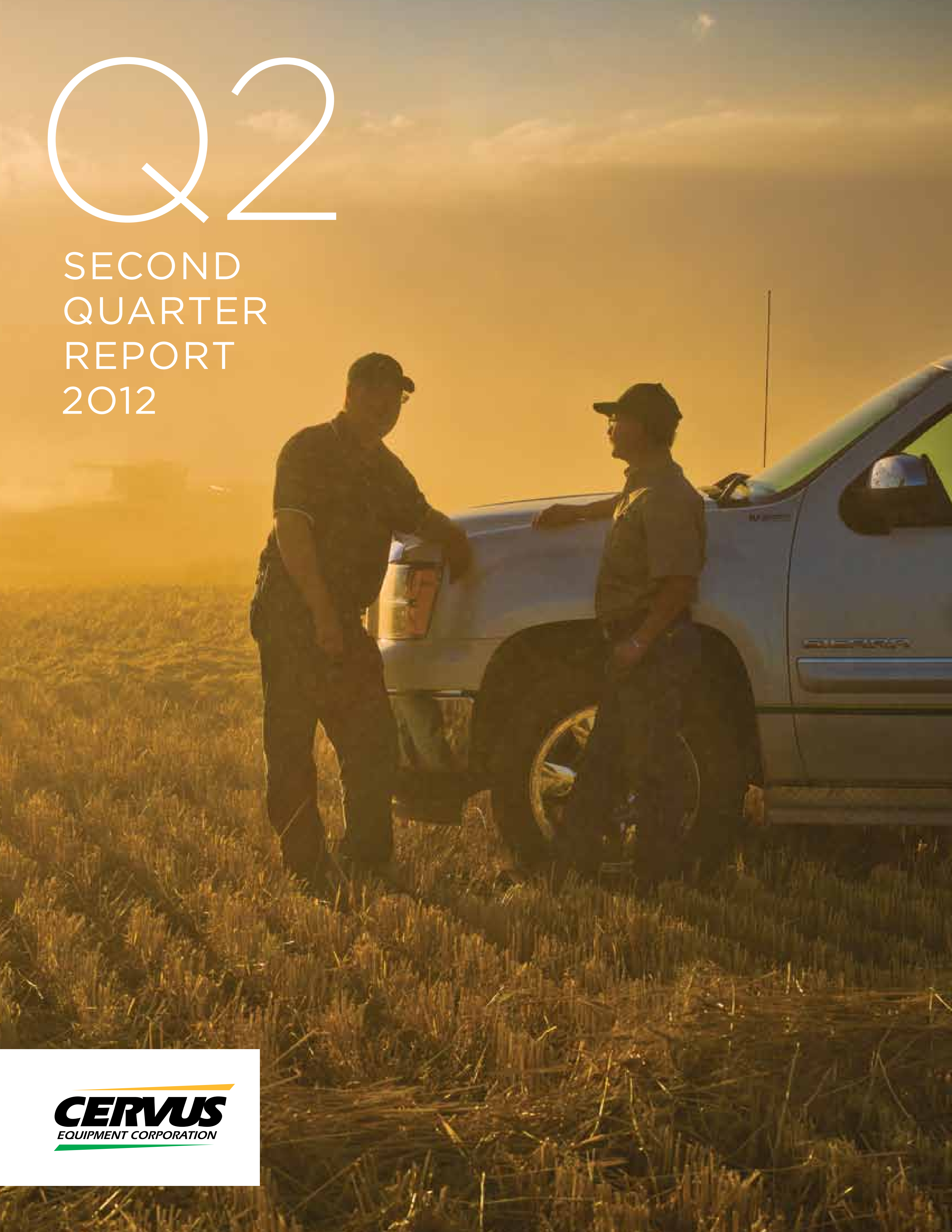
Q2

SECOND QUARTER REPORT 2012



CERVUS
EQUIPMENT CORPORATION

CERVUS EQUIPMENT CORPORATION

Management's Discussion and Analysis
For the period from January 1, 2012 to June 30, 2012

The following Management's Discussion & Analysis ("MD&A") was prepared as of August 8, 2012 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or "Company") financial performance for the three and six month periods ended June 30, 2012 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying interim unaudited condensed consolidated financial statements for the period ended June 30, 2012 and the notes contained therein. The accompanying unaudited condensed 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 acquires and manages authorized agricultural, commercial, industrial and transportation equipment dealerships with interests in 51 dealerships located in Western Canada New Zealand and Australia (effective July 3, 2012). Cervus has historically operated in two separate business segments, an agricultural equipment segment and a commercial and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of 21 John Deere dealerships with 15 in Alberta, Saskatchewan and British Columbia and 6 in New Zealand. The Commercial and industrial equipment segment consists primarily of 21 dealerships, 7 Bobcat, JCB, and CMI dealerships operating in Alberta; 9 Clark, Sellick, Nissan and Doosan material handling equipment dealerships operating in Alberta, Saskatchewan and Manitoba; and 4 Peterbilt truck dealerships and 1 Collision repair center operating in Saskatchewan. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP, Cervus Contractors Equipment LP, Cervus Collision Center LP and 101169185 Saskatchewan Ltd., together with 100% of the outstanding and issued shares of the LP's respective general partners, Cervus GP Ltd., Cervus AG Equipment Ltd. and Cervus Contractors Equipment Ltd. and 60.3% of Agriturf Limited ("Agriturf"), a New Zealand company and its 100% interest in its subsidiary, Agriturf Rental and Leasing Limited. In addition to the aforementioned subsidiaries, Cervus owns a 20% interest in Maple Farm Equipment Partnership ("Maple") that is based in Saskatchewan and Manitoba which is comprised of 7 John Deere dealerships. The cash flow of Cervus is primarily dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of those limited partnerships to Cervus by means of partnership allocations.

Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking statements". These forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "may", "objective", "outlook", "plan", "should", "target" and "will". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus or a third party expects or anticipates will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. In particular and without limitation, this MD&A contains forward looking statements and information concerning Cervus' intention to acquire the business assets of Bayquip Agricultural Limited and Fieldpower Northland Limited as well as a the Company's expectation on demand for commercial and industrial equipment to remain strong through the remainder of 2012. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Business Risks" and elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

Non-IFRS Measures

Throughout the MD&A, reference is made to EBITDA, which Cervus' management defines as profit before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and are 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 provided reconciliations of net profit as determined in accordance with IFRS to EBITDA.

Internal Controls over Financial Reporting

The CEO and CFO are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("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 CFO assessed the effectiveness of the Corporation's internal control over financial reporting as of June 30, 2012, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the CEO and CFO concluded that, as of June 30, 2012, Cervus' internal control over financial reporting is effective.

Disclosure Controls

The CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, as appropriate to allow timely decisions regarding required disclosure.

The CEO and CFO have concluded that the disclosure controls and procedures were effective as of June 30, 2012 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

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

Agricultural equipment

Commodity prices of grain and canola continue to increase for the Prairie Provinces due largely to the poor conditions of crops across much of the U.S. We believe higher grain prices and favorable growing conditions to date will further influence Canadian farm income in a positive manner for 2012. Farm tractor sales for second quarter continue to trend upward with a reported 4.1% increase over prior year reports from the Association of Equipment Manufacturers ("AEM"). AEM however suggests that self-propelled combine sales have decreased over last year. We believe that potential timing of delivery of equipment which may affect AEM's results will correct itself in the next quarter.

Commercial and industrial equipment

The Second quarter 2012 Housing Outlook, Canada Mortgage and Housing Corporation ("CMHC") reports a 19.4% increase in housing starts in Alberta, with a modest increase of 0.3% in 2013. New orders from trucking companies have seen a decline in the U.S. market as the economy has not recovered as quickly as projected. In addition, there is currently an oversupply of truck inventories as manufacturers have not reduced their build to current supply levels. Freight Transportation Research Associates ("FTRA") feels that demand is still encouraging even with the drop in orders. FTRA issued a forecast showing growth of 3.4% for the remainder of 2012, however are projecting a decline of 11% for 2013. In addition, upcoming new EPA standards regulating the GHG emissions of heavy-duty trucks begins a phase-in period commencing in 2014 which may reflect heavy-duty sales spikes as customers try to avoid the extra costs associated with regulatory compliance. These factors, coupled with fluctuating oil prices have caused our customers to take a cautionary tone with order commitments. However, we expect demand for our commercial and industrial equipment to stay strong through the remainder of 2012.

Overall

As described above, market indicators in our agriculture segment suggest positive results for the remainder of 2012. Our commercial and industrial equipment segment may not grow at the pace seen through the first six months of 2012 due to sluggish U.S. economy, oversupply of inventories and reduced commodity price for oil.

Highlights of the Quarter

- Gross revenue increased by $49.6 million or by 34% to $196.7 million for the second quarter of 2012 over $147.1 million reported in the second quarter of 2011. Same store sales accounted for $18.6 million or 13% of the increase.
- Net profit for the period increased by $1.7 million or 30% to $7.4 million for the second quarter of 2012 from $5.7 million reported in the second quarter of 2011.
- EBITDA ("see Non-IFRS Financial Measures") increased by $3.4 million or 32% to $14.1 million in the second quarter of 2012 from $10.7 million reported in the same period of 2011.

Overall Performance

During the three month period ended June 30, 2012, revenue increased by $49.6 million ($12.8 million for our agricultural equipment segment and $36.7 million for our commercial and industrial equipment segment) to $196.7 million from $147.1 million, an increase of 34%. Same store revenue increased $18.6 million or 13% ($12.8 million or 12% for our agricultural equipment segment and $5.8 million or 15.8% for our commercial and industrial equipment segment). Same store sales exclude the results of Cervus' purchase of the business operations of Frontier Peterbilt Sales Ltd. ("Frontier") in March 2012.

For the three month period ended June 30, 2012, overall gross margin was 19.1%, an increase of 0.2% from a gross margin of 18.9% in the same period of 2011.

As a result of our increase in same store sales and the purchase of the operations of Frontier, net profit has increased by $1.7 million or 30% for the three month period ended June 30, 2012.

Selected Financial Information

$ thousands, except per share amounts	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	% change	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	% change
Revenues	196,654	147,091	33.7	306,436	231,364	32.4
Gross profit	37,610	27,808	35.2	60,666	45,903	32.2
Gross margin	19.1%	18.9%	1.1	19.8%	19.8%	-
Net profit	7,438	5,730	29.8	8,834	5,576	58.4
Net profit attributable to shareholders	7,428	5,912	25.6	8,646	5,855	47.7
Per share - Basic	0.50	0.40	25.0	0.59	0.40	47.5
Per share - Diluted	0.49	0.39	25.6	0.57	0.39	46.2
Cash provided by operating activities	1,714	7,275	(76.4)	17,532	7,952	120.5
Per share – Basic	0.12	0.50	(76.0)	1.19	0.55	116.4
EBITDA[1]	14,094	10,687	31.9	19,385	12,824	51.2
EBITDA margin[1]	7.3%	7.3%	-	6.3%	5.5%	14.5
Per share – basic	0.96	0.89	7.9	1.32	0.74	78.4
Dividends declared to shareholders	2,725	2,637	3.3	5,411	5,194	4.2
Per share	0.19	0.18	5.6	0.37	0.36	2.8
Weighted average shares outstanding						
Basic	14,719	14,618	0.7	14,721	14,410	2.2
Diluted	15,278	15,074	1.4	15,278	14,865	2.8
Actual shares outstanding				14,729	14,649	0.6
Closing market price per share				17.99	17.00	5.8
Total assets				387,789	278,407	39.3
Long-term liabilities				47,414	7,767	510.5
Total liabilities				199,558	103,899	92.1
Shareholders' equity				188,231	174,933	7.6
Net book value per share - diluted				12.32	11.76	4.8

Notes: (1) These financial measures are identified and defined under the section "Non-IFRS Financial Measures".

Results of Operations

Revenues

$ thousands	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Three Months Ended % change	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Six Months Ended % change
Revenues by segment:						
Agricultural equipment						
Equipment						
New	*67,373*	*58,980*	*14.2*	*100,381*	*84,991*	*18.1*
Used	*35,401*	*32,426*	*9.2*	*57,413*	*47,589*	*20.6*
Total equipment	102,774	91,406	12.4	157,794	132,580	19.0
Parts	12,504	11,653	7.3	21,987	19,667	11.8
Service	7,935	6,852	15.8	13,910	12,151	14.5
Rental and other	230	699	(67.1)	1,180	1,302	(9.4)
	123,443	**110,610**	**11.6**	**194,871**	**165,700**	**17.6**
Commercial and industrial equipment						
Equipment						
New	*43,196*	*20,587*	*109.8*	*64,038*	*34,293*	*86.7*
Used	*5,279*	*2,604*	*102.7*	*7,733*	*5,011*	*54.3*
Total equipment	48,475	23,191	109.0	71,771	39,304	82.6
Parts	13,978	6,519	114.4	21,824	13,134	66.2
Service	8,400	4,769	76.1	13,755	9,390	46.5
Rental and other	2,359	2,002	17.8	4,215	3,836	9.9
	73,212	**36,481**	**100.7**	**111,565**	**65,664**	**69.9**
Total	**196,655**	**147,091**	**33.7**	**306,436**	**231,364**	**32.4**

Agricultural equipment

Revenue for our agricultural equipment segment increased by $12.8 million or 11.6% for the three month period ended June 30, 2012 when compared to the same period of 2011 and $29.2 million or 17.6% year to date.

New equipment sales increased by $8.4 million or 14.2% during the three month period ended June 30, 2012 when compared to the same period of 2011 and $15.4 million or 18.1% year to date. Used equipment sales increased by $3.0 million or 9.2% for the three month period ended June 30, 2012 when compared to the same period of 2011 and increased $9.8 million or 20.6% year to date. The most significant area of sales improvements has been in our sprayer, windrower, and implement product lines.

Our parts revenue has increased by $851 thousand or 7.3% during the three month period ended June 30, 2012 when compared to the same period of 2011 and increased $2.3 million or 11.8% year to date. Service revenue increased by $1.1 million or 15.8% for the three month period ended June 30, 2012 when compared to the same period of 2011 and $1.8 million or 14.5% year to date. The overall increase in parts and service sales is primarily related to parts and service required as a result of our increase in new and used equipment sales.

Rental revenue decreased by $469 thousand during the three month period ended June 30, 2012 and $122 thousand for the six month period ended June 30, 2012 when compared to the same periods of 2011. This decrease in rental income is primarily related to fair weather conditions for seeding season and no additional equipment was required.

Commercial and industrial equipment

Revenue from our Commercial and industrial segment increased by $36.7 million or 100.7% (same store increased $5.8 million or 15.8%) for the three month period ended June 30, 2012 when compared to the same period of 2011 and $45.9 million or 69.9% (same store increased $11.5 million or 17.5%) year to date. Same store amounts exclude the results of Frontier.

New equipment sales increased by $22.6 million or 109.8% (same store increased $5.1 million or 25.0%) during the three month period ended June 30, 2012 when compared to the same period of 2011 and $29.7 million or 86.7% (same store increased $11.0 million or 32.2%) year to date. Used equipment sales increased by $2.7 million or 102.7% (same store decreased $150 thousand or 5.8%) for the three month period ended June 30, 2012 when compared to the same period of 2011 and increased $2.7 million or 54.3% (same store decreased $468 thousand or 9.3%) year to date. The increase in our same store new and used equipment sales is primarily due to the increased activity being experienced in the oil and gas sector of Alberta seen in early 2012 which has carried through the 2nd quarter of 2012.

Parts revenues have increased $7.5 million or 114.4% (same store increased $168 thousand or 2.6%) and service revenue has increased by $3.6 million or 76.1% (same store increased $248 thousand or 5.2%) during the three months ended June 30, 2012 when compared to the same period of 2011 and parts revenue has increased $8.7 million or 66.2% (same store increased $214 thousand or 1.6%) and service revenue has increased $4.4 million or 46.5% (same store increased $334 thousand or 3.6%) year to date. The overall increase in same store parts and service revenues is consistent with overall increase in whole goods sales.

Rental income has not changed significantly over the three and six month periods ended June 30, 2012 when compared to the same period of 2011.

Gross Profit

	Three Months Ended			Six Months Ended		
$ thousands, except%	**June 30, 2012**	**June 30, 2011**	**% change**	**June 30, 2012**	**June 30, 2011**	**% change**
Gross profit by segment:						
Agricultural equipment						
Gross margin dollars	20,485	18,337	11.7	33,170	28,098	18.1
Gross margin percentage	16.6%	16.6%	-	17.0%	17.0%	-
Commercial and industrial equipment						
Gross margin dollars	17,125	9,471	80.8	27,496	17,805	54.4
Gross margin percentage	23.4%	26.0%	(10.0)	24.6%	27.1%	(9.2)
	37,610	27,808	35.2	60,666	45,903	32.2
Total	19.1%	18.9%	1.1	19.8%	19.8%	-

Agricultural equipment

Gross profit dollars increased $2.1 million during the three month period ended June 30, 2012 when compared to the same period of 2011 and $5.1 million year to date. Though the overall gross profit margin has not changed due to our change in sales mix, there have been some movements in the gross margins being realized with the most significant being parts gross margin which is showing a 5.8% and 2.9% increase for the three and six month periods ended June 30, 2012 when compared to the prior year, primarily on increases seen in OEM parts sales which have higher gross margins.

Commercial and industrial equipment

Gross profit dollars have increased by $7.7 million during the three month period ended June 30, 2012 when compared to the same period of 2011 and increased $9.7 million year to date. Gross profit margin decreased by 2.6% to 23.4% from 26.0% during the three month period ended June 30, 2012 and by 2.5% to 24.6% from 27.1% year to date. The decrease in overall gross profit margin is a combination of changes in our sales mix between periods as well as the purchase of Frontier whose overall gross margins are less than those experienced by the segment in historical periods.

Selling, General and Administrative Expenses

	Three Months Ended			Six Months Ended		
$ thousands	June 30, 2012	June 30, 2011	% change	June 30, 2012	June 30, 2011	% change
Selling, general and administrative expenses by segment:						
Agricultural equipment						
Selling, general and administrative	13,675	12,022	13.7	25,268	22,365	13.0
Depreciation and amortization	976	625	56.2	1,774	1,246	42.4
Total for segment	**14,651**	**12,647**	**15.8**	**27,042**	**23,611**	**14.5**
Commercial and industrial equipment						
Selling, general and administrative	13,285	7,008	89.6	21,379	13,807	54.8
Depreciation and amortization	870	595	46.2	1,674	1,173	42.7
Total for segment	**14,155**	**7,603**	**86.2**	**23,053**	**14,980**	**53.9**
Total	**28,806**	**20,250**	**42.3**	**50,095**	**38,591**	**29.8**
% of revenue						
Agricultural equipment	11.9	11.4	4.4	13.8	14.2	(2.8)
Commercial and industrial equipment	19.3	20.8	(7.2)	20.7	22.8	(9.2)
Total	**14.6**	**13.7**	**6.6**	**16.3**	**16.7**	**(2.4)**

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $2.0 million for the three month period ended June 30, 2012 when compared to the same period of 2011 and $3.4 million year to date. The primary reason for the increase in selling, general and administrative expenses is due to general increases in payroll and increased commissions on increases in gross sales.

Commercial and industrial equipment

The Commercial and industrial equipment segment's selling, general and administrative expenses increased $6.6 million for the three month period ended June 30, 2012 when compared to the same period of 2011 and $8.1 million year to date. The primary reason for the overall increase in selling, general and administrative expenses was due to the purchase of Frontier and the development and professional fees related to the purchase as well as general increases to wages and benefits and commissions due to increased sales activity.

Finance income

Finance income is comprised of interest earned on customer accounts receivable, contract lease receivables, related party advances and held-to-maturity investments. Total finance income was $305 thousand (same store was $84 thousand) and $643 thousand (same store was $183 thousand) for the three and six month periods ended June 30, 2012, respectively, when compared to $114 thousand and $164 thousand for the same period of 2011. The primary reason for the increase in same store finance income is related to interest earned on advances to related parties and interest on amounts due the Company from the operations of Frontier which are related to internal finance income on customer sales contracts.

Finance costs and other interest

Finance costs are comprised of interest expenses related to the funds loans and borrowings as well as floor plan payables. Interest expense is also recorded on loans and borrowings related to the Company's rental fleet property and equipment which is recorded in cost of sales of each segment. For the purposes of showing the Company's interest expense, the following analysis includes both the interest expense on financial liabilities recorded in finance costs and interest on financial liabilities recorded directly in cost of sales.

	Three Months Ended			Six Months Ended		
$ thousands	**June 30, 2012**	**June 30, 2011**	**% change**	**June 30, 2012**	**June 30, 2011**	**% change**
Interest by segment:						
Agricultural equipment						
Interest expense	467	236	97.9	864	358	141.3
Interest in cost of sales	34	75	(54.7)	100	92	8.7
Total	**501**	**311**	**61.1**	**964**	**450**	**114.2**
Commercial and industrial equipment						
Interest expense	541	167	224.0	731	354	106.5
Interest in cost of sales	41	44	(6.8)	70	92	(23.9)
Total	**582**	**211**	**175.8**	**801**	**446**	**79.6**
	1,083	**522**	**107.5**	**1,765**	**896**	**97.0**
% of revenue						
Agricultural equipment	0.9	0.3	200.0	0.5	0.2	150.0
Commercial and industrial equipment	0.8	1.4	(42.9)	0.7	0.6	16.7
Total	**0.6**	**0.4**	**50.0**	**0.5**	**0.4**	**25.0**

Floor plan liabilities as a percentage of inventories at June 30, 2012 were 62.7% compared to 49.0% at December 31, 2011 and 56.3% at June 30, 2012. This is the main reason for the increase in interest expense over 2011.

Overall, the simple average interest rate on the Company's debt as at June 30, 2012 was 3.2% compared to 2.9% at June 30, 2011. The increase in the simple average interest rate is primarily related to the increase in interest bearing floor plan payables during the three and six month periods ended June 30, 2012. As at June 30, 2012, the Company's non-interest floor plans represent approximately 24% of the aggregate floor plans outstanding. In addition during the period, the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during the three and six month periods ended June 30, 2012 were $277,784 (2011 - $446,384) and $518,297 (2011 - $521,775) thousand, respectively.

Net profit and comprehensive income

The Company has a foreign subsidiary, Agriturf, which, upon consolidation, results in unrealized gains (losses) on currency translation of the financial statements of a foreign operation with a non-Canadian dollar as their functional currency. As a result, a loss of $12 thousand and a profit of $78 thousand has been recorded as other comprehensive income for the three and six month periods ended June 30, 2012, respectively and a profit of $199 thousand and $261 thousand for the same periods of 2011. This translation adjustment is the only difference between the profit for the period and total comprehensive profit for the period.

The net profit attributed to shareholders for the period excludes the allocation of profit to non-controlling interests. Under IFRS, the non-controlling interest share of profit is shown in profit for the year. Earnings per share are calculated based on the profit for the year attributed to shareholders of the Company only.

	Three months ended			Six months ended		
($ thousands except net earnings per share):	**June 30, 2012**	**June 30, 2011**	**% change**	**June 30, 2012**	**June 30, 2011**	**% change**
Net profit for the period:						
Agricultural equipment segment	5,399	4,608	17.2	5,790	3,817	51.7
Adjust for loss (income) from non-controlling interest	(10)	182	n/a	(188)	279	n/a
Net profit attributable to shareholders from agricultural equipment segment	5,389	4,790	12.5	5,602	4,096	36.8
Commercial and industrial equipment	2,039	1,122	81.7	3,044	1,759	73.1
Net profit attributable to shareholders	**7,428**	**5,912**	**25.6**	**8,646**	**5,855**	**47.7**
Profit as a % of total segment revenues						
Agricultural equipment	4.4	4.3	2.3	2.9	2.5	16.0
Commercial and industrial equipment	2.8	3.1	(9.7)	2.7	2.7	-
Total	**3.8**	**4.0**	**5.0**	**2.8**	**2.5**	**12.0**
Net Earnings Per Share:						
Shares outstanding – basic	**14,719**	**14,618**	**0.7**	**14,721**	**14,410**	**2.1**
Agricultural equipment	0.36	0.32	12.5	0.38	0.28	35.7
Commercial and industrial equipment	0.14	0.08	75.0	0.21	0.12	75.0
Total	**0.50**	**0.40**	**25.0**	**0.59**	**0.40**	**47.5**

The most significant contributing factor to our $1.5 million and $2.8 million increase in earnings during the three and six month period ended June 30, 2012 when compared to the same periods of 2011 was the increase in gross sales and resulting gross margin contributions, and the purchase of Frontier.

EBITDA (See Non-IFRS Financial Measures)

	Three Months Ended			Six Months Ended		
$ thousands, except %	**June 30, 2012**	**June 30, 2011**	**$ change**	**June 30, 2012**	**June 30, 2011**	**$ change**
EBITDA by segment:						
Agricultural equipment						
Net earnings attributed to shareholders	5,399	4,608	791	5,790	3,817	1,973
Add:						
Interest	501	311	190	964	450	514
Income taxes	1,698	1,768	(70)	1,609	1,510	99
Depreciation and amortization	1,183	843	340	2,245	1,682	563
Total	**8,781**	**7,530**	**1,251**	**10,608**	**7,459**	**3,149**
% of revenue	**7.1**	**6.8**		**5.4**	**4.5**	
Commercial and industrial equipment						
Net earnings (loss) attributed to shareholders	2,039	1,122	917	3,044	1,759	1,285
Add:						
Interest	582	211	371	801	446	355
Income taxes	1,284	717	567	2,227	954	1,273
Depreciation and amortization	1,408	1,107	301	2,705	2,206	499
Total	**5,313**	**3,157**	**2,156**	**8,777**	**5,365**	**3,412**
% of revenue	**7.3**	**8.7**		**7.9**	**8.2**	
Total EBITDA	**14,094**	**10,687**	**3,407**	**19,385**	**12,824**	**6,561**
% of revenue	**7.2**	**7.3**		**6.3**	**5.5**	

EBITDA is used by management to monitor its results and compare its profitability between itself and other entities in its industries.

For the three month period ended June 30, 2012, EBITDA increased by $3.4 million or 31.9% when compared to the three month period ended June 30, 2011 and increased $6.6 million or 51.2% year to date, when compared to 2011. The most significant factor contributing to the increase in EBITDA during the three and six month periods ended June 30, 2012 when compared to the same period of 2011 was the addition of Frontier and increased earnings.

Summary of Quarterly Results

The 2011 quarterly results have been restated to reflect the Company's transition to IFRSs. An explanation of the transitional differences is shown below the quarterly summary which includes primarily the increase in deferred share compensation and the change in income taxes as shown above.

$ thousands, except per share amounts	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Revenues	196,654	109,782	141,356	186,878
Profit attributable to the shareholders	7,428	1,218	4,397	8,193
Basic earnings per share	0.50	0.08	0.30	0.56
Diluted earnings per share	0.49	0.08	0.29	0.54
Weighted average shares outstanding				
Basic	14,719	14,715	14,699	14,659
Fully diluted	15,278	15,240	15,211	15,152

$ thousands, except per share amounts	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Revenues	147,091	84,273	109,542	164,461
Profit attributable to the shareholders	5,912	(58)	2,190	6,753
Basic earnings per share	0.40	-	0.15	0.48
Diluted earnings per share	0.39	-	0.15	0.47
Weighted average shares outstanding				
Basic	14,618	14,201	14,189	14,176
Fully diluted	15,074	14,654	14,616	14,517

The financial data shown above has been prepared in accordance with IFRSs as of the date of transition being January 1, 2011 and Canadian generally accepted accounting principles for the two quarters of 2009 shown.

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 has not materially impacted the above results as the purchase occurred in July 2011. The Commercial and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net earnings for the four quarters of 2012/2011 when compared to 2011/2010 is from the acquisition of ARW in January 2011 and the purchase of Frontier in March 2012, and the increase in net earnings being experienced from our same store activities in the Commercial and industrial equipment segment.

Liquidity

$ thousands, except ratio amounts	June 30, 2012	December 31, 2011
Current assets	208,889	166,948
Total assets	387,789	281,455
Current liabilities	152,144	87,808
Long-term liabilities	47,414	9,928
Shareholders' equity	188,231	183,719
Working capital (see "Non-IFRS Financial Measures")	56,745	79,140
Working capital ratio (see "Non-IFRS Financial Measures")	1.4	2.1

Working capital

Our working capital decreased by $22.4 million to $56.7 million at June 30, 2012 when compared to $79.1 million at December 31, 2011. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1. The company's working capital ratio at June 30, 2012 was 1.4 to 1.

The Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and controlling its costs. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered used equipment inventories. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year as explained above to fund general operations caused by the cyclical nature of our sales activity.

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 and 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 June 30, 2012 are described below.

The Company has bank credit facilities available for its current use of $54.2 million as follows:

Type of facility	$ thousands	Borrowed
Operating	15,000	2,400
Inventory	18,000	4,605
Rental equipment	7,000	2,439
Capital asset purchase	3,000	1,735
Lease loan	5,500	1,697
Used truck and trailer	2,200	-
Flexible credit (NZ$1,300)	1,211	1,211
Overdraft (NZ$250)	202	-
Commercial credit card (NZ$50)	40	-
Flexible rate term loan (NZ$1,300)	1,050	-
Financial guarantee(NZ$1,200)	969	=
Total	**54,172**	**14,087**

These facilities are reduced by $4.0 million the Company has issued for irrevocable letters of credit described below and approximately $965 thousand (NZ$1.2 million) of financial guarantee facilities.

The Company has approximately $2.6 million in bank indebtedness, which is comprised of cash on hand, cheques issued in excess of funds on deposit and operating facilities borrowings in Canada and New Zealand.

As at June 30, 2012, inventories had increased by $50.0 million (same store increased $29.4 million) to $156.7 million when compared to December 31, 2012. New equipment inventories comprise the bulk of the increase at $35.5 million (same store increased $22.2 million) to $79.8 million and used equipment increased $5.8 million (same store increased $3.7 million) to $52.4 million. Parts inventories have also increased by $6.8 million (same store increased $3.7 million) to $22.1 million. Work-in-process increased by $1.7 million (same store increased $486 thousand) to $2.4 million. The primary increase in our inventories, being new equipment has been driven by the substantial increase in equipment sales in both of our segments as well as the timing of delivery to our customers of new equipment received, primarily in our agricultural equipment segment.

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our agricultural equipment sales come with a trade-in while our commercial and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used commercial and industrial equipment. In addition, the majority of our new John Deere equipment is on consignment from John Deere whereas we purchase the new equipment from our other manufacturers. These factors directly impact the amount of used and new equipment carried on our books. A majority of our product lines in both segments are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

As at June 30, 2012, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve is required or has been recorded.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and is comprised of currency risk, interest rate risk and other price risks.

Foreign currency exposure

Other than the Company's exposure to foreign currency fluctuations on its translation of its foreign subsidiary, Agriturf, the Company is not exposed to fluctuations in foreign currency in its sales and expenditures as they are incurred in Canadian dollars. 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. However, this may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases. Based on the Company's results reported from its foreign subsidiary, an increase or decrease of 5% in foreign currency exchange rates would impact the Company's consolidated net earnings by approximately $24 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. Based on the Company's outstanding long-term debt at June 30, 2012, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $1.1 million. The Company's other financial instruments are not exposed to interest rate risk.

Environmental risks

Our dealerships routinely handle hazardous and non-hazardous wastes as part of their day-to-day operations and though the Company tries to achieve 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.

Credit risk

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the Company's revenue is generated from customers in the farming and Commercial industries. This results in a concentration of credit risk from customers in these industries. 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 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 25 days for the rolling 12 month period ended June 30, 2012 (15 days for the year ended December 31, 2011) 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 and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections has increased by $85 thousand to $1.2 million at June 30, 2012 which represents approximately 2.4% of outstanding trade accounts receivable. Write-offs during the three and six month period ended June 30, 2012 were $170 thousand and $289 thousand respectively.

Cash and cash equivalents

Cervus' primary sources and uses of cash flow for the three month period ended June 30, 2012 are as follows:

Operating activities

Net cash from operating activities was $17.5 million when compared to $7.9 million for the same period of 2011, an increase of $9.6 million. The primary reason for the increase was a combination of increased profit before income tax of $4.6 million, increase in depreciation and amortization of $1.1 million, and an increase in non-cash transactions and working capital items of $4.4 million.

Investing activities

The Company used $35.1 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $32.7 million, advances received from repayments of related party loans of $15.8 million, $17.6 million used for a business acquisition of Frontier and $2.8 million for an investment in a 30% interest in Windmill AG Pty Ltd., an Australian John Deere dealership.

Financing activities

The Company's financing activities provided $8.4 million in net cash flows, primarily from advances of new term debt financing of $13.3 million and the payment of dividends in the amount of $4.9 million.

Contractual obligations

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

$ in thousands	Total Carrying value	Due 2013	Due 2014 through 2015	Due 2016 through 2017	Due thereafter
Long-term debt	50,571	6,069	21,013	4,491	18,998
Notes payable	5,308	2,396	2,912	-	-
Operating leases	9,598	2,457	4,836	1,209	1,096
Total contractual obligations	65,477	10,922	28,761	5,700	20,094

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. The major increase in our floor plan facilities at June 30, 2012 when compared to December 31, 2011 was from the business acquisition made in March 2012. As a result of the acquisition, the Company has added $14 million to its floor plan limit. A summary of the Company's available credit facilities as at June 30, 2012 is as follows:

In $ thousands	Total amount	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	54,200	11,200	4,000	39,000
Floor plan facilities and rental equipment term loan financing	168,500	96,708	-	71,792
Total	222,700	107,908	4,000	110,792

Operating and other bank credit facilities

As discussed above in the liquidity risk section, operating and other bank credit facilities include both the Canadian and New Zealand amounts. The operating facility borrowing of NZ$1.5 million or CAD $1.2 million represents the Company's advances from its New Zealand bank. We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets and working capital requirements for the remainder of 2012.

Floor plan facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with JDL John Deere Financial, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, TCF Commercial Finance Canada Inc., US Bank and PACCAR Financial Services Ltd. and Paccar Financial Ltd. ("PACCAR") At June 30, 2012, floor plan payables related to inventories were $96.7 million and rental equipment term loan financing was $7.7 million. Floor plan payables at June 30, 2012 represented approximately 61.7% of our inventories (December 31, 2011 – 49.0%). The increase in the floor plan during the six month period ended June 30, 2012 was primarily due to the Company using available facilities to generate sufficient cash flow to fund the business acquisition. 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.

Outstanding Share Data

As of the date of this report, there are 14,825 thousand common shares, 99 thousand share options, and 533 thousand deferred shares outstanding. As at June 30, 2012 and 2011, the Company had the following weighted average shares outstanding:

	Three months ended		Six months ended	
In thousands	**June 30, 2012**	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Basic weighted average number of shares outstanding	14,719	14,618	14,721	14,410
Dilutive impact of deferred share plan	534	424	534	424
Dilutive impact of share options	25	32	23	31
Diluted weighted average number of shares outstanding	15,278	15,074	15,278	14,865

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 and/or payable for the three month period ended June 30, 2012 ($ thousands, except per share amounts):

Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2012	0.1825	2,686	207	2,479
June 30, 2012	0.1850	2,725	210	2,515
Total dividends/distributions		5,411	417	4,994

Cash dividends are paid quarterly and are paid on or about the 15th day of the month following the record date. As of the date of this report, all common share dividends as described above were paid.

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.

Taxation

Cervus' dividends declared and paid to June 30, 2012 are considered to be eligible dividends for tax purposes on the date paid.

Cautionary note regarding dividends (see "Note Regarding Forward-Looking Statements")

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

Off-Balance Sheet Arrangements

In the normal course of business, we enter into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, and service agreements. We have also agreed to indemnify our subsidiary general partner's directors, officers, and employees in accordance with our limited partnership agreement 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") and PACCAR 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 June 30, 2012, payments in arrears by such customers aggregated $261 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 June 30, 2012, the net residual value of such leases aggregated $75.8 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 $1.4 million at June 30, 2012. 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 JDL and another supplier in the aggregate amount of $4.0 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. Also, the Company's foreign subsidiary, Agriturf, has $965 thousand (NZ$1.2 million) of financial guarantees issued for the purposes of providing financial guarantees to creditors and for a bankcard facility.

Transactions with Related Parties

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, and contributes to the deferred share plan and the employee share purchase plan, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers. In addition, no directors or executive officers are part of the share option plan.

The remuneration of key management personnel and directors during the three and six month periods ended June 30 was:

(in $ thousands)	Three month period ended June 30, 2012	Three month period ended June 30, 2011	Six month period ended June 30, 2012	Six month period ended June 30, 2011
Short-term benefits	$ 255	$ 245	$ 882	$ 646
Share-based payments	39	31	79	60
	$ 294	$ 276	$ 961	$ 706

Key management personnel and director transactions

Key management and directors of the Company control approximately 32% of the common voting shares of the Company.

Other related party transactions

The Executive Chairman ("EC") and former CEO of the Company is the CEO of Proventure Income Fund (the "Fund"). He is also the single largest equity holder of the Company and the Fund. It must be noted that the Company and the Fund share a common board of directors. As at June 30, 2012, the Fund owes the Company $1.3 million. The Company had the following transactions with the Fund which are in the normal course of business and are recorded at fair value which is the amount agreed to between the two parties:

	Three month period ended June 30, 2012	Three month period ended June 30, 2011	Six month period ended June 30, 2012	Six month period ended June 30, 2011
Expenses				
Real estate rentals	$ 89	$ 615	$ 178	$ 1,351
Guarantee fees	-	21	14	41
Revenue				
Management fees	15	15	15	15
Interest on advances	34	22	232	44

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. The Fund was released from this guarantee in February 2012 and therefore, no further payments will be made.

During the six month period ended June 30, 2012 and in addition to the business acquisition described in note 10 of the unaudited consolidated financial statements for the period ended June 30, 2012, the Company purchased $26.3 million of land and buildings from a related party, Proventure Income Fund ("Proventure"). The purchase price was comprised of lands of $7.3 million and buildings and paving of $19 million.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,400 thousand. During the three and six month periods ended June 30, 2012 and 2011, the Company paid those individuals an aggregate of $48 thousand and $96 thousand, respectively, for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

During the six month period ended June 30, 2012, the Company received $12.4 million in repayments from Prodev Trust ("Prodev"), a related party due to common ownership and Trustees as the Fund and $2.3 million in repayments from funds lent to the CEO. In addition, during the three and six month period ended June 30, 2012, the Company recorded interest in the amount of $22 thousand and $202 thousand from Prodev and $8 thousand from the CEO. Interest is charged on the outstanding balances at a rate of 8% for Prodev and the amounts due from the EC were repaid. As at June 30, 2012, Prodev owes the company $237 thousand.

Critical Accounting Estimates

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. Our significant accounting estimates include estimating bad debts on accounts receivable; amortization of intangible assets and property, plant, and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; the fair value of share-based awards; the fair value of goodwill for impairment testing purposes; and estimates of various taxation matters. 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.

Provision for doubtful accounts receivable

We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Our history of bad debt losses has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the agricultural business in which many of our customers operate, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Depreciation and amortization of intangible assets and property and equipment

Our intangible assets and property, plant, and equipment are depreciated and amortized based upon estimated useful lives and salvage values. We review our historical experience with similar assets to ensure that these amortization rates are appropriate. However, the actual useful life of the assets may differ from our original estimate due to factors such as technological obsolescence and maintenance activity.

Fair 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.

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. In certain circumstances, such as the valuation of property, plant, and equipment and intangible assets acquired, we rely on independent third party valuations.

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.

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.

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 judgments as to their interpretation and application to our specific situation. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for the Company's income taxes is adequate.

Fair value of share-based awards

The fair value of share options granted is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Sholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including share price volatility. Because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our share options granted.

Business Risks and Uncertainties

Reliance on our key manufacturers and dealership arrangements

Cervus' primary source of income is from the sale of agricultural and commercial and industrial equipment and products and services pursuant to agreements to act as an authorized dealer. The agreement with 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 Company also has dealership agreements in place with Bobcat, JCB, CMI, Clark, Sellick, Nissan, and Doosan. These agreements are one or two year agreements and are normally renewed annually, except for unusual situations such as bankruptcy or fraud.

The successes 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 circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements.

Dependence on Industry Sectors
Authorized John Deere agricultural dealerships sell John Deere agricultural and turf and sport products and equipment. The majority of sales are derived from the agricultural sector. Consequently, grain and livestock prices, weather conditions, Canadian vs. U.S. currency exchange rates, interest rates, disease, Canadian and U.S. government trade policies and customer confidence have an impact on demand for equipment, parts and service.

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 manufacture high quality, competitively priced products or maintain its market share in the future.

We have mitigated these risks by geographical diversification in Western Canada and New Zealand within the agricultural sector and industry diversification into the construction, transportation and material handling sector.

The commercial and industrial equipment group sells light and medium construction equipment, material handling equipment and transportation equipment. The construction equipment is comprised of two major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction equipment market is very much dependent upon residential and commercial construction. Based on CMHC's year ended housing report, the 2011 market estimate, though negative, appears to be an improvement over prior years and is expected to somewhat improve in 2012 and later years (see "Note Regarding Forward-Looking Statements").

The industrial equipment group sells material handling equipment from several manufacturers, Clark, Sellick, Nissan, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, and Caterpillar. The materials handling equipment is primarily sold to oilfield supply companies, building supply companies, warehousing, food processors, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments.

The transportation equipment group primarily sells transport equipment through PACCAR, which manufacturers Peterbilt trucks. The major competitors to Peterbilt are Kenworth, International, Freightliner and Mack trucks. The trucks are very dependent on consumer and commercial transportation of goods and service industries, such as oil and gas. This diverse customer base does mitigate the risks inherent in any one of those customer segments.
Presently the majority of the commercial and industrial equipment segment revenue is derived from the sale of Bobcat, JCB, Doosan, Nissan, Clark and Sellick equipment and products. All these equipment manufacturers have established themselves as industry leaders in the Western Canada market for the manufacture and delivery of 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.

Other risks
Although the Company has conducted investigations of, and engaged legal counsel to. review, the corporate, legal, financial and business records of Vasogen Inc., with whom Cervus underwent its conversion from a limited partnership structure to that of a corporation in 2009, there may be liabilities and risks that the Company did not uncover in its due diligence investigation and that these liabilities and risks could have, individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of Cervus.

The steps under the plan of arrangement, pursuant to which the corporate conversion was completed, were structured to be tax-deferred to the Company and the Company's shareholders based on certain rules under the Income Tax Act (Canada). There is a risk that the tax consequences contemplated by the Company or the tax consequences of the plan of arrangement to the Company and the shareholders may be materially different from the tax consequences anticipated by the Company in undertaking the conversion. While the Company is confident in its current position, there is a risk that the Canada Revenue Agency could successfully challenge the tax consequences of the plan of arrangement or prior transactions of Vasogen. Such a challenge could potentially affect the availability or amount of the tax basis or other tax accounts of Cervus.

Non-IFRS Financial Measures
This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings 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 earnings and cash flow from operations and to provide additional information on how these cash resources are used. These financial measures are identified and defined below:

EBITDA; is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to net profit, 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.

Events after the Reporting Period and Proposed Transactions

On July 2, 2012, the Company acquired a 30% interest in Windmill AG Pty Ltd., a John Deere agriculture dealer and a 45% interest in PPJ Investment Ltd., a real estate holding company, located in Australia. The purchase price is approximately $2.7 million, of which $2,833 thousand has been deposited in trust as of June 30, 2012 for the purchase price and expected professional fees.

On July 24, the Company closed on $34.5 million of convertible debentures, resulting in net cash proceeds of approximately $33 million before professional fees. The debentures will mature on July 31, 2017 and will accrue and be paid interest at the rate of 6% per annum, payable semi-annually. The holder of the debenture has a right to convert the debenture at any time up to the maturity date at a conversion price of $26.15 for each common share. The Company may redeem, after July 31, 2015, the convertible debentures in whole or in part, provided the weighted average trading price of the common shares prior to redemption is not less than 125% of the conversion price.

The Company has entered into Purchase and Sales Agreements with Bayquip Agricultural Limited ("Bayquip") and Fieldpower Northland Limited ("Fieldpower") to acquire certain assets and operations of a total of five John Deere dealership branches in New Zealand. In addition, the Company has signed a memorandum of understanding to acquire all of the remaining shares of Agriturf (39.7%) that it does not already own. On July 31, 2012, the Company completed the acquisition of the remaining shares of Agriturf through the issuance of 84 thousand common shares of the Company, valued at approximately $1.6 million. The Company expects the acquisition of Bayquip and Fieldpower to close in the third quarter of 2012. The two acquisitions are anticipated to cost approximately $3.29 million, payable as to approximately $2.4 million in cash and approximately $800 thousand in common shares of Cervus.

Unaudited Condensed Consolidated Financial Statements of

CERVUS EQUIPMENT CORPORATION

For the three and six month periods ended June 30, 2012 and 2011

CERVUS EQUIPMENT CORPORATION
Unaudited Condensed Consolidated Statement of Financial Position
As at June 30, 2012, December 31, 2011

($ thousands)	Note		June 30, 2012		December 31, 2011
Assets					
Current assets					
Cash and cash equivalents		$	-	$	6,536
Deposit for business acquisition and investment	19		2,833		2,000
Asset held for sale			1,447		1,447
Trade and other accounts receivable	11		47,863		50,189
Inventories	12		156,746		106,776
Total current assets			**208,889**		**166,948**
Non-current assets					
Long-term receivables			1,710		-
Investments in associates, at equity			5,892		5,146
Other long-term assets			121		112
Deposits with manufacturers			1,441		1,459
Property and equipment	13		86,774		29,185
Deferred tax asset			49,741		53,546
Intangible assets			28,067		19,905
Goodwill			5,154		5,154
Total non-current assets			**178,900**		**114,507**
Total assets		**$**	**387,789**	**$**	**281,455**

CERVUS EQUIPMENT CORPORATION
Unaudited Condensed Consolidated Statement of Financial Position (continued)
As at June 30, 2012 and December 31, 2011

(In $ thousands)	Note	June 30, 2012	December 31, 2011
Liabilities			
Current liabilities			
Bank indebtedness		$ 2,648	$ -
Trade and other accrued liabilities		37,479	22,514
Customer deposits		4,119	5,269
Floor plan payables		96,708	51,944
Dividends payable		2,725	2,647
Current portion of term debt	14	6,069	2,957
Current portion of notes payable		2,396	2,477
Total current liabilities		**152,144**	**87,808**
Non-current liabilities			
Term debt	14	44,502	7,276
Notes payable		2,912	2,652
Total non-current liabilities		**47,414**	**9,928**
Total liabilities		**199,558**	**97,736**
Equity			
Shareholders' capital	15	73,332	72,925
Deferred share plan		4,317	3,785
Other reserves		3,108	3,036
Accumulated other comprehensive income		223	150
Retained earnings		105,319	102,084
Total equity attributable to equity holders of the Company		**186,299**	**181,980**
Non-controlling interest		**1,932**	**1,739**
Total equity		**188,231**	**183,719**
Total liabilities and equity		**$ 387,789**	**$ 281,455**

Approved by the Board:

"Peter Lacey" Director "Gary Harris" Director

CERVUS EQUIPMENT CORPORATION
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the three and six month periods ended June 30, 2012 and 2011

		Three month period ended June 30		Six month period ended June 30	
(In $ thousands)	Notes	2012	2011	2012	2011
Revenue					
Equipment sales		$ 151,249	$ 114,597	$ 229,564	$ 171,884
Parts		26,482	18,171	43,811	32,800
Service		16,335	11,621	27,665	21,541
Rentals		2,588	2,702	5,396	5,139
Total revenue		196,654	147,091	306,436	231,364
Cost of sales	6, 8	(159,044)	(119,283)	(245,770)	(185,461)
Gross profit		37,610	27,808	60,666	45,903
Other income	7	1,389	442	1,966	699
Selling, general and administrative	8	(28,806)	(20,250)	(50,095)	(38,591)
Results from operating activities		10,193	8,000	12,537	8,011
Finance income		305	114	643	164
Finance costs		(1,009)	(404)	(1,595)	(713)
Net Finance Costs		(704)	(290)	(952)	(549)
Share of profit of equity accounted investees, net of income tax		931	505	1,085	578
Profit before income taxes		10,420	8,215	12,670	8,040
Income taxes	9	(2,982)	(2,485)	(3,836)	(2,464)
Profit for the period		7,438	5,730	8,834	5,576
Other comprehensive income					
Foreign currency translation differences for foreign operations		(12)	199	78	261
Total comprehensive income for the period		$ 7,426	$ 5,929	$ 8,912	$ 5,837

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

CERVUS EQUIPMENT CORPORATION
Unaudited Condensed Consolidated Statement of Comprehensive Income (continued)
For the three and six month period ended June 30, 2012 and 2011

(in $ thousands)	Three month period ended June 30, 2012	Three month period ended June 30, 2011	Six month period ended June 30, 2012	Six month period ended June 30, 2011
Profit (loss) attributable to:				
Shareholders of the Company	$ 7,428	$ 5,912	$ 8,646	$ 5,855
Non-controlling interest	10	(182)	188	(279)
	$ 7,438	$ 5,730	$ 8,834	$ 5,576

Total comprehensive income (loss) attributable to:				
Shareholders of the Company	$ 7,424	$ 6,111	$ 8,719	$ 5,955
Non-controlling interest	2	(182)	193	(118)
	$ 7,426	$ 5,929	$ 8,912	$ 5,837

Net income per share attributable to shareholders of the Company:				
Basic	$ 0.50	$ 0.40	$ 0.59	$ 0.40
Diluted	0.49	0.39	0.57	0.39

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

CERVUS EQUIPMENT CORPORATION
Unaudited Consolidated Statement of Changes in Equity
For the Six Month Periods Ended June 30, 2012 and 2011

(In $ thousands)	Note	Share capital	Preferred shares	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company								
Balance December 31, 2010		**$ 66,280**	**$ 5,361**	**$ 2,823**	**$ 2,927**	**$ 157**	**$ 94,202**	**$ 171,750**	**$ 1,837**	**$ 173,587**
Comprehensive income for the period										
Profit or loss		-	-	-	-	-	5,855	5,855	(279)	5,576
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	-	115	(15)	100	161	261
Total comprehensive income (loss) for the period		-	-	-	-	115	5,840	5,955	(118)	5,837
Transactions with owners, recorded directly in equity										
Dividends to equity holders		-	-	-	-	-	(5,272)	(5,272)	-	(5,272)
Conversion of preferred shares to share capital		5,439	(5,361)	-	-	-	-	78	-	79
Shares issued through DRIP		314	-	-	-	-	-	314	-	314
Shares issued through deferred share plan		43	-	(43)	-	-	-	-	-	-
Share-based payment transactions		-	-	309	38	-	-	347	-	346
Employee loans forgiven		42	-	-	-	-	-	42	-	42
Total transactions with owners		5,838	(5,361)	266	38	-	(5,272)	(4,491)	-	(4,491)
Balance June 30, 2011		**$ 72,118**	**$ -**	**$ 3,089**	**$ 2,965**	**$ 272**	**$ 94,770**	**$ 173,214**	**$ 1,719**	**$ 174,933**
Balance December 31, 2011		**$ 72,925**	**$ -**	**$ 3,785**	**$ 3,036**	**$ 150**	**$ 102,084**	**$ 181,980**	**$ 1,739**	**$ 183,719**
Comprehensive income for the period										
Profit		-	-	-	-	-	8,646	8,646	188	8,834
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	-	73	-	73	5	78
Total comprehensive income for the period		-	-	-	-	73	8,646	8,719	193	8,912
Transactions with owners, recorded directly in equity										
Dividends to equity holders		-	-	-	-	-	(5,411)	(5,411)	-	(5,411)
Shares issued through DRIP	15	404	-	-	-	-	-	404	-	
Shares issued through deferred share plan	15	3	-	(3)	-	-	-	-	-	-
Share-based payment transactions		-	-	535	72	-	-	607	-	607
Total transactions with owners		407	-	532	72	-	(5,411)	(4,400)	-	(4,400)
Balance June 30, 2012	**15**	**$ 73,332**	**$ -**	**$ 4,317**	**$ 3,108**	**$ 223**	**$ 105,319**	**$ 186,299**	**$ 1,932**	**$ 188,231**

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

CERVUS EQUIPMENT CORPORATION
Unaudited Consolidated Statement of Cash Flows
For the three and six month periods ended June 30, 2012 and 2011

		Three month period ended June 30		Six month period ended June 30	
(in $ thousands)	**Notes**	**2012**	**2011**	**2012**	**2011**
Cash flows from operating activities					
Profit for the period		$ 7,438	$ 5,730	$ 8,834	$ 5,576
Depreciation		1,878	1,330	3,624	2,654
Amortization of intangibles		713	620	1,327	1,234
Equity-settled share-based payment transactions		300	194	606	389
Net finance costs		799	289	1,121	549
Gain on sale of property and equipment		(92)	(146)	(126)	(224)
Share of profit of equity accounted investees, net of tax		(930)	(504)	(1,085)	(578)
Income tax expense	9	2,982	2,485	3,836	2,464
Change in non-cash working capital		(10,565)	(2,327)	885	(3,468)
		2,523	7,671	19,022	8,596
Interest paid		(809)	(396)	(1,490)	(644)
Net cash from operating activities		1,714	7,275	17,532	7,952
Cash flows from investing activities					
Interest received		284	114	643	164
Business acquisitions	10, 14	-	-	(17,648)	-
Advances to related party		(92)	(44)	15,837	(21)
Purchase of property and equipment	13	(13,078)	(873)	(32,722)	(2,861)
Proceeds from disposal of property and equipment		1,124	620	1,291	1,102
Deposit on investments at equity		(2,833)	-	(2,833)	-
Proceeds from (increase in) investments at equity		176	(531)	340	(131)
Increase in other investments, at cost		(1)	-	(9)	(4)
Net cash from (used in) investing activities		(14,420)	(714)	(35,101)	(1,751)
Cash flows from financing activities					
Advances from (repayment of) term debt	10, 14	6,367	(3,276)	13,292	(5,755)
Dividends	11	(2,479)	(2,397)	(4,928)	(4,877)
Decrease (increase) in deposits with John Deere		(135)	(165)	21	363
Repayment of notes payable		-	(166)	-	(267)
Net cash used in financing activities		3,753	(6,004)	8,385	(10,536)
Net increase (decrease) in cash and cash equivalents		(8,953)	557	(9,184)	(4,335)
Cash and cash equivalents, beginning of period		6,305	14,713	6,536	19,605
Cash and cash equivalents, end of period		(2,648)	15,270	$ (2,648)	$ 15,270

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

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Consolidated Financial Statements
For the period ended June 30, 2012

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 registered office of the Company is situated at 5201 – 333, 96th Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The consolidated financial statements of the Company as at and for the period ended June 30, 2012 comprise of the Company and its subsidiaries (“the Group”). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, commercial and industrial equipment. The Company also provides equipment rental, primarily in the commercial and industrial equipment segment. The Company operates 35 John Deere agricultural equipment, Bobcat and JCB construction equipment, and Clark, Sellick, Nissan and Doosan material handling equipment and Peterbilt truck dealerships in 33 locations across Western Canada. Cervus also has a majority interest in Agriturf Limited (“Agriturf”), with six locations on the north island of New Zealand. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “CVL”.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2011.

The Board of Directors authorized the issue of these consolidated financial statements on August 8, 2012.

(b) 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 condensed consolidated interim 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, 2011.

(c) Certain of the 2011 comparative financial information have been reclassified to conform to the presentation used in the preparation of these condensed consolidated interim financial statements.

3. New and amended IFRSs

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are not required to be adopted in the current period. None of these changes in standards or interpretations will have a material effect on the consolidated financial statements or note disclosures as currently presented.

4. Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2011 and as described in note 4 in those financial statements.

5. Seasonality

The Canadian and New Zealand retailing of agricultural and commercial and industrial equipment are 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. Sales in the commercial and industrial equipment segment are not as heavily impacted by seasonality but do see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter.

6. Cost of sales

The following amounts have been included in cost of sales for the three and six month periods ended June 30, 2012 and 2011:

	Three month period ended June 30		Six month period ended June 30	
	2012	**2011**	**2012**	**2011**
Depreciation of rental equipment	$ 745	$ 731	$ 1,502	$ 1,033
Interest paid on rental equipment financing	75	118	170	184
	$ 820	**$ 849**	**$ 1,672**	**$ 1,217**

7. Other income

	Three month period ended June 30		Six month period ended June 30	
	2012	**2011**	**2012**	**2011**
Net gain on sale of property and equipment	$ 92	$ 146	$ 126	$ 224
Other income, including net training support, consignment commissions, commissions on extended warranty products, finance fees and other sundry items	1,297	296	1,840	475
	$ 1,389	**$ 442**	**$ 1,966**	**$ 699**

8. Wages and benefits

	Three month period ended June 30		Six month period ended June 30	
	2012	**2011**	**2012**	**2011**
Included in cost of sales:				
Short-term wages and benefits	$ 4,861	$ 3,696	$ 8,274	$ 6,627
Included in selling, general and administrative expenses:				
Short-term wages and benefits	17,166	11,966	29,879	22,317
Share-based payments	300	194	606	389
	17,466	**$ 12,160**	**30,485**	**22,706**
	$ 22,327	**$ 15,856**	**$ 38,759**	**$ 29,333**

9. Income taxes

	Three month period ended June 30		Six month period ended June 30	
(in $ thousands)	**2012**	**2011**	**2012**	**2011**
Income for the period before tax	$ 10,420	$ 8,215	$ 12,670	$ 8,040
Expected income tax	2,681	2,114	3,261	2,069
Non-deductible costs and other	301	371	575	395
Income tax expense recognized in profit	$ 2,982	$ 2,485	$ 3,836	$ 2,464

The expense for the year can be reconciled to the accounting profit based on using federal and provincial statutory rates of 25.7% (2011 – 27.2%). The primary reason for the reduction in the overall tax rate was due to a reduction in the federal income tax rate of 1.5% and the allocation of taxable income to provincial jurisdictions with different income tax rates.

10. Business combinations

On March 15, 2012, the Company completed a transaction whereby it has acquired the business assets and assumed the business liabilities of Frontier Peterbilt Sales Ltd. (“Frontier”) and Frontier Developments Ltd. (“Developments”). The Company purchased Frontier and Developments for the purposes of expanding and diversifying its commercial and industrial equipment segment. The Company acquired the dealership agreements, trade name and customer lists from the former owner as the Company required these assets to continue operations in future years, of which $9,430 is tax deductible. Frontier operates 4 Peterbilt truck dealerships and 1 Autopro Collision center in 4 locations in Saskatchewan. Development’s owns the 5 land and building locations directly related to the operations of Frontier. The purchase price paid for the net assets of Frontier and Developments is as follows:

Net assets purchased (in $ thousands):		
Trade and other accounts receivable	$	7,700
Inventories		16,985
Property and equipment		15,903
Intangible assets		9,489
Accounts payable and accrued liabilities		(2,494)
Customer deposits		(217)
Floor plan payable		(10,279)
Term debt		(2,060)
Purchase price	$	35,027
Financed by:		
Cash, net of cash received of $102 thousand	$	19,648
Vendor take back mortgage, due March 15, 2014, repayable in equal annual installments of $85,998 including interest at the rate of 4.75% per annum		13,360
Balance payable on May 15, 2012		2,019
Purchase price	$	35,027

The amounts in the above table have been determined on a provisional basis, and may be revised when new information identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date. Such revisions will only be made if the new information is obtained within one year of the acquisition date about the facts and circumstances that existed at the acquisition date.

Included in these condensed financial statements for the three and six month periods ended June 30, 2012 are revenues of $30,971 thousand and $34,396 and net profit of $1,887 thousand and $2,267 thousand respectively, related to this acquisition and prior to allocation of corporate expenditures and income tax expense. Had the Company purchased this acquisition at the beginning of the reporting period, January 1, 2012, revenues and profit for the six month period ended June 30, 2012 would have been $54,954 thousand and $2,800 thousand respectively, related to this acquisition, excluding allocation of corporate expenditures and income tax expense. The results of operations of this acquisition are part of the commercial and industrial equipment segment.

11. Trade and other accounts receivable

(In $ thousands)	June 30, 2012	December 31, 2011
Trade receivables	$ 27,521	$ 23,095
Advances to related parties	1,575	15,123
Advances to Chief Executive Officer	-	2,289
Prepaid expenses	1,349	2,248
Volume bonus	1,580	221
Contracts in transit	17,006	8,064
Allowance for doubtful debts	(1,168)	(851)
	$ 47,863	$ 50,189

12. Inventories

(in $ thousands)	June 30, 2012	December 31, 2011
New equipment	$ 79,810	$ 44,297
Used equipment	52,388	46,550
Parts and accessories	22,120	15,246
Work-in-progress	2,428	683
	$ 156,746	$ 106,776

During the three and six month period ended June 30, 2012, inventories recognized as cost of sales amounted to $140,644 thousand and $195,800 thousand (June 30, 2011 - $171,589 thousand and $117,285 thousand). For the three and six month period ended June 30, 2012, write-downs of $8 thousand and $707 thousand (2011 - $nil and recovery of $298 thousand) are included in cost of sales.

13. Property and equipment

During the six month period ended June 30, 2012 and in addition to the business acquisition described in note 10, the Company purchased $26.3 million of land and buildings from a related party, Proventure Income Fund ("Proventure"). The purchase price was comprised of lands of $7.3 million and buildings and paving of $19 million. Also included in property and equipment are $9,381 thousand of land and building under construction which has subsequently been occupied in July 2012 and $8,652 thousand of land purchased for the future construction of a new John Deere store in Calgary, Alberta area. The Company is in the process of sub-dividing the land purchase and upon completion will record the excess land as an asset held for sale. The excess portion of the land cost is approximately $4,150 thousand. It is anticipated that total construction costs will be approximately $14 million for the project and it is expected that the building will be available for occupancy during the third quarter of 2013. Until the buildings are available for occupancy, no depreciation is recorded on the capitalized amounts.

Assets pledged as security

All of the Company's assets are pledged under a general security agreement with the Company's bank. Assets with a carrying amount of $4,340 thousand are pledged as security to a bank in New Zealand on behalf of our subsidiary, Agriturf.

14. Loans and borrowings

During the six month period, the Company assumed $11.5 million of mortgages related to the purchase of land and buildings from Proventure. The mortgages are with Farm Credit Canada and consist of $6.3 million with payments required of $59 thousand per month at a rate of 6.95% per annum and $5.2 million with payments required of $39 thousand per month at a rate of FCC prime plus 0.75%. Including the above assumption, the Company has entered into a credit agreement with FCC for a total of $41 million to fund the property purchase from Proventure, upgrades to existing facilities, future acquisition line for future capital purchases and construction of new facilities in Saskatoon, Saskatchewan and Calgary, Alberta. As at June 30, 2012, $24,337 thousand is outstanding under this facility and bears interest only until completion.

As part of the acquisition of Frontier, the Company assumed $2,060 thousand of central lease loan liabilities with the HSBC Bank Canada ("HSBC"). The facility is for the purpose of financing new and used heavy trucks and trailers that are leased to third parties or are sold and financed under conditional sales contracts and allows the Company to borrow to a maximum of $5.5 million ($4.5 million for new and $1 million for used) and bears interest at the rate of HSBC prime rate plus 1.35% per annum. Repayments of the facility are dependent on the initial terms of the leases and sales contracts but range from 12 to 60 months with monthly repayments of principal amounts between 1.3% and 3.0% of the amounts borrowed. In addition, the Company has a $2.15 million used lease line of credit with HSBC for the purposes of financing used heavy trucks and trailers. The line of credit bears interest at the rate of HSBC prime rate plus 1.85% per annum and requires principal repayments between 12 and 48 months at monthly rates of 1.5% to 3.0% of the amount borrowed.

15. Capital and other components of equity

Share capital

(In thousands)	Number of preferred shares	Amount	Number of common shares	Amount	Share purchase loan	Carrying Amount
Balance December 31, 2010	**425**	**$ 5,361**	**14,191**	**$ 66,350**	**$ (70)**	**$ 71,641**
Issued under the DRIP plan	-	-	21	314	-	314
Issued under the deferred share plan	-	-	4	43	-	43
Amortized to profit	-	-	-	-	42	42
Conversion of shares and accrued dividends to share capital	(425)	(5,361)	433	5,439		78
Balance June 30, 2011	**-**	**-**	**14,649**	**72,146**	**(28)**	**72,118**
Issued under the DRIP plan	-	-	35	360	-	360
Issued under the deferred share plan	-	-	5	37	-	37
Shares issued for land purchase			26	382	-	382
Amortized to profit	-	-	-	-	28	28
Balance December 31, 2011	**-**	**-**	**14,703**	**72,925**	**-**	**72,925**
Issued under the deferred share plan			1	3	-	3
Issued under the DRIP plan	-	-	25	404	-	404
Balance June 30, 2012	**-**	**$ -**	**14,729**	**$ 73,332**	**$ -**	**$ 73,332**

16. Earnings per share

Per share amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of Cervus as the numerator. No adjustments to net earnings were necessary for the three and six month periods ended June 30, 2012 and 2011. The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of basic shares as follows:

	Three month period ended June 30		Six month period ended June 30	
(in $ thousands)	**2012**	**2011**	**2012**	**2011**
Issued common shares, beginning of period	14,717	14,204	14,703	14,191
Effect of shares issued under the DRIP plan	2	9	18	14
Effect of conversion of preferred shares	-	404	-	203
Effect of shares issued under the deferred share plan	-	1	-	2
Weighted average number of common shares	14,719	14,618	14,721	14,410

Diluted earnings per share

The calculation of diluted earnings per share at June 30, 2012 and 2011 was based on the profit 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 period ended June 30		Six month period ended June 30	
(in $ thousands)	**2012**	**2011**	**2012**	**2011**
Issued common shares January 1	14,719	14,618	14,721	14,410
Effect of dilutive securities:				
Deferred share plan	534	424	533	424
Share options	25	32	24	31
Weighted average number of common shares	15,278	15,074	15,278	14,865

17. Segment information

The Company has two reportable segments which include the agricultural equipment segment which primarily distributes agricultural related equipment and services and the commercial and industrial equipment segment which includes primarily the sale of construction, material handling and transportation equipment and related services. The two 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 CEO reviews internal management reports on a monthly basis. The following is a summary of financial information for each of the reportable segments.

The Company allocates corporate expenditures to each individual segment based on a direct allocation method. Total corporate related expenditures, excluding income taxes that have been allocated for the three and six month period ended June 30, 2012 are $2,320 thousand and $3,930 thousand (2011 - $568 thousand and $1,780 thousand) respectively.

Six months ended June 30, 2012	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	$ 194,871	$ 111,565	$ 306,436
Profit for the period	5,790	3,044	8,834
Share of profit of equity accounted investees	1,085	-	1,085
Investment in associates	5,892	-	5,892
Depreciation and amortization	2,245	2,705	4,950
Finance income	157	486	643
Finance costs, including interest in cost of sales	(964)	(801)	(1,765)
Capital expenditures	42,458	16,183	58,641
Reportable segment assets	215,383	172,406	387,789
Reportable segment liabilities	110,877	88,681	199,558
Other intangible assets	4,538	23,529	28,067
Goodwill	2,960	2,194	5,154

Six months ended June 30, 2011	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	$ 165,700	$ 65,664	$ 231,364
Profit for the period	3,817	1,759	5,576
Share of profit of equity accounted investees	578	-	578
Investment in associates	5,468	-	5,468
Depreciation and amortization	1,682	2,206	3,888
Finance income	117	47	164
Finance costs, including interest in cost of sales	(450)	(446)	(896)
Capital expenditures	1,041	1,449	2,490
Reportable segment assets	173,353	105,055	278,408
Reportable segment liabilities	72,933	30,966	103,899
Other intangible assets	5,279	15,839	21,118
Goodwill	2,901	2,193	5,094

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Consolidated Financial Statements
For the period ended June 30, 2012

Three months ended June 30, 2012	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	$ 123,443	$ 73,212	$ 196,655
Profit for the period	5,399	2,039	7,438
Share of profit of equity accounted investees	931	-	931
Investment in associates		-	5,892
	5,892		
Depreciation and amortization	1,183	1,408	2,591
Finance income	42	263	305
Finance costs, including interest in cost of sales	(501)	(582)	(1,083)
Capital expenditures	12,961	1,817	14,778
Reportable segment assets	215,383	172,406	387,789
Reportable segment liabilities	110,877	88,681	199,558
Other intangible assets	4,538	23,529	28,067
Goodwill	2,960	2,194	5,154

Three months ended June 30, 2011	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	$ 110,610	$ 36,481	$ 147,091
Profit for the period	4,608	1,122	5,730
Share of profit of equity accounted investees	505	-	505
Investment in associates	5,468	-	5,468
Depreciation and amortization	843	1,107	1,950
Finance income	92	22	114
Finance costs, including interest in cost of sales	(311)	(211)	(522)
Capital expenditures	423	612	1,035
Reportable segment assets	173,353	105,055	278,408
Reportable segment liabilities	72,933	30,966	103,899
Other intangible assets	5,279	15,839	21,118
Goodwill	2,901	2,193	5,094

The Company primarily operates in Western Canada but has a subsidiary, Agriturf, which operates in the agricultural equipment segment in New Zealand. Gross revenue and non-current assets for the geographic segment were $10,745 thousand (2011 - $5,420 thousand) and $4,216 thousand (2011 - $6,355 thousand) respectively.

18. Related party transactions

Key management personnel and director transactions

Key management and directors of the Company control approximately 32% of the common voting shares of the Company. In October 2011, the Company provided its Executive Chairman of the Board of Directors ("EC") and former Chief Executive Officer ("CEO") and an immediate family member with a $10,212 thousand short-term loan to assist them in transactions involving securities held in their Registered Retirement Savings Plans as a result of recent amendments to the Income Tax Act (Canada). The loan bears interest at the rate of bank prime plus 0.25%. The outstanding amount plus accrued interest was repaid in February 2012.

Other related party transactions

The EC of the Company is the CEO of Proventure Income Fund (the "Fund"). He is also the single largest equity holder of the Company and the Fund. It must be noted that the Company and the Fund share a common board of directors. In addition to transactions discussed elsewhere in these financial statements, the Company had the following transactions with the Fund which are in the normal course of business and are recorded at fair value which is the amount agreed to between the two parties:

	Three month period ended June 30		Six month period ended June 30	
	2012	**2011**	**2012**	**2011**
Expenses				
Real estate rentals	$ 89	$ 615	$ 178	$ 1,351
Guarantee fees	-	21	14	41
Revenue				
Management fees	15	15	15	15
Interest on advances	34	22	232	44

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund. In February 2012, John Deere released the Fund from this obligation and therefore, no further payments are required.

19. Events After the Reporting Period

(a) On July 2, 2012, the Company acquired a 30% interest in Windmill AG Pty Ltd., a John Deere agriculture dealer and a 45% interest in PPJ Investment Ltd., a real estate holding company, located in Australia. The purchase price is approximately $2.7 million, of which $2,833 thousand has been deposited in trust as of June 30, 2012 for the purchase price and expected professional fees.

(b) On July 24, the Company closed on $34.5 million of convertible debentures, resulting in net cash proceeds of approximately $33 million before professional fees. The debentures will mature on July 31, 2017 and will accrue and be paid interest at the rate of 6% per annum, payable semi-annually. The holder of the debenture has a right to convert the debenture at any time up to the maturity date at a conversion price of $26.15 for each common share. The Company may redeem, after July 31, 2015, the convertible debentures in whole or in part, provided the weighted average trading price of the common shares prior to redemption is not less than 125% of the conversion price.

(c) The Company has entered into Purchase and Sales Agreements with Bayquip Agricultural Limited ("Bayquip") and Fieldpower Northland Limited ("Fieldpower") to acquire certain assets and operations of a total of five John Deere dealership branches in New Zealand. In addition, the Company has signed a memorandum of understanding to acquire all of the remaining shares of Agriturf (39.7%) that it does not already own. On July 31, 2012, the Company completed the acquisition of the remaining shares of Agriturf through the issuance of 84 thousand common shares of the Company with a value of approximately $1.6 million. The Company expects the acquisition of Bayquip and Fieldpower to close in the third quarter of 2012. . The remaining acquisitions are anticipated to cost approximately $3.3 million, payable as to approximately $2.4 million in cash and approximately $2.5 million in common shares of Cervus.