

Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2015 to June 30, 2015

The following Management's Discussion & Analysis ("MD&A") was prepared as of August 11, 2015 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and six month periods ended June 30, 2015 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2015 and notes contained therein. The accompanying interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CVL".

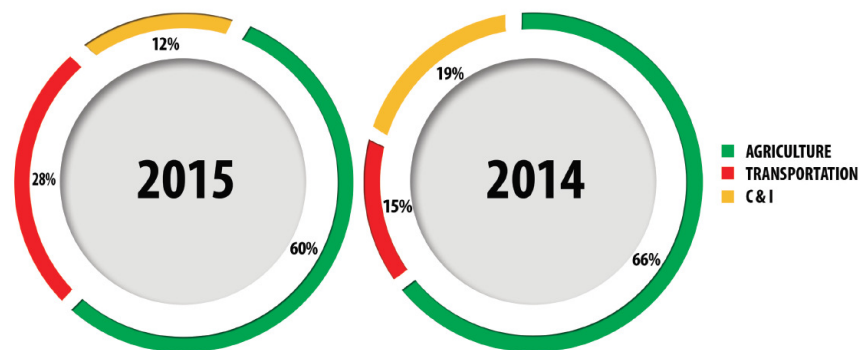
Additional information relating to Cervus, including Cervus' current annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at **www.sedar.com**.

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

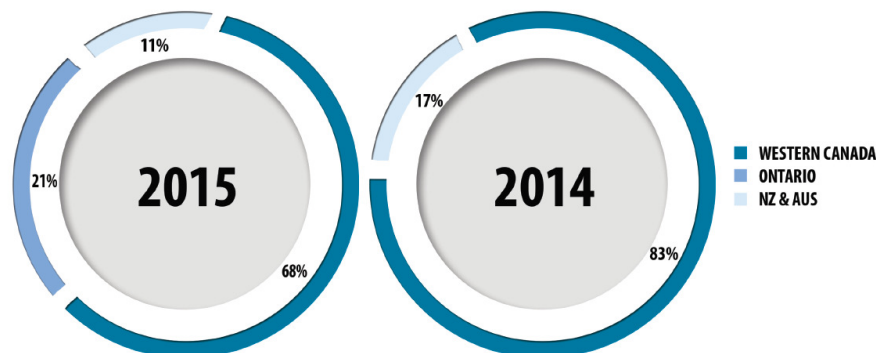
Overview of Cervus

Cervus is a diversified corporation and has historically operated in two separate business segments, an Agricultural equipment segment and a Commercial and Industrial equipment segment. During the fourth quarter of 2014, the Company realigned its operating segments as a result of changes to the governance and organizational structure resulting from the acquisition of 13 Ontario Peterbilt dealerships. The Company realigned the operating segments to be the following: Agricultural, Transportation, and Commercial and Industrial (“C&I”) segments comprised of dealerships based on the industry which they serve. While Cervus continues to operate all segments under a unified corporate strategy, the expansion of Peterbilt operations and the appointment of a vice-president dedicated to Transportation operations in 2014, caused changes in how management presents and reviews information for financial reporting and management decision making purposes. Each segment continues to operate under the same unified Cervus brand and values, but are managed separately, providing segment leaders latitude to make strategic decisions relevant to the markets they serve. All prior period disclosure has been updated to reflect changes in operating segments, and certain amounts have been reclassified to conform to the current year presentation.

Year to date revenue by segment



Year to date revenue by geography



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

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

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

Note Regarding Forward-Looking Statements

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

The most recent quarterly dividend payment of \$0.2125 per share was made to the shareholders of record as of June 30, 2015 on July 15, 2015. See “Capital Resources - Cautionary note regarding dividends” for a cautionary note regarding future dividends.

Highlights of the Quarter

- The Company generated adjusted earnings of \$2.9 million for the three months ended June 30, 2015, and adjusted basic earnings per share of \$0.19.
- Revenues increased \$65.5 million and gross profit dollars increased \$10.0 million compared to three months ended June 30, 2014.
- Acquisitions contributed \$1.3 million of income from operating activities in the second quarter, including \$1.0 million from our Ontario transportation operations.
- Acquisitions contributed \$2.8 million incremental earnings before interest, taxes, depreciation, and amortization (“EBITDA”), including \$1.8 million from Transportation Ontario. Same store EBITDA was \$9.5 million.
- The Company reached an agreement with Canada Revenue Agency to adjust certain of the Company’s tax pools, resulting in no federal income taxes payable for the period of December 31, 2009 through 2014.
- The Company completed construction and relocated to a new Agriculture equipment facility in Ponoka, Alberta and relocated the Essex, Ontario Transportation dealership to a new location in Windsor, Ontario.

Update on Canada Revenue Notice of Objection

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

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

- The Company not owing any federal cash taxes for the years 2009 through 2014;
- The Company recorded a \$31.6 million non-cash charge to earnings in the quarter ended June 30, 2015, derecognizing deferred income tax assets related to the Conversion which will not be available for deduction against taxable income subsequent to December 31, 2014.
- The Company owes \$3.6 million of provincial cash taxes due as of December 31, 2014, and carries forward \$1.7 million of federal cash tax savings to apply against income taxes payable in 2015 and subsequent tax years;

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

Second Quarter Consolidated Performance

Throughout this MD&A, same store results for the three and six month periods ended June 30, 2015 in the Agricultural segment exclude the results of six John Deere dealerships acquired in 2014 during the months of October and December. Further, Agricultural segment same store results exclude the consolidated results of Deer Star Systems Inc. ("Deer Star"), as Cervus did not own a majority interest in these operations for the comparative period in 2014. For the Transportation segment, same store results for the three and six month periods ended June 30, 2015 exclude the results of thirteen Peterbilt dealerships acquired in August 2014.

(\$ thousands, except per share amounts)	Three months period ended June 30					Six months period ended June 30				
	Total 2015		2015 Same Store		2014	Total 2015		2015 Same Store		2014
	2015	% Change	2015 Same Store ¹	% Change		2015	% Change	2015 Same Store ¹	% Change	
Revenue	302,988	28%	209,947	(12)%	237,488	541,410	34%	365,852	(10)%	404,377
Cost of sales	(247,732)	29%	(170,231)	(11)%	(192,235)	(441,842)	36%	(293,844)	(10)%	(326,003)
Gross profit	55,256	22%	39,716	(12)%	45,253	99,568	27%	72,008	(8)%	78,374
Other income (loss)	(376)		583		1,000	(223)		1,028		1,843
Unrealized foreign exchange gain (loss)	275		187		(230)	(1,051)		(417)		219
Total other income (loss)	(101)	(113)%	770	0%	770	(1,274)	(162)%	611	(70)%	2,062
Selling, general and administrative expense	(47,512)	28%	(34,101)	(8)%	(37,252)	(91,783)	30%	(66,513)	(5)%	(70,340)
Income from operating activities	7,643	(13)%	6,385	(27)%	8,771	6,511	(36)%	6,106	(40)%	10,096
Finance income	32	(54)%	32	(54)%	69	89	(28)%	87	(29)%	123
Finance costs	(2,790)	65%	(2,061)	22%	(1,686)	(5,433)	63%	(3,864)	16%	(3,338)
Share of profit of equity accounted investees, net of tax	43	(94)%	43	(94)%	751	364	884%	364	884%	37
Income before income tax expense	4,928	(38)%	4,399	(44)%	7,905	1,531	(78)%	2,693	(61)%	6,918
Income tax expense	(37,117)	1523%	(3,018)	32%	(2,287)	(36,695)	1684%	(2,805)	36%	(2,057)
Income (loss) for the period	(32,189)		1,381		5,618	(35,164)		(112)		4,861
Income (loss) attributable to shareholders	(32,203)		1,367		5,618	(35,099)		(47)		4,785
EBITDA¹	12,305	(7)%	9,549	(28)%	13,247	16,433	(5)%	13,014	(25)%	17,300
EBITDA margin¹	4.1%		4.5%		5.6%	3.0%		3.6%		4.3%
Ratios as a percentage of revenue:										
Gross profit margin	18.2%		18.9%		19.1%	18.4%		19.7%		19.4%
Selling, general and administrative	15.7%		16.2%		15.7%	17.0%		18.2%		17.4%
Earnings (loss) per share										
Adjusted - Basic ¹	0.19				0.39	0.11				0.35
Basic	(2.08)		0.09		0.37	(2.28)		(0.00)		0.32
Diluted	(2.08)		0.08		0.35	(2.28)		(0.00)		0.30

[1] - Refer to Non-IFRS Measures herein

Operating Summary – Three months ended June 30, 2015

EBITDA decreased \$0.9 million, primarily due to the impact of oil prices on demand for new equipment in our Commercial & Industrial (C&I) segment and Saskatchewan Transportation operations. Our Agriculture operations were comparable with the second quarter of 2014, and our Ontario Peterbilt operations generated their first post-acquisition quarterly profit with EBITDA of \$1.8 million in the quarter.

Same Store Highlights

On a same store basis for the three months ended June 30, 2015, EBITDA decreased \$3.7 million, primarily due to a \$2.4 million decrease in operating income and \$0.7 million of reduced earnings from equity investments. Income from operating activities decreased due to oil and gas related uncertainty in the C&I and Saskatchewan transportation markets, as customers curtailed capital spending. For our C&I segment and Saskatchewan Transportation combined, new equipment sales decreased a combined \$18.7 million (45%) while parts and service sales remained comparatively strong, decreasing 2.8%. Our same store Agriculture operations were not directly impacted by oil prices, and generated operating income within \$0.3 million of that achieved for the three months ended June 30, 2014. Curtailment of selling general and administrative costs across all segments were implemented in light of decreased equipment sales, resulting in a \$3.2 million reduction in SG&A quarter over quarter.

For the six months ended June 30, 2015, income before tax decreased \$4.2 million primarily due to the impact of resource price uncertainty in our Saskatchewan Transportation operations and C&I segment.

Acquisition Performance

For the three months ended June 30, 2015, Agriculture and Transportation acquisitions contributed operating income of \$0.3 million and \$1.0 million, respectively. Income from operations was offset by \$0.7 million of incremental interest on floorplan and acquisition financing, resulting in incremental income before tax of \$0.5 million and contributing \$2.8 million of EBITDA. For the six months ended June 30, 2015, acquisitions contributed operating income of \$0.4 million, and EBITDA of \$3.4 million.

Second Quarter Business Segment Performance

The Company has three reportable segments: Agricultural, Transportation, and Commercial and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and usage based metrics as outlined in Note 15 of the accompanying Unaudited Condensed Interim Consolidated Financial Statements.

Agricultural Segment Results

(\$ thousands, except per share amounts)	Three months period ended June 30					Six months period ended June 30				
	Total 2015		2015 Same Store		2014	Total 2015		2015 Same Store		2014
	2015	% Change	2015 Same Store ¹	% Change		2015	% Change	2015 Same Store ¹	% Change	
Equipment										
New equipment	101,369	14%	88,662	0%	88,631	172,844	17%	139,291	(5)%	147,234
Used equipment	51,540	6%	40,211	(17)%	48,689	93,677	27%	71,988	(2)%	73,559
Total equipment revenue	152,909	11%	128,873	(6)%	137,320	266,521	21%	211,279	(4)%	220,793
Parts	21,025	25%	17,769	6%	16,771	38,209	35%	31,648	12%	28,272
Service	9,703	12%	8,786	1%	8,691	17,857	10%	15,559	(4)%	16,244
Rental and other	1,040	38%	788	4%	756	2,172	50%	1,901	31%	1,451
Total revenue	184,677	13%	156,216	(4)%	163,538	324,759	22%	260,387	(2)%	266,760
Cost of sales	(153,373)	12%	(130,764)	(4)%	(136,800)	(270,425)	21%	(216,295)	(3)%	(222,976)
Gross profit	31,304	17%	25,452	(5)%	26,738	54,334	24%	44,092	1%	43,784
Total other income	629	18%	822	54%	534	1,140	(25)%	1,313	(13)%	1,513
Selling, general and administrative expense	(26,080)	22%	(20,720)	(3)%	(21,370)	(48,814)	25%	(39,211)	0%	(39,095)
Income from operating activities	5,853	(1)%	5,554	(6)%	5,902	6,660	7%	6,194	(0)%	6,202
EBITDA	8,195	1%	7,279	(10)%	8,074	11,770	33%	10,048	14%	8,837
Ratios as a percentage of revenue:										
Gross profit margin	17.0%		16.3%		16.3%	16.7%		16.9%		16.4%
Selling, general and administrative	14.1%		13.3%		13.1%	15.0%		15.1%		14.7%

Operating Summary – Three months ended June 30, 2015

Agriculture EBITDA for the three month period ended June 30, 2015 was even with the same period of 2014. The impact of a higher US dollar combined with limited precipitation in the second quarter moderated demand. Same store results remained consistent however, with EBITDA decreasing \$0.1 million excluding the \$0.7 million reduction in earnings from equity investments in the quarter. The overall same store EBITDA decrease of \$0.8 million was offset by \$0.9 million of incremental EBITDA generated by acquisitions.

Same Store Highlights

Same store income from operating activities decreased \$0.3 million for the three months primarily due to the timing of used equipment sales within the first half of the year. A later receipt of new equipment from the OEM in 2015 shifted a portion of 2015 new sales into the second quarter compared to 2014, and trades taken on these more recent sales have not cycled through as at June 30, 2015. Dry conditions in portions of our geography and US exchange factors have also tempered farmer sentiment, with farmers in some areas deferring optional purchasing until the harvest outlook solidifies. Service revenue was consistent with prior year on routine spring planting and subsequent weather conditions. SG&A dollars decreased 3% due to expense control.

Same store income from operating activities for the six month period ended June 30, 2015 was in line with prior year, on consistent gross profit dollars and SG&A expense. New equipment sales decreased by 5% over prior year as the impact of USD exchange on new equipment pricing has tempered demand. Gross profit percentage increased due to shifts in sales mix and margin strength in used equipment.

Acquisition Performance

In the three month period ended June 30, 2015, acquisitions contributed \$0.3 million of operating income on \$28.5 million of revenue during the three month period ended June 30, 2015. Historically the acquired entities have generated the balance of profits in the second half of the calendar year. Acquisition gross margin percentage and SG&A as a percentage of revenue were both higher than same store results, reflecting the higher parts and service weighing in acquired entities. For the six months ended June 30, 2015, Agriculture acquisitions generated \$0.5 million of operating income, based on factors consistent with the three months ended June 30, 2015.

Transportation Segment Results

(\$ thousands, except per share amounts)	Three months period ended June 30					Six months period ended June 30				
	Total 2015		2015 Same Store		2014	Total 2015		2015 Same Store		2014
	2015	% Change	2015 Same Store ¹	% Change		2015	% Change	2015 Same Store ¹	% Change	
Equipment										
New equipment	47,171	189%	6,005	(63%)	16,339	79,104	159%	14,422	(53%)	30,530
Used equipment	1,965	32%	763	(49%)	1,492	5,655	89%	1,593	(47%)	2,987
Total equipment revenue	49,136	176%	6,768	(62%)	17,831	84,759	153%	16,015	(52%)	33,517
Parts	24,477	181%	8,423	(3%)	8,717	47,483	166%	16,862	(5%)	17,825
Service	7,281	117%	3,003	(10%)	3,348	14,269	119%	6,106	(6%)	6,509
Rental and other	2,213	394%	333	(26%)	448	4,391	404%	733	(16%)	872
Total revenue	83,107	174%	18,527	(39%)	30,344	150,902	157%	39,716	(32%)	58,723
Cost of sales	(68,611)	189%	(13,719)	(42%)	(23,719)	(123,751)	169%	(29,883)	(35%)	(45,988)
Gross profit	14,496	119%	4,808	(27%)	6,625	27,151	113%	9,833	(23%)	12,735
Other income (loss)	(848)		(82)		294	(1,300)		(222)		(83)
Unrealized foreign exchange gain (loss)	275		187		(230)	(1,051)		(417)		219
Total other income (loss)	(573)		105		64	(2,351)		(639)		136
Selling, general and administrative expense	(12,759)	123%	(4,708)	(18%)	(5,732)	(25,453)	127%	(9,786)	(13%)	(11,200)
(Loss) income from operating activities	1,164	22%	205	(79%)	957	(653)	(139%)	(592)	(135%)	1,671
EBITDA	2,485	57%	645	(59%)	1,586	2,111	(28%)	414	(86%)	2,930
Ratios as a percentage of revenue:										
Gross profit margin	17.4%		26.0%		21.8%	18.0%		24.8%		21.7%
Selling, general and administrative	15.4%		25.4%		18.9%	16.9%		24.6%		19.1%

Operating Summary – Three months ended June 30, 2015

Positive economic trends and acquisition integration activities resulted in our first quarterly profit for Ontario, while the persisting uncertainty in oil prices substantially reduced demand for equipment in Saskatchewan. EBITDA increased \$0.9 million on \$1.8 million of incremental EBITDA from Ontario operations, offset by a \$0.9 million decrease in our Saskatchewan operations.

Same Store Highlights

EBITDA from same store operating activities decreased \$0.9 million in the three month period ended June 30, 2015 on a significant decrease in new and used equipment revenues due to the rapid decline and continued uncertainty in oil prices. Further, the appreciation of the US dollar has increased the sale price of equipment, delaying purchasing decisions for a number of Saskatchewan customers. Despite these local economic pressures, parts and service revenues have proven resilient, decreasing 3% and 10% respectively, compared to the 62% decrease in equipment sales. This is a reflection of operational focus at the dealership level, along with continued transportation activity despite customers caution regarding capital purchases. The strength of parts shifted sales mix, resulting in a 4.2% increase in gross margin percentage over the same period in 2014. SG&A was reduced by 18% in the quarter, including a number of initiatives which commenced in the latter half of the three month period ended June 30, 2015.

For the six months ended June 30, 2015, same store income from operating activities decreased \$2.3 million with trends similar to those outlined in the three month period. The significant decrease in equipment sales was softened by resilience in parts and service sales, while the \$1.4 million reduction in SG&A expense was partially offset by a \$0.6 million increase in unrealized foreign exchange losses on floorplan payables.

Acquisition Performance

Ontario transportation generated EBITDA of \$1.8 million in the three month period ended June 30, 2015, as integration activities captured opportunities afforded by a strong regional transportation market. The substantial increase in performance is illustrated by class 8 new truck unit sales in our Ontario group increasing 33% compared to year to date June 30, 2014 (pre-acquisition), while parts and service revenues increased 10%. Ontario operations generated \$64.6 million of revenue during the period at an overall gross margin of 15.0%, compared to gross margin of 17.2% in the first quarter of 2015, a factor of sales mix shifts due to additional equipment sales in the second quarter. Equipment sales margin in Q2 was supported by implementing process and structural efficiencies, as well as sales prices recapturing the foreign exchange impact on our cost of goods sold. Further, the accelerating US dollar has not impacted Ontario to the same extent as it has in our Saskatchewan operations, due to the stronger Ontario economy in general combined with a portion of our Ontario customers receiving payment from their customers in US dollars.

For the six months ended June 30, 2015 Ontario recorded an operating loss of \$0.1 million due to margin pressures on rationalizing inventory in the first quarter, combined with operational performance of integration efforts materializing primarily in the second quarter. The year to date operating loss includes \$0.6 million of unrealized foreign exchange loss on the conversion of US dollar denominated floorplans and \$0.3 million of non-recurring acquisition and integration related costs. Excluding acquisition costs and unrealized foreign exchange, the Ontario acquisition generated \$2.6 million of adjusted EBITDA in the year to date period.

Commercial and Industrial Segment Results

(\$ thousands, except per share amounts)	Three months period ended June 30			Six months period ended June 30		
	Total 2015		2014	Total 2015		2014
	2015	% Change		2015	% Change	
Equipment						
New equipment	19,449	(30)%	27,791	35,433	(25)%	47,466
Used equipment	2,328	19%	1,961	4,319	10%	3,918
Total equipment revenue	21,777	(27)%	29,752	39,752	(23)%	51,384
Parts	7,385	3%	7,158	14,238	(3)%	14,670
Service	4,117	(6)%	4,379	8,042	(7)%	8,654
Rental and other	1,925	(17)%	2,317	3,717	(11)%	4,186
Total revenue	35,204	(19)%	43,606	65,749	(17)%	78,894
Cost of sales	(25,748)	(19)%	(31,716)	(47,666)	(16)%	(57,039)
Gross profit	9,456	(20)%	11,890	18,083	(17)%	21,855
Total other income (loss)	(157)	(191)%	172	(63)	(115)%	413
Selling, general and administrative expense	(8,673)	(15)%	(10,150)	(17,516)	(13)%	(20,045)
Income from operating activities	626	(67)%	1,912	504	(77)%	2,223
EBITDA	1,625	(55)%	3,587	2,552	(54)%	5,533
Ratios as a percentage of revenue:						
Gross profit margin	26.9%		27.3%	27.5%		27.7%
Selling, general and administrative	24.6%		23.3%	26.6%		25.4%

Operating Summary – Three months ended June 30, 2015

EBITDA decreased by \$2.0 million in the Commercial and Industrial (C&I) segment, primarily due to a 30% decrease in new equipment sales as low resource prices curtailed capital spending in the industry. The resulting decrease in margin was partly offset by a \$1.5 million reduction in SG&A.

Revenue decreased \$8.4 million primarily comprised of a \$7.1 million decrease in Construction equipment sales, which has borne the brunt of oil price related uncertainty within the C&I segment. Parts and service combined decreased 1% despite the 27% reduction in overall equipment revenue. This reflects customers' reluctance to commit capital to equipment purchases given the current resource price outlook, yet also illustrates the continuity of projects in progress and ongoing equipment activity. SG&A expense decreased by \$1.5 million compared to the three months ended June 30, 2014, due to \$0.9 million of cost reductions in response to lower equipment sales, along with \$0.6 million of reduced amortization of intangibles. This SG&A decrease partly offset the \$2.4 million decrease in gross margin, resulting in a \$1.3 million reduction in income from operating activities.

For the six months ended June 30, 2015, EBITDA decreased \$3.1 million on a \$13.1 million revenue decrease, due to factors consistent with those discussed for the second quarter of 2015.

Second Quarter Cash Flows

Cash and Cash Equivalents – Six Months Ended June 30, 2015

Cervus' primary sources and uses of cash flow for the six months ended June 30, 2015 are as follows:

Operating Activities

Net cash used in operating activities was \$19.3 million for the six months ended June 30, 2015 when compared to cash provided of \$20.4 million for the same period of 2014, a net decrease of \$39.7 million. The primary reason for this decrease is \$29.7 million of net cash used for working capital items, compared to \$5.1 million provided in 2014, which is due to the following primary factors:

- \$19.3 million use of cash for accounts payables and accruals (from a decrease in accounts payable of \$8.1 million in the six month period ended June 30, 2015 compared to increase of \$11.2 million in the similar period of 2014).
- \$10.0 million use of cash for net increase in inventory and floorplan payables (use of cash of \$10 million from net inventory and floorplan movement in the six month period ended June 30, 2015 with \$0.1 million provided in similar period in 2014).

Investing Activities

During the six months ended June 30, 2015, the Company used \$10.8 million of net cash for investing activities compared \$8.8 million for the same period in 2014. When compared to the same period in 2014, there were fewer proceeds from the sale of capital assets. In addition, there were several one-time events in 2014 which were non-recurring in 2015 one of which related to the sale of an Agriculture building in 2014 which provided a source of cash, offset by cash outflow for business combinations in 2014.

Financing Activities

During the six months ended June 30, 2015, the Company's financing activities provided \$23.1 million of cash, compared to a use of \$1.5 million in 2014, for a net source of \$24.6 million. The primary driver of the change when compared to the same period in 2014 is due to net proceeds from term debt of \$31.1 million in 2015 primarily on drawings on Syndicate line for final payments on 2014 acquisitions and working capital requirements, compared to \$5.6 million in 2014.

Consolidated Financial Position & Liquidity

(\$ thousands, except ratio amounts)	June 30, 2015	December 31, 2014
Current assets	456,259	410,214
Total assets	687,627	669,303
Current liabilities	321,120	290,838
Long-term liabilities	177,514	148,974
Shareholders' equity	188,993	229,491
Working capital (see "Non-IFRS Measures")	135,139	119,376
Working capital ratio (see "Non-IFRS Measures")	1.42	1.41

Working Capital

Cervus' working capital increased by \$15.8 million to \$135.1 million at June 30, 2015 when compared to \$119.4 million at December 31, 2014. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at June 30, 2015, the Company had the ability to floor plan an additional \$51.5 million of inventory, and \$201.9 million of undrawn floor plan capacity.

The Company's ability to maintain sufficient liquidity is primarily driven by revenue, gross profit realization, and judicious allocation of resources. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions, as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered equipment inventories or accessing undrawn credit facilities. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year to fund general operations caused by the seasonal nature of our sales activity.

Inventories

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our Agricultural equipment sales come with a trade-in, a limited portion of our Transportation sales come with a trade-in, and our Commercial and Industrial equipment sales usually do not have trade-ins. This results in a higher amount of used Agriculture equipment than used Transportation and Commercial and Industrial equipment. In addition, the majority of our new John Deere equipment is on consignment from John Deere, whereas we purchase the new equipment from our other manufacturers. These factors directly impact the amount of used and new equipment in inventory. The majority of our product lines, in all segments, are manufactured in the US with pricing based in US dollars, but invoiced in Canadian dollars.

Inventory by segment for the period ended June 30, 2015 compared to December 31, 2014 is as follows:

(\$ thousands)	June 30, 2015	December 31, 2014
Agricultural	212,327	200,374
Transportation	87,346	68,024
Commercial & Industrial	61,198	56,227
Total	360,871	324,625

As at June 30, 2015, inventories had increased by \$36.2 million to \$360.9 million when compared to \$324.6 million at December 31, 2014. Of the \$36.2 million increase, \$20.0 million relates to new equipment, \$10.5 million in used and \$5.2 million in parts.

Due to seasonality of sales activity in our operating segments a comparison to the period closing December 31, 2014 may be limited. Therefore we have compared inventory by segment for the period ended June 30, 2015 compared to June 30, 2014. A summary of the movement is as follows:

(\$ thousands)	June 30, 2015		June 30, 2014
	Total	Same Store	
Agricultural	212,327	176,093	163,207
Transportation	87,346	33,234	21,582
Commercial & Industrial	61,198	61,198	48,098
Total	360,871	270,525	232,887

Inventory has increased \$128.0 million when compared to June 30, 2014. Included in the increase is \$90.3 million of inventory from acquisitions. On a same store basis, inventory has increased by \$37.6 million compared to June 30, 2014, comprised of a \$19.4 million increase in new equipment, a \$16.5 million increase in used equipment, and a \$1.4 million increase in parts. The Agriculture segment had an increase in same store inventory over prior year primarily in used equipment due to the timing of delivery of new equipment and receipt of trades on sale of new equipment. The increase in our same store equipment inventory in our Transportation and Commercial and Industrial segments are due to new equipment inventory increases in anticipation of an average sales year, which has not materialized due to resource price implications as previously discussed.

As at June 30, 2015, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no significant impairment reserve is required or has been recorded.

Accounts Receivable

The rolling twelve month average time to collect the Company's outstanding accounts receivables was approximately 21 days as at June 30, 2015 compared to 19 days for the same period in 2014. At June 30, 2015 no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on account aging, combined with specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections has increased to \$1.6 million at June 30, 2015 (June 30, 2014 - \$0.9 million), which represents 3.4% (June 30, 2014 - 2.9%) of outstanding trade accounts receivable and 0.1% (June 30, 2014 - 0.1%) of gross revenue on an annual basis. Bad debt expense for the three months ended June 30, 2015 amounted to a \$0.2 million expense (2014 - \$0.1 million recovery).

Capital Resources

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at June 30, 2015 is as follows:

(\$ thousands)	Total Amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	103,115	78,181	2,556	-	22,378
Floor plan facilities and rental equipment					
floor plan facilities	515,795	215,505	-	98,436	201,854
Capital facilities	64,211	43,746	-	-	20,465
Total	683,121	337,432	2,556	98,436	244,697

Operating and Other Bank Credit Facilities

At June 30, 2015 the Company has a committed revolving credit facility with a syndicate of lenders, with a principal amount of \$100.0 million. The facility is committed for a two year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an \$80.0 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at June 30, 2015 there was \$77.6 million drawn on the facility and \$2.4 million had been utilized for outstanding letters of credit to John Deere.

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

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

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, De Lage Landen Financial Services Canada Inc., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At June 30, 2015, floor plan payables related to inventories was \$199.7 million.

Floor plan payables at June 30, 2015 represented approximately 55.3% of our inventories (December 31, 2014 - 54.4%). Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers.

Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest free periods. Total Agricultural segment interest otherwise payable on John Deere floor plans approximates \$0.5 million and \$1.0 million for the three and six month periods ended June 30, 2015. This amount was offset by rebates applied during the three and six month periods ended June 30, 2015 of \$0.5 million and \$0.9 million, respectively. At June 30, 2015 approximately 70% of the C&I and 10% of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest free periods in place.

Capital Facilities

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

Outstanding Share Data

As of the date of this MD&A, there are 15,518 thousand common shares, 39 thousand share options, and 738 thousand deferred shares outstanding. The Company also has convertible debentures with a face value of \$34.5 million, convertible at the holder's option, into common shares prior to the maturity date at a conversion price of \$26.15 per common share see "Contractual Obligations"). Further, at the maturity date, the Company may repay the debentures in cash or shares, at the Company's discretion. As at June 30, 2015 and 2014, the Company had the following weighted average shares outstanding:

(thousands)	June 30, 2015	June 30, 2014
Basic weighted average number of shares outstanding	15,413	15,084
Dilutive impact of deferred share plan	-	696
Dilutive impact of share options	-	11
Diluted weighted average number of shares outstanding	15,413	15,791

The above tables excludes all deferred share units and options for the six months ended June 30, 2015 (723 thousand) as they are considered anti-dilutive.

Dividends Paid and Declared to Shareholders

The Company, at the discretion of the board of directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the period ended June 30, 2015:

(\$ thousands, except per share amounts)				
Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2015	0.2125	3,287	292	2,995
June 30, 2015	0.2125	3,293	282	3,011
Total	0.4250	6,580	574	6,006

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

Dividend Reinvestment Plan (“DRIP”)

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

During the three and six month period ended June 30, 2015, 16 thousand and 32 thousand, respectively, common shares were issued through the Company’s dividend reinvestment plan.

Taxation

Cervus’ dividends declared and paid to June 30, 2015 are considered to be eligible dividends for tax purposes on the date paid.

The recent corporate income tax rate increase in Alberta for current and future periods increased provincial income tax to 12% from 10%. We estimate that our corporate tax rate for current and future periods will increase approximately 0.75% to 1.0% based on current provincial and federal tax rates in the jurisdictions in which we operate.

Cautionary Note Regarding Dividends (see “Note Regarding Forward-Looking Statements”)

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

Summary of Results

Quarterly Results Summary

(\$ thousands, except per share amounts)	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Revenues	302,988	238,422	289,040	286,192
Profit (loss) attributable to the shareholders	(32,203)	(2,896)	5,870	7,707
Gross profit dollars	55,256	44,312	55,954	52,345
Gross margin percentage	18.2%	18.6%	19.4%	18.3%
EBITDA	12,305	4,128	15,909	17,599
Earnings (loss) per share:				
Basic	(2.08)	(0.19)	0.38	0.51
Diluted	(2.08)	(0.19)	0.37	0.49
Adjusted earnings (loss) per share ¹				
Basic	0.19	(0.08)	0.49	0.55
Diluted	0.18	(0.08)	0.47	0.53
Weighted average shares outstanding				
- Basic	15,446	15,382	15,273	15,148
- Fully diluted	15,446	15,382	16,023	15,884

(\$ thousands, except per share amounts)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Revenues	237,488	166,889	225,813	249,394
Profit (loss) attributable to the shareholders	5,618	(833)	6,250	8,646
Gross profit dollars	45,253	33,121	43,188	47,445
Gross margin percentage	19.1%	19.8%	19.1%	19.0%
EBITDA	13,247	4,053	13,120	17,242
Earnings (loss) per share:				
Basic	0.37	(0.06)	0.42	0.58
Diluted	0.35	(0.06)	0.40	0.55
Adjusted earnings (loss) per share ¹				
Basic	0.39	(0.10)	0.41	0.52
Diluted	0.37	(0.10)	0.40	0.50
Weighted average shares outstanding				
- Basic	15,130	15,034	15,005	14,989
- Fully diluted	15,835	15,034	15,689	15,650

[1] - Refer to Non-IFRS Measures herein

Sales activity for the Agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand and Australia has not materially impacted the above results. Activity in the Transportation sector generally increases in winter months, while the Commercial and Industrial sector generally slows in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the four most recent quarters when compared to prior quarters is due to acquisition and integration costs in completing the acquisitions in 2014, along with our Ontario Peterbilt operations generating operating losses during integration.

Market Outlook (see “Note Regarding Forward-Looking Statements”)

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

Alberta & Saskatchewan

Mid-season indicators provide some directional insight of western Canadian farm fundamentals, which impact our Agricultural segment. In their June report, Agriculture and Agri-Food Canada (AAFC) forecasts the 2015 crop to exceed 2014 volumes by 3%, based on increased seeded acres in the spring of 2015 with an expected yield consistent with 2014.¹ Agriweek comments that this AAFC production forecast may be optimistic based on dry conditions in many areas of western Canada, as reflected by the CWB Crop Tour forecasting a 2015 canola yield 15% below AAFC's forecast.² Moisture conditions are a significant factor in crop yield, and vary widely across our geography. The ultimate impact of weather on the 2015 harvest remains uncertain, as is common at this point in the growing season.

At time of writing, crop pricing for Canadian field crops have generally climbed since the fall of 2014, which may offset some of the potential yield reduction. Livestock prices remain near record highs which benefits mixed farmers and ranchers generally concentrated in our Alberta geography, and pricing strength will temper the impact of a sparse hay crop. Overall, the strength of Canadian agriculture in recent years provides our customer a solid foundation, while current trends support an average crop year.

Our Commercial and Industrial operations in Alberta and Saskatchewan have been significantly impacted by petroleum prices, specifically in demand for construction equipment as our customers curtail capital spending. The outlook for construction equipment is contingent on growth and stability in oil prices, the timing of which has proved to be elusive. However, demand for parts and service has remained comparatively robust, indicating that equipment continues to operate as projects in progress continue.³ Maintaining the efficiency and profitability of our parts and service has been essential in previous industry cycles, and remains a foundational principle of our dealership model.

Saskatchewan's resource sector has slowed substantially due to lower oil prices, and our Transportation operations have not been immune, particularly in the heavily oil dependant areas of Lloydminster and Estevan. Demand for equipment has decreased significantly, commensurate with the decline in activity. Similar to the C&I sector, we anticipate demand for equipment is unlikely to return to 2014 levels until oil prices stabilize. Customer requirements for parts and service remain, and our focus is leveraging and growing the contribution of these revenue streams while scaling operations to meet demand.

Ontario

A weaker Canadian dollar, low interest rates, and economic activity in the United States have spurred the manufacturing sector in Ontario along with related transportation activity. TD Economics expects Ontario to be a bright spot of economic growth in the country, forecasting real GDP of 2.1% for 2015, the second highest of the provinces.⁴ Our integration efforts are producing results, illustrated by a 33% increase in class 8 truck unit sales for the six months ended June 30, 2015 compared to the same period of the prior year. Outlook for the remainder of the year is focused on profitable growth, with our team and process substantially in place.

New Zealand & Australia

A substantial portion of agriculture activity in New Zealand is linked to dairy prices, which have dropped by more than half from the record levels of late 2013 and early 2014, on reduced demand from dairy importers. Indicators of a substantial recovery in dairy prices by late 2015 now appear remote.⁵ Providing some relief from dairy price trends have been good moisture levels moving into the growing season. Further, strong livestock prices are benefiting cattle and sheep ranchers. In our dealerships, the weight of depressed dairy

¹ Agriculture and Agri Food Canada, *Outlook for Principal Field Crops*, June 18, 2015, retrieved from www.agr.gc.ca

² Agriweek.com *Tuesday July 28, 2015*, retrieved from www.agriweek.com on July 27, 2015

³ Alberta Construction Magazine, *Four Big Infrastructure Projects Coming Our Way*, Tricia Radison, June 24, 2015

⁴ TD Economics, *Provincial Economic Forecast*, July 9, 2015, www.td.com

⁵ NZFarmer.co.nz, *Global Dairy Trade Auction Prices Suffer Massive Fall*, by Tao Lin, July 16, 2015

prices and appreciation of the US dollar has tempered demand for new equipment, however parts and service demand remains strong in supporting ongoing agricultural activity, despite muted capital spending by farmers.

Our Australian operations are also impacted by dairy prices, although the diversified farming of our Australian geography reduces the significance of dairy price pressure. In Australia, high livestock and average cash crop prices have benefitted mixed farms while providing a significant counterweight to trends in dairy. Further, our Australian geographies have received adequate to above average winter precipitation, boding well for both hay and grain crops. Precipitation remains a key variable in our south-eastern geography through the growing season, however we anticipate continued demand across our revenue streams based on generally positive mixed farming fundamentals in our geography.

Foreign Exchange

The speed of which the US dollar appreciated relative to the Canadian dollar in the six months ended June 30, 2015 has caused a significant increase in the cost of equipment, which translates to an increased cost to Canadian customers. Should exchange rates continue to fluctuate by significant amounts over relatively short periods of time, it may exaggerate or negate the impact of microeconomic, industry specific fundamentals.

Off-Balance Sheet Arrangements

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

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At June 30, 2015, payments in arrears by such customers aggregated \$374 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, 2015, the net residual value of such leases aggregated \$175.4 million of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company owes Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of \$2.3 million at June 30, 2015. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to Deere Credit and another supplier in the aggregate amount of \$2.4 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations.

Transactions with Related Parties

Key Management Personnel Compensation

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

Total remuneration of key management personnel and directors during the three and six months ended June 30, 2015 and 2014 was:

(\$ thousands)	Three month period ended		Six month period ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Short-term benefits	480	465	1,899	1,588
Share-based payments	153	57	251	289
Total	633	522	2,150	1,877

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating \$6.5 million. The guarantees are kept in place until released by John Deere. During the three and six month periods ended June 30, 2015 and 2014, the Company paid those individuals \$49 thousand and \$98 thousand for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

Critical Accounting Estimates and Judgements

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2014 as filed on SEDAR at www.sedar.com. There have been no changes to our critical accounting estimates for the three and six months ended June 30, 2015.

Business Risks and Uncertainties

The Company's business risks and uncertainties remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2014 as filed on SEDAR at www.sedar.com

Changes in Accounting Policies

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

New Standards Not Yet Adopted

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

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

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

Effective January 1, 2018, the Company will be required to adopt IFRS 15 related to revenue from contracts with customers. Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The extent of the impact of adoption has not yet been determined. The impact on the financial statements has yet to be determined.

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

Responsibility of Management and Board

Internal Controls Over Financial Reporting

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) of Cervus are responsible for establishing and maintaining adequate internal control over financial reporting (“ICFR”). Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and the CFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no significant changes in the design of our ICFR during the three and six month periods ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect the Company’s ICFR.

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

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures (“DC&P”). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to the Company’s management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, together with other members of management, have designed the Company’s disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. There have been no significant changes in the design of our DC&P during the three and six month period ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect the Company’s DC&P.

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

Non-IFRS Financial Measures

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

Adjusted Earnings

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

(\$ thousands, except per share amounts)	Three month period ended		Six month period ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Income (loss) attributed to shareholders	(32,203)	5,618	(35,099)	4,785
Adjustments:				
CRA settlement	35,123	-	35,123	-
Unrealized foreign currency (gain) loss	(275)	230	1,051	(219)
Acquisition and integration costs	287	74	599	74
Loss (gain) on sale of land and building	-	-	-	680
Adjusted income (loss) attributed to shareholders	2,932	5,922	1,674	5,320
Adjusted earnings (loss) per share:				
Basic	0.19	0.39	0.11	0.35
Diluted	0.18	0.37	0.10	0.34

For comparison purposes, an update to the quarterly results summary for adjusted earnings is as follows:

(\$ thousands, except per share amounts)	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013
Income (loss) attributed to shareholders	(2,896)	5,870	7,707	(833)	6,250	8,646
Adjustments:						
Unrealized foreign currency (gain) loss	1,326	952	(179)	(11)	(34)	(23)
Acquisition and integration costs	312	632	819	-	-	-
Loss (gain) on sale of land and building	-	-	-	(680)	-	(779)
Adjusted income (loss) attributed to shareholders	(1,258)	7,454	8,347	(1,524)	6,216	7,844
Adjusted earnings (loss) per share:						
Basic	(0.08)	0.49	0.55	(0.10)	0.41	0.52
Diluted	(0.08)	0.47	0.53	(0.10)	0.40	0.50

EBITDA

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

Three months ended June 30, 2015

EBITDA (\$ thousands)					
Three months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial	Other¹
Net profit (loss)	(32,203)	15	2,454	451	(35,123)
Add:					
Interest	2,987	1,620	922	445	-
Income taxes	37,117	4,371	(2,182)	(195)	35,123
Depreciation and Amortization	4,404	2,189	1,291	924	-
EBITDA	12,305	8,195	2,485	1,625	-

EBITDA (\$ thousands) - Same Store				
Three months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	1,367	(140)	1,056	451
Add:				
Interest	2,257	1,412	400	445
Income taxes	3,018	4,437	(1,224)	(195)
Depreciation and Amortization	2,907	1,570	413	924
EBITDA	9,549	7,279	645	1,625

EBITDA (\$ thousands)				
Three months ended June 30, 2014	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	5,618	3,990	466	1,162
Add:				
Interest	1,863	1,257	281	325
Income taxes	2,287	1,557	234	496
Depreciation and Amortization	3,479	1,270	605	1,604
EBITDA	13,247	8,074	1,586	3,587

Six months ended June 30, 2015

EBITDA (\$ thousands)					
Six months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial	Other¹
Net profit (loss)	(35,099)	(103)	116	11	(35,123)
Add:					
Interest	5,822	3,121	1,808	893	-
Income taxes	36,695	4,344	(2,514)	(258)	35,123
Depreciation and Amortization	9,015	4,408	2,701	1,906	-
EBITDA	16,433	11,770	2,111	2,552	-

EBITDA (\$ thousands) - Same Store				
Six months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	(47)	(120)	62	11
Add:				
Interest	4,253	2,586	774	893
Income taxes	2,805	4,429	(1,366)	(258)
Depreciation and Amortization	6,003	3,153	944	1,906
EBITDA	13,014	10,048	414	2,552

EBITDA (\$ thousands)				
Six months ended June 30, 2014	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	4,785	2,830	771	1,184
Add:				
Interest	3,593	2,304	624	665
Income taxes	2,057	1,229	326	502
Depreciation and Amortization	6,865	2,474	1,209	3,182
EBITDA	17,300	8,837	2,930	5,533

[1] – The impact of the CRA settlement as discussed in Note 13 of the accompanying Unaudited Condensed Interim Consolidated Financial Statements have not been allocated to the business segments.

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

EBITDA Margin

EBITDA margin is calculated as EBITDA divided by gross revenue.

Same Store

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

Price Earnings Ratio

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

Working Capital

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

Market Capitalization

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

Net Book Value Per Share – Diluted

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

Unaudited Condensed Interim
Consolidated Financial
Statements of

**CERVUS EQUIPMENT
CORPORATION**

For the three and six month periods ended June 30, 2015 and 2014

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2015 and December 31, 2014

<i>(\$ thousands)</i>	Note	June 30, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		\$ 11,573	\$ 18,787
Trade and other accounts receivable		70,038	58,462
Inventories	6	360,871	324,625
Current portion finance lease receivables		1,181	1,600
Derivative financial asset	7	11,243	6,559
Assets held for sale		1,353	181
Total current assets		456,259	410,214
Non-current assets			
Long-term receivables		1,429	1,702
Long-term finance lease receivables		1,085	1,433
Investments in associates, at equity		5,604	5,268
Deposits with manufacturers		2,278	3,479
Property and equipment		148,718	148,948
Deferred tax asset	13	-	24,518
Intangible assets		52,026	54,009
Goodwill	8	20,228	19,732
Total non-current assets		231,368	259,089
Total assets		\$ 687,627	\$ 669,303

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

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position (continued)

As at June 30, 2015 and December 31, 2014

(\$ thousands)	Note	June 30, 2015	December 31, 2014
Liabilities			
Current liabilities			
Trade and other accrued liabilities		\$ 72,480	\$ 81,237
Customer deposits		8,352	8,594
Floor plan payables	9	199,666	175,035
Dividends payable		3,293	3,233
Income taxes payable		3,263	-
Current portion of term debt	9	16,767	9,974
Derivative financial liability	7	11,263	6,590
Current portion of finance lease obligation		6,036	6,175
Total current liabilities		321,120	290,838
Non-current liabilities			
Term debt	9	120,634	96,843
Finance lease obligation		15,296	18,334
Notes payable		216	533
Debenture payable		32,493	32,065
Deferred income tax liability	13	8,875	1,199
Total non-current liabilities		177,514	148,974
Total liabilities		498,634	439,812
Equity			
Shareholders' capital	10	85,891	83,814
Deferred share plan		7,633	7,559
Other reserves		6,169	6,433
Accumulated other comprehensive income		(448)	192
Retained earnings		88,356	130,036
Total equity attributable to equity holders of the Company		187,601	228,034
Non-controlling interest		1,392	1,457
Total equity		188,993	229,491
Total liabilities and equity		\$ 687,627	\$ 669,303

Approved by the Board: "Peter Lacey" Director

"Angela Lekatsas" Director

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

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income
For the three and six month periods ended June 30, 2015 and 2014

(\$ thousands)	Note	Three month periods ended June 30		Six month periods ended June 30	
		2015	2014	2015	2014
Revenue					
Equipment sales		\$ 223,822	\$ 184,903	\$ 391,032	\$ 305,694
Parts		52,887	32,646	99,930	60,767
Service		21,101	16,418	40,168	31,407
Rentals		5,178	3,521	10,280	6,509
Total revenue		302,988	237,488	541,410	404,377
Cost of sales		(247,732)	(192,235)	(441,842)	(326,003)
Gross profit					
Other income (loss)	11	(101)	770	(1,274)	2,062
Selling, general and administrative expense		(47,512)	(37,252)	(91,783)	(70,340)
Income from operating activities					
		7,643	8,771	6,511	10,096
Finance income		32	69	89	123
Finance costs		(2,790)	(1,686)	(5,433)	(3,338)
Net finance costs					
	12	(2,758)	(1,617)	(5,344)	(3,215)
Share of profit of equity accounted investees, net of income tax		43	751	364	37
Income before income tax expense					
		4,928	7,905	1,531	6,918
Income tax expense	13	(37,117)	(2,287)	(36,695)	(2,057)
Income (loss) for the period					
		(32,189)	5,618	(35,164)	4,861
Other comprehensive income (loss):					
Foreign currency translation differences for foreign operations (net of tax)		(1,502)	(550)	(640)	1,220
Total comprehensive income (loss) for the period					
		(33,691)	5,068	(35,804)	6,081
Income (loss) attributable to:					
Shareholders of the Company		(32,203)	5,618	(35,099)	4,785
Non-controlling interest		14	-	(65)	76
Income (loss) for the period					
		(32,189)	5,618	(35,164)	4,861
Total comprehensive income (loss) attributable to:					
Shareholders of the Company		(33,705)	5,068	(35,739)	6,005
Non-controlling interest		14	-	(65)	76
Total comprehensive income (loss) for the period					
		\$ (33,691)	\$ 5,068	\$ (35,804)	\$ 6,081
Net income (loss) per share attributable to shareholders of the Company:					
Basic	14	\$ (2.08)	\$ 0.37	\$ (2.28)	\$ 0.32
Diluted	14	\$ (2.08)	\$ 0.35	\$ (2.28)	\$ 0.30

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

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Changes in Equity
For the three and six month periods ended June 30, 2015 and 2014

Attributable to equity holders of the Company										
(\$ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity	
Balance December 31, 2013		\$ 78,126	\$ 6,426	\$ 5,176	\$ 139	\$ 124,982	\$ 214,849	\$ 3,571	\$ 218,420	
Comprehensive loss for the period										
Profit		-	-	-	-	4,785	4,785	76	4,861	
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	1,220	-	1,220	-	1,220	
Total comprehensive income (loss) for the period		-	-	-	1,220	4,785	6,005	76	6,081	
Transactions with owners, recorded directly in equity										
Dividends to equity holders		-	-	-	-	(6,192)	(6,192)	-	(6,192)	
Distributions to non-controlling interests		-	-	-	-	-	-	(44)	(44)	
Issuance of common shares		1,530	-	-	-	-	1,530	-	1,530	
Shares issued through DRIP		502	-	-	-	-	502	-	502	
Shares issued through deferred share plan		215	(215)	-	-	-	-	-	-	
Shares issued through option plan		69	-	(17)	-	-	52	-	52	
Share-based payment transactions		-	652	109	-	-	761	-	761	
Acquisition of non-controlling interests without a change in control		-	-	-	-	(726)	(726)	(3,603)	(4,329)	
Shares issued in reserve		-	-	1,015	-	-	1,015	-	1,015	
Transactions with owners		2,316	437	1,107	-	(6,918)	(3,058)	(3,647)	(6,705)	
Balance June 30, 2014		\$ 80,442	\$ 6,863	\$ 6,283	\$ 1,359	\$ 122,849	\$ 217,796	\$ -	\$ 217,796	
Balance December 31, 2014		\$ 83,814	\$ 7,559	\$ 6,433	\$ 192	\$ 130,036	\$ 228,034	\$ 1,457	\$ 229,491	
Comprehensive loss for the period										
Profit (loss)		-	-	-	-	(35,099)	(35,099)	(65)	(35,164)	
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	(640)	-	(640)	-	(640)	
Total comprehensive income (loss) for the period		-	-	-	(640)	(35,099)	(35,739)	(65)	(35,804)	
Transactions with owners, recorded directly in equity										
Dividends to equity holders		-	-	-	-	(6,581)	(6,581)	-	(6,581)	
Shares issued through reserve	10	508	-	(508)	-	-	-	-	-	
Shares issued through DRIP	10	581	-	-	-	-	581	-	581	
Shares issued through deferred share plan	10	416	(416)	-	-	-	-	-	-	
Shares issued through option plan	10	572	-	(202)	-	-	370	-	370	
Share-based payment transactions		-	490	446	-	-	936	-	936	
Transactions with owners		2,077	74	(264)	-	(6,581)	(4,694)	-	(4,694)	
Balance June 30, 2015		\$ 85,891	\$ 7,633	\$ 6,169	\$ (448)	\$ 88,356	\$ 187,601	\$ 1,392	\$ 188,993	

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the six month periods ended June 30, 2015 and 2014

(\$ thousands)	Note	Six month periods ended June 30	
		2015	2014
Cash flows from operating activities			
Income (loss) for the period		\$ (35,164)	\$ 4,861
Income tax expense	13	36,695	2,057
Depreciation		6,581	4,424
Amortization of intangibles		2,434	2,441
Equity-settled share-based payment transactions		772	537
Net finance costs	12	5,733	3,470
Unrealized foreign exchange loss (gain)	11	1,051	(219)
Gain on sale of property and equipment	11	(347)	(1,174)
Impairment loss on long term receivables		-	472
Share of profit of equity accounted investees, net of tax		(364)	(37)
Proceeds from investments, at equity, net of purchases		-	1,697
Change in non-cash working capital		(29,689)	5,058
		(12,298)	23,587
Cash taxes paid		(1,567)	-
Interest paid		(5,404)	(3,204)
Net cash (used in)/provided from operating activities		(19,269)	20,383
Cash flows from investing activities			
Interest received	12	89	123
Purchase of property and equipment		(11,171)	(11,253)
Payments for intangible assets		(419)	-
Business acquisitions		-	(3,661)
Working capital adjustment on business combination	8	(480)	-
Proceeds from disposal of property and equipment		1,163	2,185
Proceeds from asset held for sale		-	3,775
Net cash used in investing activities		(10,818)	(8,831)
Cash flows from financing activities			
Net proceeds from term debt		31,103	5,591
Proceeds from issue of share capital		-	1,530
Proceeds from exercise of share options	10	370	52
Acquisition of non-controlling interests		-	(3,354)
Cash dividends paid		(5,940)	(5,620)
Payment of finance lease liabilities		(3,654)	-
Increase in deposits with John Deere		1,187	272
Net cash (used in)/provided from financing activities		23,066	(1,529)
Net increase (decrease) in cash and cash equivalents		(7,021)	10,023
Effect of foreign currency translation on cash		(193)	52
Cash and cash equivalents, beginning of period		18,787	14,678
Cash and cash equivalents, end of period		\$ 11,573	\$ 24,753

CERVUS EQUIPMENT CORPORATION

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2015 and 2014

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 unaudited condensed interim consolidated financial statements of the Company as at and for the period ended June 30, 2015 comprise of the Company and its subsidiaries (“the Group”). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, transportation, construction, and industrial equipment. The Company also provides equipment rental, primarily in the construction and industrial equipment segment. The Company wholly owns and operates 68 John Deere agricultural equipment, Bobcat and JCB construction equipment and Clark, Sellick, Doosan material handling equipment and Peterbilt truck dealerships in 40 locations in Western Canada, 13 locations in Ontario, 9 locations on the north island of New Zealand and 6 locations in Victoria, Australia. The Company also holds a 21.4% investment in seven John Deere agricultural equipment dealerships operating in Western Canada. 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The unaudited condensed interim consolidated financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2014.

The Board of Directors authorized the issue of these unaudited condensed interim consolidated financial statements on August 11, 2015.

(b) Use of judgements and estimates

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

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2014.

CERVUS EQUIPMENT CORPORATION

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2015 and 2014

4. New and amended IFRSs

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

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

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

Effective January 1, 2018, the Company will be required to adopt IFRS 15 related to revenue from contracts with customers. Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The extent of the impact of adoption has not yet been determined. The impact on the financial statements has yet to be determined.

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

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2015 and 2014

5. Seasonality

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

6. Inventories

(\$ thousands)	June 30, 2015	December 31, 2014
New equipment	\$ 183,772	\$ 163,815
Used equipment	121,991	111,505
Parts and accessories	52,202	47,047
Work-in-progress	2,906	2,258
	\$ 360,871	\$ 324,625

Included in costs of sales are amounts related to inventory write-downs during the three and six month period ended June 30, 2015 of \$628 thousand and \$986 thousand, respectively.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2015 and 2014

7. Financial instruments

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities;

Level 2 - reflects valuation techniques based on inputs other than quoted prices included in level 1 that are observable either directly or indirectly;

Level 3 - reflects valuation techniques with significant unobservable market inputs.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(\$ thousands)	Carrying Amount		Fair Value		
	Category	Carrying value	Level 1	Level 2	Level 3
June 30, 2015					
Financial Assets					
Cash and cash equivalents ^(a)	Loans and receivable	\$ 11,573			
Trade and other accounts receivable ^(a)	Loans and receivable	70,038			
Derivative financial instruments	Held-for-trading	11,243		11,243	
Long term receivables ^(a)	Loans and receivable	1,429			
Finance lease receivables	Loans and receivable	2,266		2,271	
Deposits with manufacturers ^(a)	Loans and receivable	2,278			
Financial Liabilities					
Trade and other accrued liabilities ^(a)	Other liabilities	72,480			
Customer deposits ^(a)	Other liabilities	8,352			
Floor plan payables ^(a)	Other liabilities	199,666			
Dividends payable ^(a)	Other liabilities	3,293			
Term debt ^(b)	Other liabilities	137,401			
Derivative financial liability	Other liabilities	11,263		11,263	
Finance lease obligation	Other liabilities	21,332		21,550	
Notes payable ^(b)	Other liabilities	216			
Debenture payable ^(c)	Other liabilities	\$ 32,493	35,535		

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2015 and 2014

7. Financial instruments (continued)

(\$ thousands) December 31, 2014	Carrying Amount		Fair Value		
	Category	Carrying value	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents ^(a)	Loans and receivable	\$ 18,787			
Trade and other accounts receivable ^(a)	Loans and receivable	58,462			
Derivative financial instruments	Held-for-trading	6,559		6,559	
Long term receivables ^(a)	Loans and receivable	1,702			
Finance lease receivables	Loans and receivable	3,033		3,033	
Deposits with manufacturers ^(a)	Loans and receivable	3,479			
Financial Liabilities					
Trade and other accrued liabilities ^(a)	Other liabilities	81,237			
Customer deposits ^(a)	Other liabilities	8,594			
Floor plan payables ^(a)	Other liabilities	175,035			
Dividends payable ^(a)	Other liabilities	3,233			
Term debt ^(b)	Other liabilities	106,817			
Derivative financial liability	Other liabilities	6,590		6,590	
Finance lease obligation	Other liabilities	24,509		24,881	
Notes payable ^(b)	Other liabilities	533			
Debenture payable ^(c)	Other liabilities	\$ 32,065	35,297		

(a) The carrying value approximates fair value for cash and cash equivalents, trade and other accounts receivable, trade and other accrued liabilities, floor plan payables, and dividends payable in the fair value hierarchy due to the immediate or short-term maturity.

(b) The carrying values of the current and long-term portions of term debt and notes payable approximate fair value because the applicable interest rates on these liabilities are fixed at rates similar to prevailing market rates.

(c) Debenture payable is measured at amortized cost using the effective interest method. The fair value of the debenture payable at June 30, 2015 is the quoted market trading price for the debentures as at June 29, 2015, as the debentures did not trade on June 30, 2015

For other financial liabilities where the carrying value does not approximate the fair value a discounted cash flows approach was used to determine the fair value.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2015 and 2014

8. Goodwill

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

(\$ thousands)	
Opening balance, January 1, 2014	\$ 6,866
Additions through business acquisition	12,876
Impact of translation of goodwill held in foreign currencies	(10)
Ending balance, December 31, 2014	\$ 19,732
Valuation adjustment on business combination	480
Impact of translation of goodwill held in foreign currencies	16
Ending balance, June 30, 2015	\$ 20,228

During the six months ended June 30, 2015 the Company had an adjustment to goodwill on the final holdback payments for the acquisitions of Deer-Country Equipment (1996) Ltd. and Evergreen Equipment Ltd.

9. Capital resources

The Company has various facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at June 30, 2015 are as follows:

(\$ thousands)	June 30, 2015		December 31, 2014	
	Total Limits	Borrowings	Total Limits	Borrowings
Operating and other bank credit facilities	\$ 103,115	\$ 78,181	\$ 103,284	\$ 42,174
Capital facilities and rental equipment term loan financing	64,211	43,746	64,169	44,546
Floor plan facilities	515,795	215,505	507,927	195,596
Total borrowing	\$ 683,121	\$ 337,432	\$ 675,380	\$ 282,316
Total current portion long term debt		(16,767)		(9,974)
Total inventory floor plan facilities		(199,666)		(175,035)
Deferred debt issuance costs		(365)		(464)
Total long term debt	\$ 683,121	\$ 120,634	\$ 675,380	\$ 96,843

As at June 30, 2015 the Company is in compliance with all of its covenants.

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

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

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

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2015 and 2014

10. Capital and other components of equity

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

Share capital

(thousands)	Number of common shares	Total carrying amount
Balance January 1, 2014	15,012	\$ 78,126
Issued under the DRIP plan	23	502
Issued under the deferred share plan	22	215
Issued common shares	67	1,530
Issued under the share option plan	8	69
Balance June 30, 2014	15,132	80,442
Issued under the DRIP plan	29	538
Issued under the deferred share plan	16	144
Issued for business acquisitions	148	2,690
Balance December 31, 2014	15,325	83,814
Issued under the DRIP plan	32	581
Issued under the deferred share plan	44	416
Issued under the share option plan	30	572
Issued from reserve	22	508
Balance June 30, 2015	15,453	\$ 85,891

11. Other income

Other income for the three and six month periods ended June 30, 2015 and 2014 are comprised of the following:

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2015	2014	2015	2014
Net gain on sale of property and equipment	\$ 245	\$ 195	\$ 347	\$ 1,174
Unrealized foreign exchange gain (loss) (a)	275	(230)	(1,051)	219
Other income (loss)	(621)	805	(570)	669
	\$ (101)	\$ 770	\$ (1,274)	\$ 2,062

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

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12. Finance income and finance costs

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2015	2014	2015	2014
Finance income	\$ 32	\$ 69	\$ 89	\$ 123
Interest expense on convertible debenture	(734)	(715)	(1,463)	(1,426)
Interest expense on mortgage and term debt obligations	(983)	(403)	(1,859)	(777)
Interest expense on financial liabilities	(1,073)	(568)	(2,111)	(1,135)
Finance costs	\$ (2,790)	\$ (1,686)	\$ (5,433)	\$ (3,338)
Net finance costs recognized separately	(2,758)	(1,617)	(5,344)	(3,215)
Net finance costs recognized in cost of sales	(197)	(177)	(389)	(255)
Total net finance costs	\$ (2,955)	\$ (1,794)	\$ (5,733)	\$ (3,470)

13. Income taxes

On May 4, 2015, the Company announced that it had entered into an agreement with the Canada Revenue Agency (CRA) regarding their objection to the tax consequences of the conversion of the Company from a limited partnership structure into a corporation in October 2009.

The agreement results in a non-cash charge of \$31.6 million related to the write-off of a portion of the Company's deferred tax asset and \$3.6 million of provincial cash taxes payable for the tax years ended December 31, 2013 and 2014. Under the agreement, the Company has \$1.7 million of unused federal tax attributes remaining.

The recent corporate tax rate increase in Alberta for current and future periods that was enacted in the quarter resulted in an increase in the deferred income tax expense. The estimated impact of the corporate tax rate increases on deferred tax expense for the three and six months ended June 30, 2015 was \$0.4 million.

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2015	2014	2015	2014
Income tax expense	\$ 1,995	\$ 2,287	\$ 1,573	\$ 2,057
Derecognition of deferred tax asset due to CRA settlement	31,569	-	31,569	-
Provincial taxes payable	3,553	-	3,553	-
Income tax loss recognized in profit or loss	\$ 37,117	\$ 2,287	\$ 36,695	\$ 2,057

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13. Income taxes (continued)

(\$ thousands)	December 31, 2014	Impact of CRA Agreement	Six months ended June 30, 2015	June 30, 2015
Carrying value over the tax value of tangible assets	\$ (9,044)	\$ -	\$ (48)	\$ (9,092)
Carrying value over the tax value of convertible debenture liability	(479)	-	66	(413)
Carrying value over the tax value of intangible assets	(7,785)	-	675	(7,110)
Carrying value over the tax value of finance lease obligation	6,349	-	(600)	5,749
Federal investment tax credits	12,841	(11,135)	-	1,706
Non-capital losses	21,437	(20,434)	(718)	285
Deferred tax asset (liability)	\$ 23,319	\$ (31,569)	\$ (625)	\$ (8,875)
Reflected in the statement of financial position				
Deferred tax asset	24,518	(24,518)	-	-
Deferred tax liability	(1,199)	(7,051)	(625)	(8,875)
Deferred tax asset (liability), net	\$ 23,319	\$ (31,569)	\$ (625)	\$ (8,875)

14. 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 the Company as the numerator. No adjustments to net earnings were necessary for the three and six month periods ended June 30, 2015 and 2014. 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:

(thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2015	2014	2015	2014
Issued common shares opening	15,426	15,119	15,325	15,012
Effect of shares issued under the DRIP plan	14	10	21	16
Effect of shares issued under the deferred share plan	-	1	42	13
Effect of shares issued under the share option plan	6	-	13	6
Effect of shares issued through reserve	-	-	12	-
Effect of shares issued through common shares issuance	-	-	-	37
Weighted average number of common shares at June 30	15,446	15,130	15,413	15,084

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14. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at June 30, 2015 and 2014 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:

(thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2015	2014	2015	2014
Weighted average number of common shares (basic)	15,446	15,130	15,413	15,084
Effect of dilutive securities:				
Deferred share plan	-	696	-	696
Share options	-	9	-	11
Weighted average number of shares (diluted) at June 30	15,446	15,835	15,413	15,791

The above tables excludes all deferred share units and options for the three and six months ended June 30, 2015 (723 thousand for three and six months ended June 30, 2015) as they are considered anti-dilutive.

15. Segment information

During the fourth quarter of 2014, the addition of Peterbilt of Ontario combined with the addition of a Vice President, Transportation resulted in the Company operating under three segments: Agriculture, Construction and Industrial, and Transportation. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results. Prior to October 1, 2014 the Company operated under two separate segments. The realignment gave rise to changes in how management presents and reviews information for financial reporting and management decision making purposes. All prior period disclosure has been updated to reflect the change in operating segments, and certain amounts have been reclassified to conform to the current period presentation.

Each of these business segment operations are supported by a single shared corporate head office. Certain corporate head office expenses are allocated to the business segments under either specific identification approach or a usage based metric. The corporate head office also incurs certain costs which are considered as public company costs, which are allocated to the segments based on the gross margin of the Canadian operations. Total corporate related expenditures, excluding income taxes, that have been allocated for the three and six month periods ended June 30, 2015 are \$1,008 thousand and \$2,763 thousand, respectively (2014 - \$1,517 thousand and \$2,154 thousand).

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

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15. Segment information (continued)

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Other ¹	Total
Segmented income figures					
Three months ended June 30, 2015					
Revenue	\$ 184,677	\$ 83,107	\$ 35,204		\$ 302,988
Income (loss) for the period attributable to shareholders	15	2,454	451	\$ (35,123)	(32,203)
Share of profit of equity accounted investees	43	-	-		43
Depreciation and amortization	2,189	1,291	924		4,404
Finance income	29	2	1		32
Finance expense including amounts in costs of sales	(1,620)	(922)	(445)		(2,987)
Capital additions	1,899	227	1,278		3,404
Six months ended June 30, 2015					
Revenue	\$ 324,759	\$ 150,902	\$ 65,749		\$ 541,410
Income (loss) for the period attributable to shareholders	(103)	116	11	\$ (35,123)	(35,099)
Share of profit of equity accounted investees	364	-	-		364
Depreciation and amortization	4,408	2,701	1,906		9,015
Finance income	77	11	1		89
Finance expense including amounts in costs of sales	(3,121)	(1,808)	(893)		(5,822)
Capital additions	5,127	4,345	1,699		11,171
Segmented assets as at June 30, 2015					
Reportable segment assets	\$ 377,056	\$ 202,814	\$ 107,757		\$ 687,627
Reportable segment liabilities	257,679	155,802	85,153		498,634
Investment in associates	5,604	-	-		5,604
Intangible assets	28,714	15,793	7,519		52,026
Goodwill	15,488	2,547	2,193		20,228

[1] – The impact of the CRA settlement as discussed in Note 13 have not been allocated to the business segments.

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15. Segment information (continued)

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Three months ended June 30, 2014				
Revenue	\$ 163,538	\$ 30,344	\$ 43,606	\$ 237,488
Income for the period attributable to shareholders	3,990	466	1,162	5,618
Share of profit of equity accounted investees	751	-	-	751
Depreciation and amortization	1,269	606	1,604	3,479
Finance income	55	5	9	69
Finance expense including amounts in costs of sales	(1,257)	(281)	(325)	(1,863)
Capital additions	6,843	131	1,381	8,355
Six months ended June 30, 2014				
Revenue	\$ 266,760	\$ 58,723	\$ 78,894	\$ 404,377
Income for the period attributable to shareholders	2,830	771	1,184	4,785
Share of profit of equity accounted investees	37	-	-	37
Depreciation and amortization	2,474	1,209	3,182	6,865
Finance income	98	9	16	123
Finance expense including amounts in costs of sales	(2,304)	(624)	(665)	(3,593)
Capital additions	9,061	322	1,870	11,253
Segmented assets as at June 30, 2014				
Reportable segment assets	\$ 303,994	\$ 66,295	\$ 130,973	\$ 501,262
Reportable segment liabilities	185,393	33,832	64,241	283,466
Investment in associates	6,126	-	-	6,126
Intangible assets	9,986	6,944	9,115	26,045
Goodwill	4,905	-	2,193	7,098

The Company primarily operates in Canada but includes subsidiaries in Australia (Cervus Australia PTY Ltd.) and, in New Zealand (Cervus NZ Equipment Ltd.) which operate 15 agricultural equipment dealerships. Gross revenue for the three and six month periods ended June 30, 2015 were \$32,969 thousand and \$60,433 thousand, respectively (2014 – \$40,084 thousand and \$69,154 thousand). Non-current assets for the geographic territories of New Zealand and Australia as at June 30, 2015 were \$25,734 thousand (2014 - \$25,378 thousand).

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16. Commitments and contingencies

Financing Arrangements

John Deere Credit Inc. (“Deere Credit”) and other financing companies provide financing to certain of the Company’s customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At June 30, 2015 payments in arrears by such customers aggregated \$374 thousand (2014 - \$293 thousand). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At June 30, 2015, the net residual value of such leases aggregated \$175,444 thousand (2014 - \$133,035 thousand). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

17. Related party transactions

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, 2015 was:

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2015	2014	2015	2014
Short-term benefits	\$ 480	\$ 465	\$ 1,899	\$ 1,588
Share-based payments	153	57	251	289
	\$ 633	\$ 522	\$ 2,150	\$ 1,877

Other related party transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating \$6,500 thousand. During the three and six month periods ended June 30, 2015 and 2014, the Company paid those individuals \$49 thousand and \$98 thousand, respectively, (2014 - \$49 thousand and \$98 thousand) for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors, are included in selling, general and administrative expense and have been fully paid during the period.