

Unaudited Condensed Interim
Consolidated Financial
Statements of

**CERVUS EQUIPMENT
CORPORATION**

For the three month periods ended March 31, 2017 and 2016

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2017 and December 31, 2016

(\$ thousands)	Note	March 31, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents		\$ 4,708	\$ 14,542
Trade and other accounts receivable		48,835	54,986
Inventories	5	293,260	255,231
Total current assets		346,803	324,759
Non-current assets			
Other long-term assets		8,767	9,537
Property and equipment		74,791	75,498
Intangible assets		45,302	46,514
Goodwill	6	20,535	20,544
Total non-current assets		149,395	152,093
Total assets		\$ 496,198	\$ 476,852
Liabilities			
Current liabilities			
Trade and other liabilities		\$ 74,999	\$ 84,340
Floor plan payables	7	123,735	86,091
Current portion of term debt	7	15,922	15,720
Debenture payable		34,153	33,899
Total current liabilities		248,809	220,050
Non-current liabilities			
Term debt	7	14,015	21,660
Finance lease obligation		10,658	10,695
Deferred income tax liability		10,567	10,608
Total non-current liabilities		35,240	42,963
Total liabilities		284,049	263,013
Equity			
Shareholders' capital	8	90,141	89,863
Deferred share plan		8,452	7,520
Other reserves		5,195	5,195
Accumulated other comprehensive income		1,056	1,219
Retained earnings		105,999	108,731
Total equity attributable to equity holders of the Company		210,843	212,528
Non-controlling interest		1,306	1,311
Total equity		212,149	213,839
Total liabilities and equity		\$ 496,198	\$ 476,852

Approved by the Board: "Peter Lacey" Director

"Angela Lekatsas" Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Comprehensive (Loss) Income
For the three month periods ended March 31, 2017 and 2016

(\$ thousands)	Note	Three month periods ended March 31	
		2017	2016
Revenue			
Equipment sales		\$ 158,652	\$ 139,628
Parts		49,153	45,097
Service		19,241	19,199
Rentals		4,064	4,618
Total revenue		231,110	208,542
Cost of sales		(190,723)	(169,324)
Gross profit		40,387	39,218
Other income	9	729	4,191
Selling, general and administrative expense		(41,177)	(38,223)
(Loss) income from operating activities		(61)	5,186
Net finance costs	10	(1,555)	(2,834)
Share of loss of equity accounted investees, net of income tax		-	(249)
(Loss) income before income tax expense		(1,616)	2,103
Income tax expense	11	(17)	(370)
(Loss) income for the period		(1,633)	1,733
Other comprehensive (loss) income:			
Foreign currency translation differences for foreign operations, net of tax		(163)	(820)
Total comprehensive (loss) income for the period		(1,796)	913
(Loss) attributable to:			
Shareholders of the Company		(1,628)	1,733
Non-controlling interest		(5)	-
(Loss) income for the period		(1,633)	1,733
Total comprehensive (loss) income attributable to:			
Shareholders of the Company		(1,791)	913
Non-controlling interest		(5)	-
Total comprehensive (loss) income for the period		\$ (1,796)	\$ 913
Net (loss) income per share attributable to shareholders of the Company:			
Basic	12	\$ (0.10)	\$ 0.11
Diluted	12	\$ (0.10)	\$ 0.11

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Changes in Equity
For the three month periods ended March 31, 2017 and 2016

Attributable to equity holders of the Company									
(\$ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
Balance December 31, 2015		\$ 88,270	\$ 7,098	\$ 5,182	\$ 1,831	\$ 89,413	\$ 191,794	\$ 1,499	\$ 193,293
Comprehensive loss for the period									
Profit		-	-	-	-	1,733	1,733	-	1,733
Other comprehensive income									
Foreign currency translation adjustments, net of tax		-	-	-	(820)	-	(820)	-	(820)
Total comprehensive loss for the period		-	-	-	(820)	1,733	913	-	913
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(1,094)	(1,094)	-	(1,094)
Shares issued through DRIP		230	-	-	-	-	230	-	230
Shares issued through deferred share plan		20	(20)	-	-	-	-	-	-
Share-based payment transactions		-	827	20	-	-	847	-	847
Transactions with owners		250	807	20	-	(1,094)	(17)	-	(17)
Balance March 31, 2016		\$ 88,520	\$ 7,905	\$ 5,202	\$ 1,011	\$ 90,052	\$ 192,690	\$ 1,499	\$ 194,189
Balance December 31, 2016		\$ 89,863	\$ 7,520	\$ 5,195	\$ 1,219	\$ 108,731	\$ 212,528	\$ 1,311	\$ 213,839
Comprehensive (loss) income for the period									
(Loss)		-	-	-	-	(1,628)	(1,628)	(5)	(1,633)
Other comprehensive (loss) income									
Foreign currency translation adjustments, net of tax		-	-	-	(163)	-	(163)	-	(163)
Total comprehensive loss for the period		-	-	-	(163)	(1,628)	(1,791)	(5)	(1,796)
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(1,104)	(1,104)	-	(1,104)
Shares issued through DRIP	8	195	-	-	-	-	195	-	195
Shares issued through deferred share plan	8	83	(83)	-	-	-	-	-	-
Share-based payment transactions		-	1,015	-	-	-	1,015	-	1,015
Transactions with owners		278	932	-	-	(1,104)	106	-	106
Balance March 31, 2017		\$ 90,141	\$ 8,452	\$ 5,195	\$ 1,056	\$ 105,999	\$ 210,843	\$ 1,306	\$ 212,149

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three month periods ended March 31, 2017 and 2016

(\$ thousands)	Note	Three month periods ended March 31	
		2017	2016
Income (loss) for the period		\$ (1,633)	\$ 1,733
Adjustments for:			
Income tax expense	11	17	370
Depreciation		2,332	3,272
Amortization of intangibles		1,279	1,267
Equity-settled share-based payment transactions		1,015	160
Net finance costs	10	1,958	3,368
Unrealized foreign exchange gain	9	(190)	(2,707)
Non-cash (recovery) write-down of inventories	5	(209)	1,692
(Gain) on sale of property and equipment	9	(68)	(1,584)
Share of loss of equity accounted investees, net of tax		-	249
Change in non-cash working capital		(682)	(1,652)
Cash generated from operating activities		3,819	6,168
Cash taxes paid		(3,165)	(1,663)
Interest paid		(1,633)	(3,280)
Net cash (used in)/provided from operating activities		(979)	1,225
Cash flows from investing activities			
Interest received	10	94	29
Purchase of property and equipment		(1,370)	(656)
Payments for intangible assets		(66)	(362)
Proceeds from disposal of property and equipment		709	462
Net cash (used in) investing activities		(633)	(527)
Cash flows from financing activities			
Net (repayments)/proceeds from term debt		(7,405)	778
Cash dividends paid		(907)	(3,086)
Payment of finance lease liabilities		(842)	(1,715)
Receipt of deposits with manufacturers		641	123
Net cash (used in) from financing activities		(8,513)	(3,900)
Net decrease in cash and cash equivalents		(10,125)	(3,202)
Effect of foreign currency translation on cash		291	(1)
Cash and cash equivalents, beginning of period		14,542	11,955
Cash and cash equivalents, end of period		\$ 4,708	\$ 8,752

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2017 and 2016

1. Reporting entity

Cervus Equipment Corporation ("Cervus" or the "Company") is an incorporated entity under the Canada Business Corporations Act and is domiciled in Canada. The unaudited condensed interim consolidated financial statements of the Company as at and for the period ended March 31, 2017 are comprised of the Company and its subsidiaries ("the Group"). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, transportation, construction and industrial ("C&I") equipment. The Company also provides equipment rental, primarily in the transportation, construction and industrial equipment segments. The Company wholly owns and operates 64 dealerships in Canada, New Zealand, and Australia, employing more than 1,500 people. The primary equipment brands represented by Cervus include John Deere agricultural equipment; Bobcat and JCB construction equipment; Clark, Sellick and Doosan material handling equipment; and Peterbilt transportation equipment. The common shares of Cervus are listed on the Toronto Stock Exchange and trade under the symbol "CERV".

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The unaudited condensed interim consolidated financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2016.

The Board of Directors authorized the issue of these unaudited condensed interim consolidated financial statements on May 9, 2017.

(b) Use of judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2016.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2017 and 2016

4. Seasonality

The Canadian, New Zealand and Australian retailing of agricultural, transportation, commercial, and industrial equipment is influenced by seasonality. Sales activity for the agricultural equipment segment is normally highest between April and September during growing seasons in Canada and July through December in New Zealand and Australia. Sales in the commercial, industrial, and transportation equipment segment are not as heavily impacted by seasonality but do see slower sales activity in the winter months. As a result, profit or losses may not accrue uniformly from quarter to quarter.

5. Inventories

(\$ thousands)	March 31, 2017	December 31, 2016
New equipment	\$ 131,722	\$ 104,424
Used equipment	110,540	101,073
Parts and accessories	49,298	48,398
Work-in-progress	1,700	1,336
	\$ 293,260	\$ 255,231

Included in costs of sales are amounts related to inventory write-downs or recoveries, during the three month periods ended March 31, 2017 and 2016 of \$209 thousand recovery and \$1,692 thousand expense, respectively.

6. Goodwill

The movements in the net carrying amount of goodwill are as follows:

(\$ thousands)	
Balance at January 1, 2016	\$ 20,616
Impact of translation of goodwill held in foreign currencies	(72)
Balance at December 31, 2016	\$ 20,544
Impact of translation of goodwill held in foreign currencies	(9)
Balance at March 31, 2017	\$ 20,535

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2017 and 2016

7. Capital resources

The Company has various facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at March 31, 2017 are as follows:

(\$ thousands)	March 31, 2017		December 31, 2016	
	Total Limits	Borrowings	Total Limits	Borrowings
Operating and other bank credit facilities	\$ 100,000	\$ 5,000	\$ 100,000	\$ 11,100
Capital facilities	58,715	15,321	58,809	15,543
Floor plan facilities and rental equipment term loan financing	463,771	133,720	463,883	97,220
Total borrowing	\$ 622,486	\$ 154,041	\$ 622,692	\$ 123,863
Total current portion long term debt		(15,922)		(15,720)
Total inventory floor plan facilities		(123,735)		(86,091)
Deferred debt issuance costs		(369)		(392)
Total long term debt	\$ 622,486	\$ 14,015	\$ 622,692	\$ 21,660

As at March 31, 2017 the Company is in compliance with all of its covenants.

Operating and other bank credit facilities - Operating and other bank credit facilities include the Canadian amounts as well as the New Zealand and Australian amounts.

Floor plan facilities - The Company utilizes floor plan financing arrangements with various suppliers for inventory and rental equipment purchases.

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

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2017 and 2016

8. Capital and other components of equity

The Company has unlimited authorized share capital without par value for all common shares. All issued common shares have been fully paid.

Share capital

(thousands)	Number of common shares	Total carrying amount
Balance at January 1, 2016	15,606	\$ 88,270
Issued under the DRIP plan	18	230
Issued under the deferred share plan	2	20
Balance at March 31, 2016	15,626	\$ 88,520
Issued under the DRIP plan	61	653
Issued under the deferred share plan	63	690
Balance at December 31, 2016	15,750	89,863
Issued under the DRIP plan	13	195
Issued under the deferred share plan	3	83
Balance at March 31, 2017	15,766	\$ 90,141

9. Other income

Other income for the three month periods ended March 31, 2017 and 2016 are comprised of the following:

(\$ thousands)	Three month periods ended March 31	
	2017	2016
Net gain on sale of property and equipment	\$ 68	\$ 1,584
Unrealized foreign exchange gain (a)	190	2,707
Other income (loss)	471	(100)
	\$ 729	\$ 4,191

(a) – Unrealized foreign exchange gain/(loss) is due to changes in fair value of our derivative financial asset and from period close translation of floorplan payables and cash denominated in US dollars.

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For the three month periods ended March 31, 2017 and 2016

10. Finance income and finance costs

	Three month periods ended March 31	
	2017	2016
(\$ thousands)		
Finance Income	\$ 94	\$ 29
Interest expense on convertible debenture	(771)	(749)
Interest expense on mortgage and term debt obligations	(230)	(927)
Interest expense on financial liabilities	(1,051)	(1,721)
Finance Costs	\$ (2,052)	\$ (3,397)
Net finance costs recognized separately	(1,555)	(2,834)
Net finance costs recognized in cost of sales	(403)	(534)
Total Net Finance Costs	\$ (1,958)	\$ (3,368)

11. Income taxes

Tax expense recognized in statement of comprehensive income

	Three month periods ended March 31	
	2017	2016
(\$ thousands)		
Current income tax recovery	\$ 17	\$ 216
Deferred income tax expense	(34)	(586)
Income tax expense	\$ (17)	\$ (370)

The expense for the three months ended March 31, 2017 and 2016 can be reconciled to the accounting profit (loss) based on using federal and provincial statutory rates of 26.9% (2016 – 26.4%) as follows:

	Three month periods ended March 31	
	2017	2016
(\$ thousands)		
Income (loss) before income tax expense	\$ (1,616)	\$ 2,103
Expected income tax recovery (expense)	435	(555)
Non-deductible costs and other	(452)	185
Income tax expense	\$ (17)	\$ (370)

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2017 and 2016

12. Per share amounts

Per share amounts

Both basic and diluted earnings (loss) per share have been calculated using the net earnings (loss) attributable to the shareholders of the Company as the numerator. No adjustments to net earnings (loss) were necessary for the three month periods ended March 31, 2017 and 2016. The weighted average number of shares for the purposes of diluted earnings (loss) per share can be reconciled to the weighted average number of basic shares as follows:

	Three month periods ended March 31	
	2017	2016
(\$ thousands)		
Issued common shares opening	15,750	15,606
Effect of shares issued under the DRIP plan	11	15
Effect of shares issued under the deferred share plan	1	1
Weighted average number of common shares	15,762	15,622

Diluted earnings (loss) per share

The calculation of diluted earnings (loss) per share at March 31, 2017 and 2016 was based on the profit (loss) attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of dilutive potential common shares which consist of the following:

	Three month periods ended March 31	
	2017	2016
(\$ thousands)		
Weighted average number of common shares (basic)	15,762	15,622
Effect of dilutive securities:		
Deferred share plan	-	811
Weighted average number of shares (diluted)	15,762	16,433

The above table excludes all deferred share units for the period ended March 31, 2017 (852 thousand) as they are considered anti-dilutive. The above per share amounts do not include amounts associated with the Company's convertible debenture for March 31, 2017 and 2016 as they are considered anti-dilutive.

CERVUS EQUIPMENT CORPORATION

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the three month periods ended March 31, 2017 and 2016

13. Segment information

The Company 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. These three business segments are considered to be the Company's three strategic business units. The three business segments offer different products and services and are managed separately as they operate in different markets and require separate strategies. For each of the strategic business units, the Company's key decision makers review internal management reports on a monthly basis.

Each of these business segment operations are supported by a single shared corporate head office. Certain corporate head office expenses are allocated to the business segments under either specific identification approach or a usage based metric. The corporate head office also incurs certain costs which are considered as public company costs, which are allocated to the segments based on the gross margin of the Canadian operations. Total corporate related expenditures, excluding income taxes, that have been allocated for the three month periods ended March 31, 2017 are \$1,364 thousand (2016 - \$1,753 thousand).

The following is a summary of financial information for each of the reportable segments.

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Three month ended March 31, 2017				
Revenue	\$ 146,179	\$ 64,405	\$ 20,526	\$ 231,110
(Loss) income for the period before income tax	(948)	(1,268)	600	(1,616)
Depreciation and amortization	1,686	1,259	666	3,611
Finance income	36	38	20	94
Finance expense including amounts in costs of sales	(946)	(879)	(227)	(2,052)
Capital additions, including finance leases	946	1,264	118	2,328
Segmented assets as at March 31, 2017				
Reportable segment assets	\$ 298,910	\$ 142,791	\$ 54,497	\$ 496,198
Reportable segment liabilities	165,690	92,043	26,316	284,049
Investment in associates	504	-	-	504
Intangible assets	25,523	13,073	6,706	45,302
Goodwill	15,795	2,547	2,193	20,535

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2017 and 2016

13. Segment information (continued)

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Three month ended March 31, 2016				
Revenue	\$ 131,354	\$ 56,329	\$ 20,859	\$ 208,542
(Loss) income for the period before income tax	(399)	2,060	72	1,733
Share of loss of equity accounted investees	(249)	-	-	(249)
Depreciation and amortization	2,324	1,399	816	4,539
Finance income	29	-	-	29
Finance expense including amounts in costs of sales	(1,716)	(1,363)	(318)	(3,397)
Capital additions, including finance leases	419	150	87	656
Segmented assets as at March 31, 2016				
Reportable segment assets	\$ 387,038	\$ 167,089	\$ 69,634	\$ 623,761
Reportable segment liabilities	261,565	121,212	46,795	429,572
Investment in associates	5,512	-	-	5,512
Intangible assets	28,299	14,595	7,139	50,033
Goodwill	15,765	2,547	2,193	20,505

The Company primarily operates in Canada but includes subsidiaries in Australia (Cervus Australia PTY Ltd.) and, in New Zealand (Cervus NZ Equipment Ltd.) which operate 15 agricultural equipment dealerships. Gross revenues for the three-month periods ended March 31, 2017 for the New Zealand and Australian territories were \$31,627 thousand (2016 – \$32,144 thousand). Non-current assets for the geographic territories of New Zealand and Australia as at March 31, 2017 were \$25,890 thousand (2016 - \$28,061 thousand).

14. Commitments and contingencies

Financing Arrangements

John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At March 31, 2017 payments in arrears by such customers aggregated \$495 thousand (2016 - \$257 thousand). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At March 31, 2017, the net residual value of such leases aggregated \$239,488 thousand (2016 - \$196,445 thousand). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.