital items in 2014. Net cash change in working capital items was primarily due to a $22.7 million use of cash for accounts payables and accruals (a decrease in accounts payable of $1.8 million in 2015 compared to an increase of $20.8 million in 2014).

Investing activities

During the year ended December 31, 2015, the Company used $21.4 million of net cash from investing activities compared to a use of cash of $93.7 million for the same period in 2014, for a net use of $72.3 million. There were several events in 2014 which were non-recurring in 2015, one of which related to the purchase of Transportation Ontario operations and two Agriculture acquisitions in 2014 totaling $76.9 million. In 2015, amounts were paid for final holdback payments of $8.0 million on business acquisitions in 2014, these amounts were accrued as payable in 2014.

Financing activities

During the year ended December 31, 2015, the Company used $9.6 million for financing activities, compared to cash provided by financing activities of $36.1 million in 2014, a net change of $45.7 million. The primary driver of the change compared to 2014 was the $50.9 million source of cash from financing used for acquisitions in 2014, compared to the $8.7 million source of cash from financing in 2015.

FOURTH QUARTER CONSOLIDATED RESULTS

For the fourth quarter consolidated results, same store results in the Agricultural segment exclude the 2015 results of Evergreen acquisitions until October 15, 2015 and Deer Country to December 10, 2015, as these operations were acquired during 2014 in the months of October and December.

	Total Q4 2015		Q4 2015 Same Store		
($ thousands, except per share amounts)	2015	% Change Compared to 2014	2015 Same Store	% Change Compared to 2014	2014
Revenue	**257,726**	(11%)	251,504	(13%)	289,040
Cost of sales	**(205,631)**	(12%)	(200,575)	(14%)	(233,086)
Gross profit	**52,095**	(7%)	50,929	(9%)	55,954
Other income	**145**	(90%)	79	(94%)	1,398
Unrealized foreign exchange (loss)	**(1,083)**	9%	(1,083)	9%	(992)
Total other (loss) income	**(938)**	(331%)	(1,004)	(347%)	406
Selling, general and administrative expense	**(42,486)**	(8%)	(41,548)	(10%)	(45,966)
Income from operating activities	**8,671**	(17%)	8,377	(19%)	10,394
Finance income	**48**	(73%)	48	(73%)	181
Finance costs	**(2,823)**	39%	(2,810)	39%	(2,028)
Share of profit of equity accounted investees, net of income tax	**246**	(370%)	247	(371%)	(91)
Income before income tax expense	**6,142**	(27%)	5,862	(31%)	8,456
Income tax expense	**(2,267)**	(10%)			(2,528)
Income for the period	**3,875**	(35%)			5,928
Income attributable to shareholders	**3,768**	(36%)			5,870
EBITDA	**15,034**	(6%)	14,714	(8%)	15,909
EBITDA margin	**5.8%**		5.9%		5.5%
Ratios as a percentage of revenue:					
Gross profit margin	**20.2%**		20.2%		19.4%
Selling, general and administrative	**16.5%**		16.5%		15.9%
Earnings per share					
Basic - Adjusted	**0.32**				0.49
Basic	**0.24**	(37%)			0.38
Diluted	**0.23**	(38%)			0.37

Operating Summary:

Fourth quarter EBITDA decreased $0.9 million compared to prior year and operating income decreased $1.7 million. Reduced new equipment demand across the segments were offset by comparative resilience in the remaining revenue streams combined with a $4.4 million reduction in same store SG&A expenses. Of particular note, our Ontario dealerships generated an additional $2.4 million of operating income compared to the same period in 2014.

Same store highlights:

Fourth quarter same store EBITDA decreased $1.2 million (8%) due to trends consistent with the year, particularly in the C&I segment. Of the $1.2 million decrease in EBITDA, there was $1.7 million of improved EBITDA from the Transportation segment, offset by a $2.4 million and $0.4 million reduction in EBITDA in the C&I segment and Agriculture segment, respectively. Across all divisions, the reduction of scalable operating costs reduced same store SG&A by $4.4 million.

Acquisition performance:

For the fourth quarter, acquisition performance reflects the 2015 results of Evergreen acquisitions prior to October 15, 2015 and the operating results of Deer Country prior to December 10, 2015.[5] During this period, these acquisitions contributed $0.3 million of EBITDA on $6.2 million of incremental revenue. Transportation Ontario results are included in same store discussion above, as Peterbilt of Ontario was acquired in August 2014.

[5] Operating results for Evergreen and Deer Country for the period between October 15, 2015 and December 10, 2015 (respectively) through to December 31, 2015, are included in same store results. The acquisition performance section discusses the 2015 performance of acquired entities, for the period of 2015 the stores were not owned in the comparable period in 2014.

FOURTH QUARTER SEGMENT RESULTS

Agricultural Segment Results

	Total Q4 2015		Q4 2015 Same Store		
($ thousands, except per share amounts)	2015	% Change Compared to 2014	2015 Same Store	% Change Compared to 2014	2014
Equipment					
New equipment	**75,362**	(11%)	71,202	(16%)	84,506
Used equipment	**51,463**	2%	50,858	0%	50,648
Total equipment revenue	**126,825**	(6%)	122,060	(10%)	135,154
Parts	**15,853**	(3%)	14,957	(9%)	16,417
Service	**9,907**	(2%)	9,375	(7%)	10,082
Rental and other	**1,297**	(51%)	1,268	(52%)	2,634
Total revenue	**153,882**	(6%)	147,660	(10%)	164,287
Cost of sales	**(122,540)**	(8%)	(117,484)	(12%)	(132,869)
Gross profit	**31,342**	(0%)	30,176	(4%)	31,418
Other income	**1,027**	(26%)	961	(30%)	1,382
Selling, general and administrative expense	**(23,308)**	0%	(22,370)	(4%)	(23,232)
Income from operating activities	**9,061**	(5%)	8,767	(8%)	9,568
EBITDA	**11,707**		11,387		11,825
Ratios as a percentage of revenue:					
Gross profit margin	**20.4%**		20.4%		19.1%
Selling, general and administrative	**15.1%**		15.1%		14.1%

Operating Summary:

Fourth quarter EBITDA decreased $0.1 million, while income from operating activities decreased $0.5 million on reduced new equipment demand associated with U.S. exchange and reduced parts and service volume. Parts and service revenues were lower primarily due to an earlier harvest in 2015 compared to 2014, combined with the more favorable weather of the 2015 harvest reducing service demand in the period.

Same store highlights:

Income from operating activities decreased $0.8 million compared to the fourth quarter of 2014. The decline in activity is primarily related to lower new equipment sales, attributable to U.S. exchange rates as previously discussed. Decreased parts and service in the fourth quarter was influenced by an earlier and easier harvest in 2015 compared to 2014. Gross margin percentage has increased over prior year on higher parts and service sales as a percent of overall revenue, as well as increased used equipment margins for equipment taken on trade when the Canadian dollar was stronger. SG&A expenses decreased $0.9 million in the quarter on expense control initiatives.

Acquisition performance:

Acquisition performance includes the results of Evergreen acquisitions prior to October 15, 2015 and Deer Country prior to December 10, 2015. For this period, acquisitions contributed $0.3 million of income from operating activities on $6.2 million of incremental revenue.

Transportation Segment Results

($ thousands, except per share amounts)	Total Q4 2015 2015	% Change Compared to 2014	2014
Equipment			
New equipment	**40,897**	(18%)	50,007
Used equipment	**3,127**	60%	1,954
Total equipment revenue	**44,024**	(15%)	51,961
Parts	**22,222**	3%	21,634
Service	**6,753**	1%	6,715
Rental and other	**3,004**	14%	2,627
Total revenue	**76,003**	(8%)	82,937
Cost of sales	**(62,545)**	(10%)	(69,798)
Gross profit	**13,458**	2%	13,139
Other (loss)	**(1,192)**	751%	(140)
Unrealized foreign exchange (loss)	**(1,083)**	9%	(992)
Total other (loss)	**(2,275)**	101%	(1,132)
Selling, general and administrative expense	**(12,117)**	(10%)	(13,508)
Loss from operating activities	**(934)**	(38%)	(1,501)
EBITDA	**1,865**		173
Ratios as a percentage of revenue:			
Gross profit margin	**17.7%**		15.8%
Selling, general and administrative	**15.9%**		16.3%

Operating Summary:

Fourth quarter EBITDA and operating income increased $1.7 million and $0.6 million, respectively. Operating improvements in Ontario more than offset the resource related decreases in Saskatchewan. For the segment, higher gross margin dollars of $1.3 million within our Ontario parts and service departments combined with $0.4 million of SG&A cost reductions in our Saskatchewan dealerships, wholly offset the 57% decrease in Saskatchewan equipment sales.

Consistent with trends explained in the year to date period, Saskatchewan equipment sales continued to be significantly impacted by low resource prices and the appreciation of the U.S. dollar over prior year. In the fourth quarter, Saskatchewan equipment sales decreased $8.4 million (57%) compared to the same period in 2014. The decrease in Saskatchewan's parts and service revenues was limited to 3% compared to the 57% decrease in equipment sales, demonstrating the focus on servicing equipment which remains in use. SG&A reductions of $0.4 million were achieved by our Saskatchewan operations when compared to 2014.

Ontario parts and service revenue increased by $1.1 million, as oil prices have not been a significant factor on Ontario trucking activity. This additional revenue combined with process improvements in our service departments generated $1.7 million of incremental gross margin in Ontario. SG&A dollars have decreased due to the non-recurrence of $0.2 million of acquisition and integration costs incurred in the fourth quarter of 2014. The increase in gross margin dollars combined with reduced SG&A expenses resulted in $0.2 million of income from operating activities in the fourth quarter 2015 compared to a loss of $2.2 million in the fourth quarter of 2014.

Commercial and Industrial Segment Results

($ thousands, except per share amounts)	Total Q4 2015 2015	Total Q4 2015 % Change Compared to 2014	2014
Equipment			
New equipment	**14,394**	(43%)	25,061
Used equipment	**2,464**	(2%)	2,509
Total equipment revenue	**16,858**	(39%)	27,570
Parts	**6,531**	(18%)	7,932
Service	**3,277**	(20%)	4,108
Rental and other	**1,175**	(47%)	2,206
Total revenue	**27,841**	(33%)	41,816
Cost of sales	**(20,546)**	(32%)	(30,419)
Gross profit	**7,295**	(36%)	11,397
Other income	**310**	99%	156
Selling, general and administrative expense	**(7,061)**	(23%)	(9,226)
Income from operating activities	**544**	(77%)	2,327
EBITDA	**1,462**		3,911
Ratios as a percentage of revenue:			
Gross profit margin	**26.2%**		27.3%
Selling, general and administrative	**25.4%**		22.1%

Operating Summary:

Fourth quarter EBITDA decreased $2.4 million and income from operating activities decreased $1.8 million primarily due to a 43% decrease in new equipment sales. Action taken to scale operations in response to the market reduced SG&A by $2.2 million (23%) and maintained positive income from operating activities in the quarter.

The economic impact from the decline in oil prices had a significant impact to equipment sales in the fourth quarter. In addition, a warmer start to winter reduced demand for snow removal equipment and contributed to the decline in equipment and rental revenue compared to the fourth quarter of 2014.

During 2015, parts and service revenues were less volatile than equipment revenue, indicating equipment continues to operate and require servicing. This trend continued into the fourth quarter, with parts and service decreasing 18.5% compared to the 39% decrease in equipment revenue. However, the impact of lower market activity became more significant to parts and service revenues in the fourth quarter, as the decrease in parts and service was 18.5% in the current quarter, compared to 13% decrease in the third quarter of 2015. Continuous monitoring and action around costs is a key focus in this sector during market cycles, and $2.2 million has been eliminated from SG&A costs quarter over quarter.

FOURTH QUARTER CASH FLOWS

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

Operating activities

Net cash provided in operating activities was $20.6 million, compared to cash provided of $19.4 million for the same period of 2014, a decrease of $1.2 million. The primary reason for this decrease is cash taxes paid in fourth quarter 2015 of $5.3 million and higher interest paid of $2.8 million. These changes were partly offset by $14.8 million of net cash received from working capital items, compared to $3.3 million in 2014. The $11.5 million increase in cash from working capital items is primarily due to cash provided by net change in inventories and floor plan payables.

Investing activities

The Company used $3.4 million in net cash for investing activities, compared to a use of $48.7 million in 2014. In 2014 there were several events which were non-recurring in 2015, the most significant use of cash for investing activities was the purchase of Evergreen Equipment Ltd. and Deer-Country Equipment (1996) Ltd in 2014 totaling $42.3 million.

Financing activities

Financing activities used $11.1 million in cash flows in the period, primarily from $5.8 million advanced under the Company's debt facilities and the payment of dividends of $3.0 million.

CONSOLIDATED FINANCIAL POSITION

LIQUIDITY

($ thousands, except ratio amounts)	December 31, 2015	December 31, 2014
Current assets	**405,778**	410,214
Total assets	**629,785**	669,303
Current liabilities	**287,891**	290,838
Long-term financial liabilities	**136,953**	142,553
Shareholders' equity	**193,293**	229,491
Working capital (see "Non-IFRS Measures")	**117,887**	119,376
Working capital ratio (see "Non-IFRS Measures")	**1.41**	1.41

Working capital

Cervus' working capital decreased slightly by $1.5 million to $117.9 million at December 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 December 31, 2015, the Company had the ability to floor plan an additional $34.9 million of inventory, and $225.0 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.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments, financial obligations, and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. The Company's contractual obligations at December 31, 2015 are described below.

The Company has bank credit facilities available for its current use as follows:

($ thousands)	2015 Total Limits	2015 Borrowings	2014 Total Limits	2014 Borrowings
Operating and other bank credit facilities	**$ 100,832**	**$ 52,832**	$ 103,284	$ 42,707
Capital facilities	**64,131**	**42,800**	64,169	44,546
Floor plan facilities and rental equipment term loan financing	**479,243**	**182,959**	507,927	195,596
Total borrowing	**$ 644,206**	**$ 278,591**	$ 675,380	$ 282,849

The Company has guaranteed the net residual value of certain customer leases, for leases between customers and John Deere Financial ("JDF") as set out in Note 28 to the consolidated financial statements. The Company regularly assesses the residual value of the JDF lease portfolio relative to wholesale values for comparable equipment. On the maturity of customer's leases, the equipment is returned to the Company and sold as used equipment. Upon the return of equipment, JDF will provide the Company floor planning based on John Deere's pricing guide. Of the lease portfolio at December 31, 2015, leases with a residual value of $14.2 million are scheduled to mature in 2016.

Contractual obligations

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

($ thousands)	Total carrying value	Due 2016	Due 2017 through 2018	Due 2018 through 2019	Due thereafter
Term debt payable	109,615	17,917	84,476	7,555	
Finance lease obligation	22,064	5,713	4,850	10,341	1,160
Convertible debenture	32,941	-	34,500		-
Operating leases	-	6,161	4,760	3,281	10,678
Total	164,620	29,791	128,586	21,177	11,838

Inventories

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 agricultural 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 carried on our books. The majority of our product lines, in all segments, are manufactured in the U.S. with pricing based in U.S. dollars, but invoiced in Canadian dollars.

Inventory by segment for the period ended December 31, 2015 compared to December 31, 2014 is as follows:

($ thousands)	December 31, 2015	December 31, 2014
Agricultural	**204,071**	200,374
Transportation	**69,708**	68,024
Commercial & Industrial	**43,947**	56,227
Total	**317,726**	324,625

As at December 31, 2015, inventories decreased by $6.9 million when compared to $324.6 million at December 31, 2014. The $6.9 million decrease compared to December 31, 2014 is comprised of an $11.1 million decrease in used equipment, partly offset by an increase in parts of $3.1 million and a $1.8 million increase in new equipment. Appreciation in the U.S. dollar has increased the carrying value of inventory, as inventory was replaced during the year at higher Canadian dollar costs. The following analysis of inventory discusses the dollar value of inventory, and is not necessarily indicative of the number of units held in inventory, as inventory dollar values and inventory unit counts have diverged due to the exchange related increases on per unit cost during the year. The annual average USD/CAD exchange rate for 2015 was 1.2787, a 9% average increase over the $1.1728 rate in effect at the beginning of the year.[6]

The carrying value of same store inventory within the Agriculture segment is above prior year, due to increased parts inventory, as increased new inventory was offset by decreases in used. This has been achieved through continued focus in managing inventory levels throughout the year and acceleration in used demand in the second half of 2015.

The increase in our Transportation inventory is due to increased new inventory in Saskatchewan offset by decreased new inventory in Ontario. Saskatchewan new equipment inventory increased due to stocking new equipment inventory at the beginning of the year in expectation of typical western Canadian equipment demand. This demand did not materialize to the economic implications of significantly lower resource prices. The decrease in our C&I inventory is due to targeted reductions of new inventory during the year.

As at December 31, 2015, the Company believes that the recoverable amounts of its equipment inventory exceed its respective carrying values and no general impairment reserve is required or has been recorded.

Accounts Receivable

For the year ended December 31, 2015 the average time to collect the Company's outstanding accounts receivable was approximately 19 days as compared to 18 days for the year ended December 31, 2014. At December 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 $2.0 million (2014 - $1.4 million) at December 31, 2015, which represents 4.4% (2014 – 2.4%) of outstanding trade accounts receivable and 0.1% (2014 - 0.1%) of gross revenue on an annual basis. Bad debt expense for the year ended December 31, 2015 amounted to a $0.8 million (2014 - $0.8 million).

[6] Bank of Canada, http://www.bankofcanada.ca/rates/exchange/10-year-converter/

CAPITAL RESOURCES

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at December 31, 2015 is as follows:

($ thousands)	Total Amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	100,832	52,832	2,556	-	45,444
Floor plan facilities and rental equipment floor plan facilities	479,243	182,959	-	71,213	225,071
Capital facilities	64,131	42,800	-	-	21,331
Total	644,206	278,591	2,556	71,213	291,846

Operating and other bank credit facilities

At December 31, 2015, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $100,000 thousand. The facility was amended and extended on December 21, 2015. 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 $80,000 thousand accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at December 31, 2015 there was $52,000 thousand drawn on the facility and $2,400 thousand had been utilized for outstanding letters of credit to John Deere.

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 2016.

The Company must meet certain financial covenants as part of its current Canadian credit facility, all of which the Company was in compliance as at December 31, 2015. The relating three core covenants are summarized as:

- Maintaining "total liabilities to tangible net worth ratio" not exceeding 4.0:1.0 calculated from adjusted total liabilities over adjusted equity.
- Maintaining "fixed charge coverage ratio" greater to or equal to 0.95:1.0, calculated as adjusted EBITDA net of any Canadian debt or equity financing utilized over the sum of interest expense, scheduled principal payments, operating lease payments, and distributions paid to shareholders in the twelve months prior to the calculation date. The fixed charge coverage ratio will increase to 1.00:1 commencing on December 31, 2016 until March 30, 2017, and to 1.10:1 for the period from March 31, 2017 onwards.
- Maintaining "asset coverage ratio" greater than 3.0:1.0, calculated as North American adjusted net tangible total assets less consolidated debt excluding floor plan liabilities, plus debt due under the Canadian credit facility, divided by the amount due under the Canadian credit facility.

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 December 31, 2015, floor plan payables related to inventories was $168.6 million. Floor plan payables at December 31, 2015 and December 31, 2014 represented approximately 53.1% and 56% of our inventories, respectively. Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers. 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 $2.1 million for the year ended December 31, 2015. This amount was offset by rebates applied during the year ended December 31, 2015 of $1.3 million. At December 31, 2015 approximately 41% (2014 – 30%) of the C&I and 93% (2014 – 94%) of the Transportation segment's outstanding floor plan balances were interest bearing.

Outstanding Share Data

As of the date of this MD&A, there are 15,626 thousand common shares, 39 thousand share options, and 688 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 December 31, 2015 and 2014, the Company had the following weighted average shares outstanding:

(thousands)	December 31, 2015	December 31, 2014
Basic weighted average number of shares outstanding	**15,481**	15,147
Dilutive impact of deferred share plan	**-**	745
Dilutive impact of share options	**-**	11
Diluted weighted average number of shares outstanding	**15,481**	15,903

The above table excludes all deferred share units and options for the year ended December 31, 2015 (677 thousand) as they are considered anti-dilutive.

Dividends paid and declared to Shareholders

The Company, at the discretion of the board of directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the year ended December 31, 2015 ($ thousands, except per share amounts):

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2015	0.2125	3,287	292	2,995
June 30, 2015	0.2125	3,293	282	3,011
September 30, 2015	0.2125	3,306	270	3,036
December 31, 2015	0.2125	3,316	230	3,086
Total	**0.8500**	**13,202**	**1,074**	**12,128**

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 year ended December 31, 2015, 71 thousand common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' dividends declared and paid to December 31, 2015 are considered to be eligible dividends for tax purposes on the date paid.

The Alberta corporate income tax rate increase announced June 18, 2015 increased Alberta provincial income tax to 12% from 10% for current and future periods. We estimate that our overall corporate tax rate for current and future periods will increase approximately 0.75% to 1.0%, compared to the tax rates in effect prior to the Alberta tax increase.

On May 4, 2015, the Company announced an agreement with the Canada Revenue Agency (CRA) regarding their objection to the tax consequences of the conversion of the Company from a limited partnership structure into a corporation in October 2009. The agreement resulted in a non-cash charge of $33.4 million related to the write-off of a portion of the Company's deferred tax asset and $3.6 million of provincial cash taxes payable for the tax years ended December 31, 2013 and 2014. Under the agreement, the Company had $1.9 million of unused federal tax attributes which have been applied to reduce 2015 income taxes payable. Total expense recognized due to the CRA settlement was $36.9 million.

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

Annual Results Summary

($ thousands, except per share amounts)	2015	2014	2013
Total Revenues	**1,133,878**	979,609	861,138
(Loss) profit for the year	**(27,379)**	18,496	23,326
(Loss) profit for the year attributable to shareholders	**(27,421)**	18,362	23,090
Net (loss) earnings per share - basic	**(1.77)**	1.21	1.54
Net (loss) earnings per share - diluted	**(1.77)**	1.15	1.48
Cash provided by operating activities	**23,674**	61,577	30,480
EBITDA	**46,330**	50,811	51,883
Total assets	**629,785**	669,303	426,230
Total long-term liabilities	**148,601**	143,752	78,540
Total liabilities	**436,492**	439,812	207,810
Shareholders' equity	**193,293**	229,491	218,420
Net book value per share - diluted	**12.49**	14.43	13.95
Dividends declared to shareholders	**13,202**	12,583	11,759
Dividends declared per share	**0.850**	0.825	0.785
Weighted average shares outstanding			
Basic	**15,481**	15,147	14,968
Diluted	**15,481**	15,903	15,653
Actual shares outstanding	**15,606**	15,325	15,012

Quarterly Results Summary

($ thousands, except per share amounts)	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Revenues	**257,726**	334,742	302,988	238,422
Profit (loss) attributable to the shareholders	**3,768**	3,910	(32,203)	(2,896)
Gross profit dollars	**52,095**	55,278	55,256	44,312
Gross margin percentage	**20.2%**	16.5%	18.2%	18.6%
EBITDA	**15,034**	14,863	12,305	4,128
Earnings (loss) per share:				
Basic	**0.24**	0.25	(2.08)	(0.19)
Diluted	**0.23**	0.24	(2.08)	(0.19)
Adjusted earnings (loss) per share[1]				
Basic	**0.32**	0.43	0.19	(0.08)
Diluted	**0.31**	0.41	0.18	(0.08)
Weighted average shares outstanding				
- Basic	**15,578**	15,519	15,446	15,382
- Fully diluted	**16,255**	16,222	15,446	15,382

($ thousands, except per share amounts)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Revenues	289,040	286,192	237,488	166,889
Profit (loss) attributable to the shareholders	5,870	7,707	5,618	(833)
Gross profit dollars	55,954	52,345	45,253	33,121
Gross margin percentage	19.4%	18.3%	19.1%	19.8%
EBITDA	15,909	17,599	13,247	4,053
Earnings (loss) per share:				
Basic	0.38	0.51	0.37	(0.06)
Diluted	0.37	0.49	0.35	(0.06)
Adjusted earnings (loss) per share[1]				
Basic	0.49	0.57	0.39	(0.10)
Diluted	0.47	0.55	0.37	(0.10)
Weighted average shares outstanding				
- Basic	15,273	15,148	15,130	15,034
- Fully diluted	16,023	15,884	15,835	15,034

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. 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 reason for the change in net profit for the four most recent quarters when compared to prior quarters, is primarily the impact of resource prices on western Canadian Transportation and C&I operations, followed by our Ontario Peterbilt operations generating operating losses during integration.

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 geographical 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 outlook remains the driving variable in the Company's western Canadian operations, due to the strength of the agriculture sector, as well as oil prices significant impact on our C&I and western Canadian transportation operations.

Despite weather related concerns through the first half of the 2015 growing season, 2015 ended strong for Canadian farmers. Canadian estimated crop yield for 2015 is second only to the record 2013 crop[7], while 2015 farm net cash income set a record high.[8] Combined with the strength in Canadian agriculture over the last decade, farm net worth is also at record highs.[9] These factors place Canadian farmers in a solid position to navigate the broader market factors currently forecast for 2016. AAFC is forecasting grain inventory to weigh on global crop pricing, although Canadian producers will benefit from depreciation of the Canadian dollar while lower oil prices have reduced input costs of fuel. However, equipment related input costs have increased due to the Canadian pricing impact of U.S. dollar based foreign exchange. Increased equipment cost associated with foreign exchange could continue to temper some aspects of new equipment demand in 2016, particularly for discretionary equipment purchases outside of planned replacement cycles.

The increased cost of new equipment has supported the carrying value of our used agricultural inventory and we are well positioned to support overall equipment demand with well-priced quality used inventory. Our parts and service activity remains a critical link to our customers, and is a core business line within our dealerships. The significant equipment population in our geography drives parts and service revenues, as our customers plant, maintain, and harvest a crop each year. We see opportunities to continue to refine our service process to further increase efficiencies and partner with our customers in the time and weather sensitive Canadian growing season.

Our western Canadian Commercial and Industrial segment and our Saskatchewan transportation dealerships have been heavily impacted by reduced oil prices and associated market trends. Our customers curtailed capital spending on new equipment in 2015, and we do not anticipate an acceleration of equipment demand in these segments until such time that resource activity resumes. However, industry activity continues related to interprovincial logistical transport and material handling, agricultural transportation demand, and construction tied to major capital projects already underway. Our focus in these markets in the current cycle is continued support of our customers, while prudently managing resources. We have achieved significant reductions in SG&A expenses while retaining our ability to service our customers effectively. This theme will be a sustained focus in these markets through 2016.

Ontario

Our Ontario Transportation operations ended the year with a small operating profit. This is a significant turnaround from the losses incurred earlier in the year, although still well below our expectation for this group. Market fundamentals in Ontario are positive, with a provincial economy expected to be a national leader in 2016.[10] In these conditions, our focus is continued building of customer relationships, developing our team, and implementing processes to support responsive and profitable business. Supported by our Original Equipment Manufacturer ("OEM"), 2015 was a year of significant investment in providing the tools and building the team required to deliver

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[7] Agriculture and Agri-Food Canada *Outlook for Principal Field Crops,* January 25,2016, http://www.agr.gc.ca/eng
[8] Agriculture and Agri-Food Canada *2016 Canadian Agricultural Outlook,* February 19, 2016, http://www.agr.gc.ca/eng
[9] Agriculture and Agri-Food Canada *2016 Canadian Agricultural Outlook,* February 19, 2016, http://www.agr.gc.ca/eng
[10] TD Economics, *Quarterly Economic Forecast – Canada,* December 17, 2015, https://www.td.com/economics

results commensurate with our investment. We have been pleased with the engagement of the team to embrace the challenge, and the fourth quarter of 2015 provided indications that these initiatives are bearing fruit. Through 2016 we continue to focus on branch profitability, and see the largest opportunities in building efficient parts and service departments, supported by a capable high volume equipment sales team.

New Zealand & Australia

The New Zealand Agriculture outlook continues to be dominated by the dairy sector. At time of writing, milk payout is $4.15/kg and bank forecasts are for this to drop below $4.00/kg. These are ten year lows for dairy prices, and have impacted the capital investment of dairy farmers, as the national dairy herd has contracted. Other sectors within New Zealand agriculture have provided some broader relief, as cattle and sheep prices remain strong, combined with a positive outlook for fruit and vegetable crops. 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.

In our Australian geography, farmers experienced a mixed year. Grain prices were stable, and although El Nino conditions resulted in lower than average rainfall, farmers are expecting to cover their costs for the year. For dairy farmers, recovery of global dairy prices has been slow, while a drier season has increased their input costs. Sheep and beef farmers have benefited from low national herd numbers generating strong prices, supported by a decline in the Australian dollar relative to the U.S. dollar. The diversified agriculture in our dealership area has supported overall demand in the year, and is a positive factor looking ahead to 2016. Median rainfall is a significant driver, and was a headwind in 2015. With the El Nino year passed, general expectation of higher precipitation in 2016 is providing farmers a positive outlook for the coming year, one indicator of equipment demand.

OFF-BALANCE SHEET ARRANGEMENTS

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

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At December 31, 2015, payments in arrears by such customers aggregated $376 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2015, the net residual value of such leases aggregated $195.0 million of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% to 2% 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 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 $2.7 million at December 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.

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 year ended December 31, 2015 and 2014 was:

($ thousands)	**2015**	**2014**
Short-term benefits	**3,096**	2,684
Share-based payments	**387**	573
Total	**3,483**	3,257

Key management personnel and director transactions

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

Other related party transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.5 million. The guarantees are kept in place until released by John Deere. During the twelve month periods ended December 31, 2015 and 2014, the Company paid those individuals $195 thousand and $184 thousand, respectively, 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.

BUSINESS RISKS AND UNCERTAINTIES

Risk management framework

The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board, together with the Audit Committee are responsible for monitoring and oversight of the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict innovation

and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk.

The following are considered the primary categories of business risks and uncertainties faced by the business:

Market risk

Market risk is the risk that changes in the market place such as foreign exchange rates, interest rates and commodity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

Commodity price

The Company is primarily a business to business equipment retailer. Many of our customers' businesses are very capital intensive, and can be significantly affected by swift changes to external market factors beyond their control. Commodity prices can be one of the most significant factors to our customers' businesses, as rapid changes in food input pricing, cattle pricing, or petroleum product pricing can have a material adverse effect on a large number of our customers. The Company's financial success can be largely impacted by changes in these business cycle factors in its customer base. These factors would potentially impact the Company's operating results through eroding margins on the products it sells, and valuation concerns over the inventory it holds.

Monitoring inventory levels, periodic review of inventory valuation across segments, and increasing the geographic distribution and industry alignments of our dealer network assist in reducing the impact of a significant market downturn in one particular region or industry. However, the majority of sales continue to be derived from the Agricultural sector. Consequently, market factors affecting the liquidity and outlook for our Agriculture customers can significantly impact demand for equipment sales, parts & service. Ongoing focus on internal efficiencies and excellence in after-market service to our customers assist in maintaining gross margin in periods where our customers are not focused on capital investment.

Foreign currency exposure

Many of our products, including equipment and parts, are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers but are settled in Canadian dollars as they are received. This may cause fluctuations in the sales values assigned to equipment and parts inventories, as inventory is recorded based on Canadian dollar cost at the time of receipt, but is sold to the customer based on market pricing prevailing at time of sale. Both sales revenues and gross profit margins may fluctuate based on differences in foreign exchange rates between the purchase of inventory and sale of inventory. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on the Company's new equipment inventory purchases.

Further, a portion of the Company's owned inventory is floor planned in U.S. dollars. As such, U.S. dollar denominated floor plan payables are exposed to fluctuations in the U.S. dollar exchange rate until the unit is sold and the floorplan is repaid. At the time of sale, the Company determines a margin based on the replacement cost of the inventory at the time of sale, not the initial cost of the inventory at the time of purchase. In so doing, the Company's objective is to obtain a target margin on the sale of inventory, by calculating the sale margin based on the cost of repaying the U.S. dollar floorplan as at the sale date. If the Company was unable to recapture fluctuations in the U.S./CAD dollar in the sales price for equipment floor planned in U.S. dollars, a $0.01 change in the U.S. exchange rate would have increased (decreased) profit or loss by $264 thousand (2014 - $260 thousand), based on the U.S. dollar floor plan balances at December 31, 2015. From time to time the Company also enters into foreign exchange forward contracts to manage exposure on timing difference between the payout of floorplan and receipt of funds from a customer.

In addition, the Company is exposed to foreign currency fluctuation related to translation adjustments upon consolidation of its Australian and New Zealand operations. These foreign subsidiaries report operating results in Australia and New Zealand dollars, respectively. Movements in these currencies relative to the Canadian dollar will impact the consolidated results of these operations. Based on the Company's results reported from its foreign

subsidiaries, a strengthening or weakening of the Canadian dollar by 5% against the New Zealand dollar at December 31, 2015 would have increased (decreased) profit or loss by $559 thousand (2014 - $54 thousand). A strengthening or weakening of the Canadian dollar by 5% against the Australian dollar at December 31, 2015 would have increased (decreased) profit or loss by $172 thousand (2014 -$20 thousand).

Interest rate risk

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate as a result of changes in market interest rates. The Company mitigates its exposure to interest rate risk by utilizing excess cash resources to buy-down or pay-off interest bearing contracts, and by managing its floor plan payables and inventory levels (turnover) to maximize the benefit of interest-free periods, where available.

Based on the Company's outstanding long-term debt at December 31, 2015, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $2.6 million (2014 - $2.0 million).

Reliance on our key manufacturers and dealership arrangements

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

The dealership agreements with John Deere obligate the Company to assume leased equipment at residual value upon the maturity of Customer's leases with John Deere. This equipment is then sold by Cervus as used equipment. In the unlikely event of a severe market shock, residual values set at the beginning of a 5 year lease term may exceed market value of the equipment upon lease maturity. Cervus routinely reviews the residual values and maturity of customers' leases with John Deere, and is satisfied with the residual values reflected in the leases and the Company's ability to profitably market the equipment as leases mature. At December 31, 2015, customer equipment leases with John Deere represented residual values of $194,987 thousand, maturing over the next five years.

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

The success of our dealerships depend on the timely supply of equipment and parts from our manufacturers to ensure the timely delivery of products and services to our customers. We also depend on our suppliers to provide competitive prices and quality products. Currently all of our dealership contracts are in good standing with our suppliers. There can be no guarantee that: (i) circumstances will not arise which give these equipment manufacturers the right to terminate their dealership agreements or (ii) one or more of the equipment manufacturers will decide not to renew their dealership agreements with us upon expiry.

Industry competitive factors

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

The Transportation equipment group primarily sells transport equipment through PACCAR, which manufacturers Peterbilt and Kenworth trucks. The major competitors to Peterbilt are Kenworth, International, Freightliner, Volvo,

and Mack trucks. The segment is highly dependent on consumer and commercial transportation of goods, as well as service based industries including oil and gas in western Canada, and manufacturing in eastern Canada. This diverse customer base does mitigate the risks inherent in any one of those customer segments.

The Commercial and Industrial segment sells light and medium construction equipment and is comprised of several lines of commercial equipment from major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere Industrial, Volvo, Hitachi and Liebherr. The light and medium commercial equipment market is very much dependent upon residential and commercial construction. The segment also sells industrial equipment from several manufacturers, Clark, Sellick, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, Crown, and Caterpillar. Industrial equipment is primarily sold to building supply companies, warehousing, food processors, oilfield supply companies, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments.

Presently the majority of the Transportation, and Commercial and Industrial equipment segment revenues are derived from the sale of Peterbilt, Bobcat, JCB, Sellick, and Doosan equipment and products. All these equipment manufacturers have established themselves as industry leaders in our markets for the manufacture and delivery of on-highway, vocational and medium duty Transportation equipment and light Commercial and Industrial equipment. There can be no assurance however that these suppliers will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

Seasonality and Cyclicality

Weather has a direct impact on our customers' earnings, particularly in the agricultural segment, which in turn affects their need and ability to purchase equipment. The transportation and construction and industrial sectors are not as seasonal when compared to the agricultural business on an annual basis, but can fluctuate based on market factors beyond our control.

Human resources

The ability to provide high quality services to our customers depends on our ability to attract and retain well trained, experienced employees. Certain of the geographic areas in which we operate are experiencing a very high demand for and corresponding shortage of quality employees. We need to attract and retain quality employees, or our long-term success and ability to take advantage of growth opportunities could be threatened. We have established a number of human resource initiatives and compensation strategies to address this risk.

Legislative

The Company is subject to comply with a broad range of legislation, regulation and government policies. A change in existing legislation could negatively impact operations.

Environmental risks

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

Acquisition and integration risks

Strategic acquisitions have been an important element of Cervus' business strategy, and Cervus expects to continue to pursue such acquisitions in the future. Although Cervus engages in discussions with, and submits proposals to acquisition candidates, suitable acquisitions may not be available in the future on reasonable terms. If Cervus does identify an appropriate acquisition candidate, Cervus may not be able to successfully negotiate the terms of the acquisition, finance the acquisition or, if the acquisition occurs, effectively integrate the acquired business into Cervus' existing business. In addition, the negotiation of a potential acquisition and the integration of an acquired business may require a disproportionate amount of management's attention and resources.

Cervus' inability to successfully identify, execute, or effectively integrate future or previous acquisitions may negatively affect its results of operations. Even though Cervus performs a due diligence review of the businesses it acquires that it believes is consistent with industry practices, such reviews are inherently incomplete. Even an in-depth due diligence review of a business may not necessarily reveal existing or potential problems or permit Cervus to become familiar enough with the business to fully assess its deficiencies and potential. Even when problems are identified, Cervus may assume certain risks and liabilities in connection with the acquired business.

Credit risk

By granting credit sales to customers, it is possible these customers may experience financial difficulty and be unable to fulfill their repayment obligations. The Company's revenue is generated from customers in the farming, construction, industrial, and transportation industries, resulting in a concentration of credit risk from customers in these industries. The strength of our Agricultural segment is influenced by the prices of crop inputs, commodity prices, as well as local and global weather patterns in a growing season. Our Commercial and Industrial equipment sector is influenced by general economic and construction activity, and due to location, oil prices for Western Canadian crude oil. Our Transportation segment is influenced by regional, national, and North American economic activity, particularly factors impacting oil and gas activity, manufacturing and the demand for, and transportation of, consumer and industrial goods.

A significant decline in economic conditions within these industries would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable, and deposits and guarantees with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. The average time to collect the Company's outstanding accounts receivable was approximately 19 days for the year ended December 31, 2015 (18 days for the year ended December 31, 2014) and no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on specific customers credit risk, historical trends, and other economic information.

Capital risk management

The Company's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. shares issued, accumulated earnings, shareholder distributions and dilutive instruments).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue shares/units to facilitate business combinations and or retire term debt or may adjust the amount of distributions paid to the Shareholders.

The Company uses the following ratios in determining its appropriate capital levels; a) a debt to total capital ratio (total interest bearing debt divided by total interest bearing debt plus book value of equity); b) an adjusted debt to adjusted EBITDA ratio (adjusted debt divided by adjusted EBITDA); c) an adjusted debt to adjusted assets ratio (calculated as adjusted debt divided by adjusted assets); d) a fixed charge coverage ratio (calculated as adjusted EBITDA divided by contractual principal, interest, dividend, and operating lease payments); and e) an asset coverage ratio (tangible assets divided by specific drawn amounts under certain credit facilities). Adjusted assets comprise all components of assets other than other intangible assets and goodwill. Adjusted equity comprises of all components of shareholders' equity and is reduced by other intangible assets and goodwill.

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.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Fair value of assets and liabilities acquired in business combinations

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, and goodwill, among other items. These estimates have been discussed further below.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets

The fair value of dealership distribution agreements and trade names acquired in a business combination is based on the incremental discounted estimated cash flows enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using income based approaches, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets including non-competition agreements is based on the discounted cash flows expected to be derived from the use and any residual value of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of the future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability

component of convertible debentures, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Derivative financial instruments

The fair value of foreign currency derivative financial instruments is calculated based on market comparison technique. The fair value is based on similar contracts in an active market and based on quotes using the prevailing foreign exchange translation rate from the Bank of Canada or similar sources.

Taxation matters

Income tax provisions, including current and future income tax assets and liabilities, require estimates and interpretations of federal and provincial income tax rules and regulations, and judgements as to their interpretation and application to our specific situation. Estimates are also made as to the availability of future taxable profit against which carryforward tax losses can be used.

Lease arrangements

In determining classification of leases as an operating or finance lease, the Company applies judgement to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company; or where the Company is the lessee, whether substantially all the significant risks and rewards of ownership are transferred to the Company or remain with the lessor. These judgements can be significant as to how the Company classifies amounts related to the arrangements as rental equipment, net investment in finance lease, or lease obligation of these arrangements.

Net realizable value of inventories

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

Asset impairment

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

Judgement is used in identifying impairment triggers and the cash generating unit or group of cash generating units at which goodwill, intangible assets, and property and equipment are monitored for internal management purposes and identifying an appropriate discount rate for these calculations.

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

FUTURE ACCOUNTING STANDARDS

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 Assets 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 expect the amendments to have a material impact on the Company's financial statements.

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company intends to adopt these amendments in its financial statements for annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The Company does not intend to early adopt these amendments in its financial statements for the annual period beginning January 1, 2016, as the effective date for these amendments has been deferred indefinitely.

Effective January 1, 2018, 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 extent of the impact of adoption of the standard has not yet been 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 intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

RESPONSIBILITITY OF MANAGEMENT AND BOARD

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 evaluated, or caused to be evaluated under their supervision, the effectiveness of our disclosure controls and procedures and based on this evaluation, the CEO and the CFO concluded that, as of December 31, 2015, Cervus' disclosure controls and procedures are effective.

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.

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2015, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013). Based on this assessment, the CEO and the CFO concluded that, as of December 31, 2015, Cervus' internal control over financial reporting are effective.

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:

Adjusted Earnings

Adjusted earnings is provided to aid in the comparison of the Company's results from one period, to the Company's results from another period. The Company calculates Adjusted Earnings as follows:

	Three month period ended December 31		Year ended December 31	
($ thousands, except per share amounts)	**2015**	**2014**	**2015**	**2014**
Income (loss) attributed to shareholders	**3,768**	5,870	**(27,421)**	18,362
Adjustments:				
CRA settlement	**-**	-	**36,948**	-
Unrealized foreign currency (gain) loss	**1,083**	992	**2,810**	952
Acquisition and integration costs	**170**	632	**998**	1,525
Loss (gain) on sale of land and building	**-**	-	**-**	(680)
Adjusted income attributed to shareholders	**5,021**	7,494	**13,335**	20,159
Adjusted earnings per share:				
Basic	**0.32**	0.49	**0.86**	1.33
Diluted	**0.31**	0.47	**0.83**	1.27

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 ($ thousands) Three months ended December 31, 2015	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**	**Other[1]**
Net profit (loss)	**3,768**	4,800	(1,165)	133	-
Add:					
Interest	**4,400**	1,670	2,345	385	-
Income taxes	**2,267**	2,889	(692)	70	-
Depreciation and Amortization	**4,599**	2,348	1,377	874	-
EBITDA	**15,034**	11,707	1,865	1,462	-

EBITDA ($ thousands) - Same Store Three months ended December 31, 2015	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit (loss) before tax	**5,755**	7,409	(1,857)	203
Add:				
Interest	**4,388**	1,658	2,345	385
Depreciation and Amortization	**4,571**	2,320	1,377	874
EBITDA	**14,714**	11,387	1,865	1,462

EBITDA ($ thousands) Three months ended December 31, 2014	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit (loss)	**5,870**	5,828	(1,371)	1,413
Add:				
Interest	**2,287**	1,272	569	446
Income taxes	**2,528**	2,497	(564)	595
Depreciation and Amortization	**5,224**	2,228	1,539	1,457
EBITDA	**15,909**	11,825	173	3,911

EBITDA ($ thousands) Year ended December 31, 2015	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**	**Other[1]**
Net profit (loss)	**(27,421)**	13,288	(3,470)	(291)	(36,948)
Add:					
Interest	**13,571**	6,758	5,172	1,641	-
Income taxes	**42,327**	7,494	(1,952)	(163)	36,948
Depreciation and Amortization	**17,853**	8,951	5,250	3,652	-
EBITDA	**46,330**	36,491	5,000	4,839	-

EBITDA ($ thousands) - Same Store Year ended December 31, 2015	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit (loss) before tax	**15,100**	20,019	(4,465)	(454)
Add:				
Interest	**11,423**	5,779	4,003	1,641
Depreciation and Amortization	**13,921**	7,091	3,178	3,652
EBITDA	**40,444**	32,889	2,716	4,839

EBITDA ($ thousands) Year ended December 31, 2014	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit	**18,362**	16,061	(876)	3,177
Add:				
Interest	**8,352**	4,980	1,927	1,445
Income taxes	**7,654**	6,703	(362)	1,313
Depreciation and Amortization	**16,443**	6,351	3,885	6,207
EBITDA	**50,811**	34,095	4,574	12,142

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.