Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2017 to March 31, 2017

The following Management's Discussion & Analysis ("MD&A") was prepared as of May 9, 2017 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three month period ended March 31, 2017 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2017 and notes contained therein and the 2016 annual consolidated financial statements and MD&A. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CERV".

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

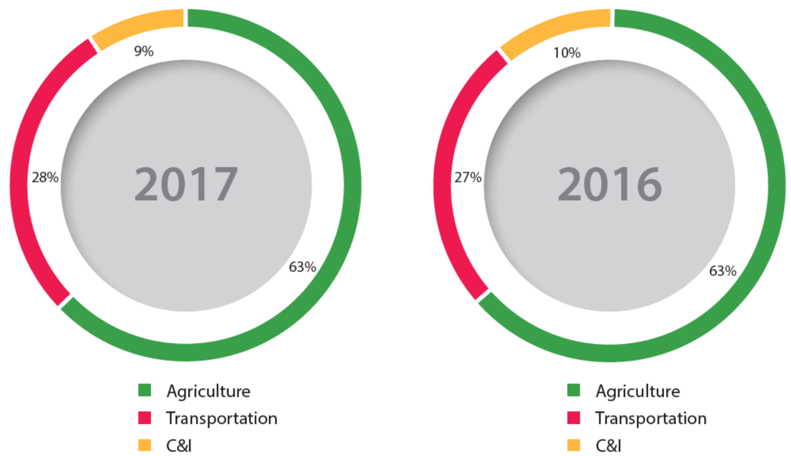
Cervus operates under three segments: Agriculture, Commercial and Industrial, and Transportation based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results.

The Agricultural equipment segment consists of interests in 35 John Deere dealership locations with 14 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 6 in Australia.

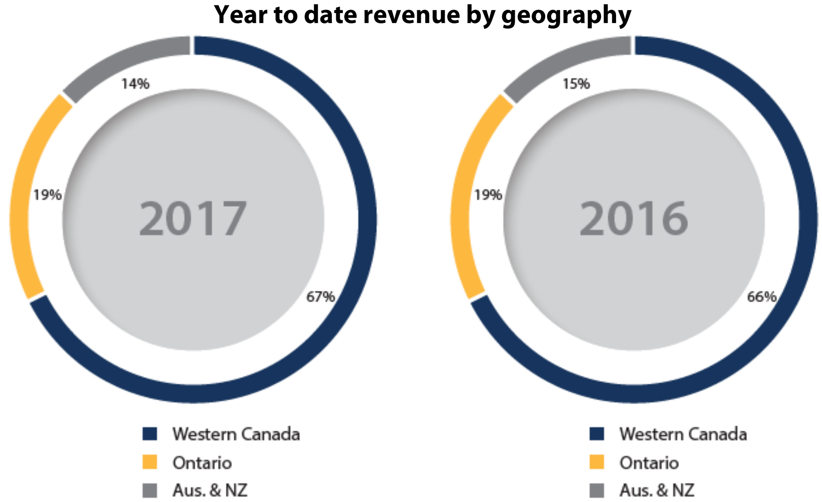
The Commercial and Industrial ("C&I") equipment segment consists of 11 dealership locations with 8 Bobcat/JCB, Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba.

The Transportation segment consists of 18 dealership locations with 4 Peterbilt truck dealerships and 1 Collision Centre operating in Saskatchewan, 12 Peterbilt truck dealerships operating in Ontario, and 1 parts and service location operating in Ontario.

Year to date revenue by segment



Year to date revenue by geography



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 $0.07 per share was made to the shareholders of record as of March 31, 2017 on April 15, 2017. See "Capital Resources - Cautionary note regarding dividends" for a cautionary note regarding future dividends.

Highlights of the Quarter

- Revenue increased $22.6 million and 11% in the first quarter ended March 31, 2017, compared to the same period of 2016.

- The Company had $1.6 million of loss for the first quarter of 2017, compared to $1.7 million of income for the comparable period in 2016.

- Adjusted loss[1] and adjusted loss per share[1] for the first quarter of 2017 improved to $1.8 million and $0.12 per share respectively, compared to an adjusted loss of $2.4 million and adjusted loss per share of $0.16 in the first quarter of 2016.

- Earnings before interest, taxes, depreciation, and amortization ("EBITDA[1]") was $4.1 million compared to $10.0 million in 2016, a decrease of $5.9 million.

- Service optimization initiatives improved overall service gross profit margin by 1.7% quarter over quarter.

- Dividends of $0.07 per share were declared to shareholders of record as at March 31, 2017.

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[1] Refer to Non-IFRS Measures herein

First Quarter Consolidated Performance

For the first quarter of 2017 and the comparative period of 2016, overall results are equivalent to same store results, as all stores owned in first quarter 2017 were also owned for the duration of the first quarter in 2016.

	Three month period ended March 31		
($ thousands, except per share amounts)	**2017**	**% Change Compared to 2016**	**2016**
Revenue	**231,110**	11%	208,542
Cost of sales	**(190,723)**	13%	(169,324)
Gross profit	**40,387**	3%	39,218
Other income	**539**	(64%)	1,484
Unrealized foreign exchange gain	**190**	(93%)	2,707
Total other income	**729**	(83%)	4,191
Selling, general and administrative expense	**(41,177)**	8%	(38,223)
(Loss) income from operating activities	**(61)**	(101%)	5,186
Finance income	**94**	224%	29
Finance costs	**(1,649)**	(42%)	(2,863)
Share of profit of equity accounted investees, net of income tax	**-**	100%	(249)
(Loss) income before income tax expense	**(1,616)**	(177%)	2,103
Income tax (expense)	**(17)**	(95%)	(370)
(Loss) income for the period	**(1,633)**	(194%)	1,733
(Loss) income attributable to shareholders	**(1,628)**	(194%)	1,733
EBITDA[1]	**4,052**	(60%)	10,039
EBITDA margin[1]	**1.8%**		4.8%
Ratios as a percentage of revenue:			
Gross profit margin	**17.5%**		18.8%
Selling, general and administrative	**17.8%**		18.3%
(Loss) income per share			
Basic - adjusted[1]	**(0.12)**	(25%)	(0.16)
Basic	**(0.10)**	(191%)	0.11
Diluted	**(0.10)**	(191%)	0.11

[1] - Refer to Non-IFRS Measures herein

Operating Summary – Three months ended March 31, 2017

Loss before tax for the three months ended March 31, 2017 increased $3.7 million and EBITDA decreased $5.9 million compared to the first quarter of 2016. This change in loss before tax and EBITDA includes a $2.5 million decrease in unrealized foreign exchange gains and a $1.4 million decrease in gains on sale of a property. Excluding unrealized foreign exchange gains and gains on sale of property, loss before tax decreased $0.2 million and EBITDA decreased $2.0 million.

For the three months ended March 31, 2017, loss from operating activities increased $5.2 million compared to the first quarter of 2016, including a $2.5 million decrease in unrealized foreign exchange gains and $1.4 million decrease in gains on sale of property.

The largest factor in the overall $5.2 million increased loss from operating activities related to the Transportation segment, which represented $4.2 million of the total decrease on lower gross profit margin combined with increased selling, general and administrative expense ("SG&A"). In our Agricultural segment, loss from operating activities increased by $1.5 million, despite an 11% increase in revenues compared to the first quarter 2016. Within our C&I segment, income from operating activities increased $0.4 million, on improved service gross profit margin, SG&A reductions, and recoveries of inventory impairments on sales of aged inventory.

The overall increase in SG&A includes the adjustment of variable pay estimates that occurred in the first quarter of 2017, resulting in additional personnel costs of $0.3 million compared to a recovery of $0.7 million in the first quarter of 2016. The combined difference quarter over quarter was an increase in personnel costs of $1.0 million, which is not expected to reoccur in future quarters.

Excluding the gain on sale and unrealized foreign exchange, loss from operating activities increased $1.3 million, due to increased losses of $1.7 million and $1.5 million in our Transportation and Agriculture segments, offset by a $1.9 million increase in our C&I segment.

Post Implementation Financial Impact of Sale and Leaseback

Late in the fourth quarter of 2016, Cervus entered a sale and leaseback for the physical premises of 11 dealership locations. The annual third-party rents under the sale and leaseback equate to $4.3 million in the initial year of the lease, escalating at 1% per year over the term of the leases. The quarterly component of these lease costs are included in SG&A expenses.

Prior to the sale and leaseback, Cervus recognized annual depreciation expense for these 11 properties of $1.3 million in 2016 which was included in SG&A. These costs are no longer incurred under the sale and leaseback. Further, approximately $50.0 million of the transaction proceeds of $55.7 million, was directly applied to retire outstanding mortgages related to the properties, or to reduce general borrowing under the Company's syndicated committed credit facility. The Company anticipates utilizing the available capacity on the syndicated credit facility, generated from the sale and leaseback proceeds, to retire the Company's $35.0 million convertible debenture upon its maturity in July 2017. As the effective annual interest rate on the debenture is more than 8%, the retirement of the debenture at maturity using proceeds from the sale and leaseback will reduce interest expense by approximately $2.8 million annually from that otherwise incurred. Prior to the sale and leaseback, these interest costs were included in finance costs.

As a result of the sale and leaseback, real estate related SG&A costs have increased, as the rents incurred under the leases exceeds the depreciation previously recognized on the properties when owned. This increase is partially offset by reduced interest expense following the $50 million repayment of debt in the fourth quarter of 2016. The third-party rents under the sale and leaseback have reduced EBITDA from that which would have been generated had the Company retained ownership of the land and building. Under ownership of the dealership locations, related interest and depreciation expense were added back to net income in determining EBITDA, while under the sale and leaseback third party rents are not added back to net income in calculating EBITDA.

First Quarter Business Segment Performance

The Company has three reportable segments: Agricultural, Transportation, and Commercial and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and allocation metrics as outlined in Note 13 of the accompanying unaudited condensed interim consolidated financial statements.

Agricultural Segment Results

	Three month period ended March 31		
($ thousands, except per share amounts)	**2017**	**% Change Compared to 2016**	**2016**
Equipment			
New equipment	**71,125**	7%	66,536
Used equipment	**45,470**	21%	37,600
Total equipment revenue	**116,595**	12%	104,136
Parts	**19,401**	11%	17,492
Service	**8,970**	3%	8,698
Rental and other	**1,213**	18%	1,028
Total revenue	**146,179**	11%	131,354
Cost of sales	**(124,147)**	13%	(110,332)
Gross profit	**22,032**	5%	21,022
Other income	**(44)**	(113%)	336
Selling, general and administrative expense	**(22,125)**	11%	(20,020)
(Loss) income from operating activities	**(137)**	(110%)	1,338
Loss before income tax expense	**(948)**	95%	(485)
EBITDA	**1,689**	(52%)	3,555
Ratios as a percentage of revenue:			
Gross profit margin	**15.1%**		16.0%
Selling, general and administrative	**15.1%**		15.2%

Operating Summary – Three months ended March 31, 2017

Agriculture loss before tax increased $0.5 million for the three-month period ended March 31, 2017 to $0.9 million, and EBITDA decreased $1.9 million compared to the first quarter of 2016. Increased revenues were offset by continued compression of equipment margins, while SG&A expenses increased $2.1 million principally due to increased personnel, occupancy and marketing costs.

Loss from operating activities for the quarter increased by $1.5 million, as the $1.0 million increase in gross profit was offset by a $2.1 million increase in SG&A expenses. Revenue increased $14.8 million due to increased equipment sales in the quarter on producers' anticipation of a tighter seeding window in 2017, particularly producers with 2016 crop remaining in the field. The increase in the Canadian dollar cost of equipment since 2015 has increased the focus on margins industry wide, pressuring equipment margin percentage. At time of writing, seeding is in the early stages in our geography due to wet field conditions, compared to being well underway by the end of Q1 2016. The later start to seeding impacted parts margin in the quarter, as in-season parts demand has not fully emerged. Increased parts sales in the quarter were achieved through targeted parts specials on high volume consumables. Service gross profit margins increased 5.2% quarter over quarter as service optimization initiatives continue to progress.

The $2.1 million increase in SG&A was comprised of increased personnel costs, a change in occupancy cost structure related to the sale and leaseback of properties and increased marketing expenses related to generating additional equipment inspections compared to first quarter 2016. The increase in personnel costs quarter over quarter includes a $0.5 million recovery of personnel costs in the first quarter of 2016 resulting from adjustments to estimated variable compensation.

Of the 11 properties included in the 2016 sale and leaseback, nine properties related to the Agriculture segment. The increase in occupancy costs related to third party rents under the sale and leaseback is included in income from operating activities, while the offsetting reduction in interest expense is excluded from the calculation of income from operating activities. This impact is more fully outlined in the previous discussion of overall results for the quarter.

Transportation Segment Results

	Three month period ended March 31		
($ thousands, except per share amounts)	2017	% Change Compared to 2016	2016
Equipment			
New equipment	**28,796**	25%	22,956
Used equipment	**2,382**	93%	1,235
Total equipment revenue	**31,178**	29%	24,191
Parts	**23,893**	9%	22,008
Service	**7,325**	(2%)	7,459
Rental and other	**2,009**	(25%)	2,671
Total revenue	**64,405**	14%	56,329
Cost of sales	**(52,359)**	21%	(43,438)
Gross profit	**12,046**	(7%)	12,891
Other income	**273**	158%	(471)
Unrealized foreign exchange gain	**190**	(93%)	2,707
Total other income	**463**	(79%)	2,236
Selling, general and administrative expense	**(13,205)**	14%	(11,628)
(Loss) income from operating activities	**(696)**	(120%)	3,499
(Loss) income before income tax expense	**(1,268)**	(151%)	2,501
EBITDA	**870**	(83%)	5,263
Ratios as a percentage of revenue:			
Gross profit margin	**18.7%**		22.9%
Selling, general and administrative	**20.5%**		20.6%

Operating Summary – Three months ended March 31, 2017
Transportation loss before tax increased by $3.8 million in the quarter, and EBITDA decreased by $4.4 million compared to the three-month period ended March 31, 2016. Excluding the fluctuation in unrealized foreign exchange gains and losses quarter over quarter, loss before tax increased $1.3 million and EBITDA decreased $1.9 million. The increased loss in the quarter principally relates to our Ontario operations, while our Saskatchewan dealerships remained consistent with the first quarter of 2016.

Loss from operating activities increased $4.2 million compared to the three months ended March 31, 2016. Excluding unrealized foreign exchange, loss from operating activities increased $1.7 million, comprised of $1.6 million in our Ontario dealerships and $0.1 million in our Saskatchewan dealerships. The increase in SG&A includes the adjustment of variable pay estimates that occurred in the first quarter of 2017, resulting in additional personnel costs of $0.3 million compared to a recovery of $0.2 million in the first quarter of 2016. The combined difference quarter over quarter was an increase in personnel costs of $0.5 million, related to both the Ontario and Saskatchewan dealerships.

Within our Ontario dealerships, increased equipment and parts sales were offset by reduced gross profit margin resulting from a higher mix of fleet sales in the quarter, while several unanticipated overhauls in our rental fleet reduced rental margins by $0.4 million in the quarter. SG&A expenses in our Ontario geography increased $1.0 million quarter over quarter due to an increase in personnel expenses and operational costs. Our Saskatchewan dealerships generated income from operating activities, excluding unrealized foreign exchange, of $0.3 million in the quarter, a $0.1 million decrease compared to the first quarter of 2016. Equipment sales increased 30% in the quarter, however equipment gross profit decreased by $0.1 million reflecting lower margins attained on the sale of previous model year inventory.

Commercial and Industrial Segment Results

	Three month period ended March 31		
($ thousands, except per share amounts)	**2017**	**% Change Compared to 2016**	**2016**
Equipment			
New equipment	**9,464**	(0%)	9,506
Used equipment	**1,415**	(21%)	1,795
Total equipment revenue	**10,879**	(4%)	11,301
Parts	**5,859**	5%	5,597
Service	**2,946**	(3%)	3,042
Rental and other	**842**	(8%)	919
Total revenue	**20,526**	(2%)	20,859
Cost of sales	**(14,217)**	(9%)	(15,554)
Gross profit	**6,309**	19%	5,305
Other income	**310**	(81%)	1,619
Selling, general and administrative expense	**(5,847)**	(11%)	(6,575)
Income from operating activities	**772**	121%	349
Income before income tax expense	**600**	590%	87
EBITDA	**1,493**	22%	1,221
Ratios as a percentage of revenue:			
Gross profit margin	**30.7%**		25.4%
Selling, general and administrative	**28.5%**		31.5%

Operating Summary – Three months ended March 31, 2017
Income before tax in our C&I segment improved by $0.5 million compared to the three-month period ended March 31, 2016 due to continued expense reductions and a $0.4 million recovery of inventory impairment on sale of CMI mulchers. EBITDA increased by $0.3 million in the first quarter of 2017 compared to the same period in 2016. Excluding the non-recurring gain on sale of real estate in the first quarter of 2016, income before tax increased $1.9 million in the quarter.

For the three months ended March 31, 2017, income from operating activities increased $0.4 million to $0.8 million. This further improves to a $1.9 million increase when excluding the gain on sale of real estate in Q1 2016. These results have been achieved by a $1.0 million increase in gross profit facilitated by an $11.1 million reduction in inventory quarter over quarter, along with a $0.7 million reduction in SG&A expenses. Included in equipment margin in the quarter is a $0.4 million reversal of previously recognized inventory impairment. This reversal of impairment is related to the sale of $1.0 million of aged CMI mulchers in the quarter, for proceeds above initial cost.

First Quarter Cash Flows

Cash and Cash Equivalents – Three Months Ended March 31, 2017

Cervus' primary sources and uses of cash flow for the three months ended March 31, 2017 are as follows:

Operating Activities
Cash used in operating activities was $1.0 million for the three months ended March 31, 2017, compared to cash provided of $1.2 million for the same period of 2016, a net decrease of $2.2 million. The primary reasons for this decrease was due to $3.2 million of cash taxes paid compared to $1.7 million in the same period of 2016 due to the timing of tax installment payments.

Investing Activities
During the three months ended March 31, 2017, the Company used $0.6 million of net cash in investing activities compared to $0.5 million used in investing activity for the same period in 2016.

Financing Activities
During the three months ended March 31, 2017, the Company's financing activities used $8.5 million of cash, compared to $3.9 million in 2016, for a change of $4.6 million. The primary driver of the change when compared to the same period in 2016 is a $7.4 million use of cash to make repayments on term debt compared to $0.8 million provided by term debt in 2016.

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	March 31, 2017	December 31, 2016
Current assets	**346,803**	324,759
Total assets	**496,198**	476,852
Current liabilities	**248,809**	220,050
Long-term financial liabilities	**24,673**	32,355
Shareholders' equity	**212,149**	213,839
Working capital[1]	**97,994**	104,709
Working capital ratio[1]	**1.39**	1.48

[1] - Refer to Non-IFRS Measures herein

Working Capital

Cervus' working capital decreased by $6.7 million to $98.0 million at March 31, 2017 primarily due to inventory seasonality compared to December 31, 2016.

Based on inventory levels at March 31, 2017, the Company had the ability to floor plan an additional $54.4 million of inventory, and held $222.2 million of undrawn floor plan capacity.

The Company's ability to maintain sufficient liquidity is driven by revenue, gross profit, 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 on the use of cash and cash equivalents related to the seasonal nature of our business, and funding potential future business acquisitions. Cash resources can typically be restored by accessing floor plan monies from unencumbered equipment inventories or accessing undrawn credit facilities. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year to fund general operations caused by the seasonal nature of our sales activity.

Inventories

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 C&I equipment sales usually do not have trade-ins. This results in a higher amount of used Agriculture equipment than used Transportation and C&I 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 new and used equipment in inventory. The majority of our product lines, in all segments, are manufactured in the US with pricing based in US dollars, but invoiced in Canadian dollars. Inventory by segment for the period ended March 31, 2017 compared to December 31, 2016 is as follows:

($ thousands)	**March 31, 2017**	December 31, 2016
Agricultural	**192,261**	176,719
Transportation	**73,158**	50,256
Commercial & Industrial	**27,841**	28,256
Total	**293,260**	255,231

As at March 31, 2017, inventories had increased by $38.0 million to $293.3 million when compared to $255.2 million at December 31, 2016. Of the $38.0 million increase, $27.3 million relates to new equipment primarily in our Transportation segment with a $9.5 million increase in used equipment primarily on timing of used agricultural sales. Due to seasonality of sales activity in our operating segments, comparison to inventory levels at December 31, 2016 may be limited. Therefore, we have provided inventory by segment for the period ended March 31, 2017 compared to March 31, 2016. A summary of the movement is as follows:

($ thousands)	**March 31, 2017**	March 31, 2016
Agricultural	**192,261**	213,003
Transportation	**73,158**	80,631
Commercial & Industrial	**27,841**	38,973
Total	**293,260**	332,607

Inventory has decreased $39.3 million when compared to March 31, 2016. Of the $39.3 million decrease, $44.0 million relates to new equipment partly offset by a $6.1 million increase in used. Inventory levels within the Agriculture segment decreased over Q1 2016, as decreased new inventory within our Canadian operations were partly offset by an increase in used inventory on the timing of new equipment sales and an increase in trade-in's on sale. The decrease in inventory in Transportation and C&I segments is due to continued focus on reducing stock inventory and managing inventory levels to the current Western Canadian equipment demand in these sectors, partly offset by an increase in new equipment within our Ontario dealerships.

At March 31, 2017, the Company believes that the recoverable value of new and used equipment inventories exceeds its respective carrying value. During the three months ended March 31, 2017, the company recognized inventory valuation adjustments through cost of goods sold of $0.2 million recovery (March 31, 2016 - $1.7 million expense). The impairment recovery principally related to sale of $1.0 million of aged CMI mulchers in the quarter, for proceeds above initial cost.

Accounts Receivable

The calculated rolling twelve month average time to collect the Company's outstanding accounts receivables was approximately 15 days as at March 31, 2017 compared to 19 days for the same period in 2016. At March 30, 2017, 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 was $1.5 million at March 31, 2017 (March 31, 2016 - $0.8 million), which represents 4.5% (March 31, 2016 – 1.9%) of outstanding trade accounts receivable and 0.6% (March 31, 2016- 0.1%) of gross revenue on an annual basis. Bad debt expense for the three months ended March 31, 2017 amounted to a $0.1 million recovery (March 31, 2016 - $1.2 million expense).

Capital Resources

We use our capital to finance current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at March 31, 2017 are as follows:

($ thousands)	Total Amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	100,000	5,000	2,556	-	92,444
Floor plan facilities and rental equipment floor plan facilities	463,771	133,720	-	107,821	222,230
Capital facilities	58,715	15,321	-	-	43,394
Total	622,486	154,041	2,556	107,821	358,068

Operating and Other Bank Credit Facilities

At March 31, 2017, the Company has a committed revolving credit facility with a syndicate of lenders, with a principal amount of $100.0 million. The facility is committed for a three-year term beginning December 19, 2016, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80.0 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at March 31, 2017 there was $5.0 million drawn on the facility and $2.6 million 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 2017.

The Company must meet certain financial covenants as part of its current credit facilities, as at the date of this report, the Company is in compliance with all of its covenants as follows:

	March 31, 2017	December 31, 2016
Total liabilities to net worth ratio[1] (not exceeding 4.0:1.0)	**2.83**	1.99
Fixed charge coverage ratio[2] (greater than or equal to 1.00:1 on December 31, 2016 increasing to 1.10:1.00 on March 31, 2017)	**1.59**	1.43
Asset coverage ratio[3] (greater than 3.0:1.0)	**24.59**	21.03

1 – Calculated using an adjusted liability value over an adjusted equity value. Full definitions of adjusted liabilities and adjusted equity are defined in the Syndicate Credit Agreement filed as a material document on Sedar.

2 – Calculated as an adjusted EBITDA figure 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. Full definitions of this calculation are defined in the Syndicate Credit Agreement filed as a material document on Sedar.

3 – Calculated as net tangible total assets less consolidated debt excluding floorplan plan liabilities, plus debt due under the credit facility over the amount due under the credit facility. Full definitions of this calculation are defined in the Syndicate Credit Agreement filed as a material document on Sedar.

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, Wells Fargo Equipment Finance Company, ECN Capital Corp., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At March 31, 2017, floor plan payables related to inventories were $123.7 million.

Floor plan payables at March 31, 2017 represented approximately 42.2% of our inventories (December 31, 2016 – 33.7%). 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 $0.4 million for the three-month period ended March 31, 2017. This amount was offset by rebates applied during the three month period ended March 31, 2017, of $0.3 million. At March 31, 2017, approximately 61% (March 31, 2016 – 51%) of the C&I segment's and 23% (March 31, 2016 – 8%) of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest free periods in place.

Capital Facilities

Capital facilities consist of capital asset financing primarily through credit facilities with Farm Credit Canada and Affinity Credit Union. The Company's financial covenants under its mortgages with Farm Credit Canada were amended to align with certain of the Company's financial covenants under its committed operating facility, discussed above.

Outstanding Share Data

As of the date of this MD&A, there are 15,785 thousand common shares and 854 thousand deferred shares outstanding. The Company also has convertible debentures with a face value of $34.5 million, convertible into common shares at the holder's option prior to the maturity date (July 31, 2017) at a conversion price of $26.15 per common share (see "Contractual Obligations"). Further, at the maturity date, the Company may repay the debentures in cash or shares, at the Company's discretion. It is the Company's intention to utilize the bank operating facility to repay the debentures on maturity.

As at March 31, 2017 and 2016, the Company had the following weighted average shares outstanding:

(thousands)	March 31, 2017	March 31, 2016
Basic weighted average number of shares outstanding	**15,762**	15,622
Dilutive impact of deferred share plan	**-**	811
Diluted weighted average number of shares outstanding	**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. Shares issuable on the convertible debenture are anti-dilutive in 2017 and 2016.

Dividends Paid and Declared to Shareholders

The Company, at the discretion of the Board of Directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the period ended March 31, 2017:

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2017	0.0700	1,104	195	909
Total	**0.0700**	**1,104**	**195**	**909**

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

During the three month period ended March 31, 2017, 13 thousand common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' 2017 dividends declared and paid through March 31, 2017 are considered to be eligible dividends for tax purposes on the date paid.

Cautionary Note Regarding Dividends (see "Note Regarding Forward-Looking Statements")

The payment of future dividends is not assured and may be reduced or suspended. Our ability to continue to declare and pay dividends will depend on our financial performance, debt covenant obligations, and our ability to meet our debt obligations and capital requirements. In addition, the market value of the Company's common shares may decline if we are unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

Summary of Quarterly Results

($ thousands, except per share amounts)	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Revenues	**231,110**	271,943	334,682	294,772
Income (loss) attributable to the shareholders	**(1,628)**	8,753	10,741	2,485
Gross profit	**40,387**	46,488	57,571	47,788
Gross profit margin	**17.5%**	17.1%	17.2%	16.2%
EBITDA	**4,052**	18,008	21,981	10,997
Earnings (loss) per share:				
Basic	**(0.10)**	0.55	0.67	0.16
Diluted	**(0.10)**	0.52	0.64	0.15
Adjusted earnings (loss) per share[1]				
Basic	**(0.12)**	0.03	0.66	0.15
Diluted	**(0.12)**	0.02	0.63	0.14
Weighted average shares outstanding				
Basic	**15,762**	15,996	15,991	15,994
Diluted	**15,762**	16,740	16,761	16,785

($ thousands, except per share amounts)	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Revenues	208,542	257,726	334,742	302,988
Income (loss) attributable to the shareholders	1,733	3,768	3,910	(32,203)
Gross profit	39,218	52,095	55,278	55,256
Gross profit margin	18.8%	20.2%	16.5%	18.2%
EBITDA	10,039	15,034	14,863	12,305
Earnings (loss) per share:				
Basic	0.11	0.24	0.25	(2.08)
Diluted	0.11	0.23	0.24	(2.08)
Adjusted earnings (loss) per share				
Basic	(0.16)	0.32	0.43	0.19
Diluted	(0.16)	0.31	0.41	0.18
Weighted average shares outstanding				
Basic	15,622	15,578	15,519	15,446
Diluted	16,433	16,255	16,222	15,446

[1] - Refer to Non-IFRS Measures herein

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, income or losses may not accrue uniformly from quarter to quarter. In Q2 2015, the Company reached an agreement with Canada Revenue Agency, resulting in a non-cash charge of $33.4 million related to the write-off of a portion of the Company's deferred tax asset.

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 at time of writing.

Alberta & Saskatchewan

Agriculture remains the driving variable in the Company's Western Canadian operations. At time of writing, the 2017 growing season is underway, and farmers entered the year with near record farm net cash income.[2] Recent precipitation levels have delayed seeding activity compared to 2016, with limited seeding in most of our geography so far in 2017, compared to 60-70% complete by the week of April 25, 2016. Seeding in early May remains well within historical averages, but for producers with 2016 crop left standing in the field, the urgency to complete the 2016 harvest in addition to 2017's seeding will be significant. A later seeding increases the probability of a later harvest, indicating that time pressures on producers may persist through the harvest season. Timing constraints may increase equipment demand in the year, as additional equipment mitigates some risks of a compressed growing and harvest season. Further, we expect sensitivity around equipment pricing to persist, as growing season uncertainty increases the focus on farm cost management. A compressed growing season presents significant opportunities to support our customers with efficient parts and service support, ensuring equipment uptime through both in field parts and service, along with preparing equipment in advance of utilization windows.

In our Western Canadian C&I segment, demand remains suppressed, while activity in our Saskatchewan Transportation dealerships has increased, albeit from operational lows. Although increased resource prices are generally positive for Western Canada, our Saskatchewan Transportation dealerships are more directly correlated to oil activity, while our C&I markets are more broadly influenced by overall economic activity which has not yet improved. In this market we continue to focus on managing our cost structure.

Ontario

For our Ontario transportation dealerships, year to date shipping volumes have increased significantly over 2016 levels.[3] This has translated to accelerated demand for trucks in the first quarter, with PACCAR industry wide class 8 truck orders increasing 40% compared to the first quarter of 2016 and timelines between factory order and receipt of inventory have increased to 90 days. Despite this significant increase in orders, PACCAR has not revised their annual forecast of Class 8 truck demand of between 190,000 to 220,000 trucks for 2017, compared to the 216,000 trucks sold in 2016.[4] While market order activity bodes well for the transportation market in the near term, PACCAR's forecast may reflect the possibility present demand is a shift in timing within the year, which may not translate to increased industry demand for the year overall. Our focus through the remainder of 2017 is profitability, and we have initiated an accelerated program of operational performance and cost management. Our objective is to establish consistent operational profitability independent of prevailing market trends.

New Zealand & Australia

In our New Zealand geography, a wet spring transformed into a cooler than normal summer in much of the country, while persistent wind and a lack of rainfall contributed to poor pasture conditions and have impacted the growth of some vegetable crops. Increases in farmgate dairy prices continue to benefit producers, however the sector is demonstrating caution with capital expenditure as farmers rebuild equity eroded in the previous two years.

In our Australian geography, farmer have enjoyed timely rains with many areas receiving more than 100mm of rainfall during April. With an annual median rainfall across Victoria of approximately 600mm,[5] year to date rainfall is positive for cropping farmers as they begin seeding and will help to offset flat grain prices. Dairy industry outlook

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[2] Agriculture and Agri-Food Canada, 2017 Canadian Agriculture Outlook, February 17, 2017, www.agr.gc.ca

[3] Transcore.ca, TranCore's Canadian Freight Volumes Skyrocket in Q1, April 10, 2017, www.transcore.ca

[4] PACCAR Q1 2017 Quarterly Press Release, April 25, 2017, www.PACCAR.com

[5] Australian Bureau of Meteorology, http://www.bom.gov.au/climate/outlooks/#/overview/summary

is positive on sustained improvement in global dairy prices, supporting an increase in milk production. Australian milk prices are forecast to reach around 5.70/kgMS for the 2017/18 season, up from an average of approximately $5.00 for the 2016/17 season.[6] The seasonal conditions have also provided sheep and beef producers with options to complete finishing and increase breeding numbers. Based on these factors, we anticipate positive 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 March 31, 2017, payments in arrears by such customers aggregated $495 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit for the net residual value of the lease outstanding at the maturity of the contract. At March 31, 2017, the net residual value of such leases aggregated $239.5 million of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company owes Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $2.1 million at March 31, 2017. 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 $2.6 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations.

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[6] Rabobank,Agribusiness Monthly, April 2017, www.rabobank.com.au

Transactions with Related Parties

Key Management Personnel Compensation

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers. The Company contributes to the deferred share plan on behalf of directors and executive officers, and to the employee share purchase plan on behalf of executive officers, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers, aside from permitting unvested deferred share units earned during employment to continue vesting upon retirement. In addition, no directors or executive officers are part of the share option plan.

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.4 million. The guarantees are kept in place until released by John Deere. During the three-month periods ended March 31, 2017, the Company paid those individuals $56.3 thousand (2016 - $39.5 thousand) for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

Critical Accounting Estimates and Judgments

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2016 as filed on SEDAR at www.sedar.com. 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.

Business Risks and Uncertainties

The Company's business risks and uncertainties remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2016 as filed on SEDAR at www.sedar.com

Changes in Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2016 and as described in Note 3 in those financial statements.

Responsibility of Management and Board

Internal Controls Over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Cervus are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and the CFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no significant changes in the design of our ICFR during the three month period ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

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

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P"). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. There have been no significant changes in the design of our DC&P during the three month period ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company's DC&P.

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

Additional 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. These measures are identified and defined below:

Gross profit

Gross profit refers to the Company's total revenue less costs directly attributed to generating the related sales revenue. This additional IFRS measure is identified in our interim consolidated financial statements on the statement of comprehensive income. Gross profit provides a measure to assess the Company's profitability and efficiency of revenue generated, prior to considering selling, general and administrative expenses.

Gross profit margin is the percentage resulting from dividing Gross Profit from a transaction by the revenue generated by the same transaction.

Income (loss) from operating activities

Income from operating activities refers to income (loss) excluding: general interest expense recognized outside of cost of goods sold, interest income, share of profit (loss) from equity investees, and income tax. This additional IFRS measure is identified in our interim consolidated financial statements on the statement of comprehensive income. Income from operating activities is a useful supplemental earnings 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 the effects of earnings from equity investees.

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 Income

Adjusted income 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 Income as follows:

	Three months period ended March 31	
($ thousands, except per share amounts)	**2017**	**2016**
(Loss) income attributed to shareholders	**(1,628)**	1,733
Adjustments:		
Unrealized foreign currency (gain) loss[1]	**(190)**	(2,707)
Loss (gain) on sale of land and building	**-**	(1,464)
Adjusted loss attributed to shareholders	**(1,818)**	(2,438)
Adjusted loss per share:		
Basic	**(0.12)**	(0.16)
Diluted	**(0.12)**	(0.16)

[1] –Unrealized foreign exchange gains and losses are 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. The unrealized foreign currency gains and losses are treated as an adjustment to the Company's adjusted income calculation as these foreign currency gains and losses are not realized until settlement. Until settlement occurs, there may be large fluctuations period to period on movement of the foreign exchange rate, making comparison of operating performance period over period difficult.

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:

Three months ended March 31, 2017

EBITDA ($ thousands) **Three months ended March 31, 2017**	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net (loss) income	**(1,628)**	(953)	(1,281)	606
Add:				
Interest	**2,052**	946	879	227
Income taxes	**17**	10	13	(6)
Depreciation and Amortization	**3,611**	1,686	1,259	666
EBITDA	**4,052**	1,689	870	1,493

Three months ended March 31, 2016

EBITDA ($ thousands) **Three months ended March 31, 2016**	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net income (loss)	**1,733**	(399)	2,060	72
Add:				
Interest	**3,397**	1,716	1,363	318
Income taxes	**370**	(86)	441	15
Depreciation and Amortization	**4,539**	2,324	1,399	816
EBITDA	**10,039**	3,555	5,263	1,221

EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to net income (loss), EBITDA is a useful supplemental earnings 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.

Working Capital

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