CERVUS LP

2006 FIRST QUARTER REPORT TO THE UNITHOLDERS (UNAUDITED)

For the period ended March 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of Cervus LP ("Cervus", or "LP") should be read in conjunction with the 2005 Annual Report and the unaudited interim consolidated financial statements and notes contained in this report. This discussion of the LP's business may include forward-looking information with respect to the LP, including its business and operations and strategies, as well as financial performance and conditions. The use of forward-looking words, such as "may", "will", "expect" or similar variations generally identify such statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the factors discussed in the 2005 Annual Report.

This document has been reviewed and approved by the Board of Directors of Cervus GP, general partner of Cervus LP, and contains information that is current as of May 26, 2006. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Addition information about Cervus is available on SEDAR at www.sedar.com.

About Cervus

Cervus LP is in the business of acquiring and operating authorized agricultural and industrial equipment dealerships by facilitating dealership succession and positioning the next generation of dealers for profitability and growth. Cervus LP does business through 15 dealer stores in 13 locations across Alberta, Saskatchewan and western Manitoba

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with Canadian GAAP. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Canadian retailing of agricultural equipment is influenced by seasonality. Sales activity is normally highest between April and September during growing seasons in Canada. Sales activity is low during winter months during non-growing seasons. As a result, earnings or losses may not accrue uniformly from quarter to quarter.

In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary to fairly present the LP's results for the interim periods presented. These unaudited interim consolidated financial statements have been prepared by management using the same accounting policies and methods of application as the most recent annual consolidated financial statements of the LP.

The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the full year.

Selected Financial Highlights

For the three months ended March 31, 2006 as compared to the three months ended March 31, 2005

- Revenue increased to $44.69 million, an increase of $24.95 million or 126% over revenue of $19.74 million in the first quarter of 2005.
- Gross margin increased to $7.74 million, an increase of $4.1 million or 113% over gross margin of $3.63 million in the first quarter of 2005.
- Gross margin as a percentage of sales decreased to 17.3%, a decrease of 1.1% from gross margin of 18.4% in the first quarter of 2005.
- General and administrative expenses increased to $6.8 million, an increase of $2.76 million or 68% compared to $4.04 million in the first quarter of 2005.
- Interest on debt increased to $443,000, an increase of $263,000 or 146% over interest of $180,000 in the first quarter of 2005.
- Depreciation and amortization increased to $697,000, an increase of $642,000 or 1,167% over depreciation and amortization of $55,000 in the first quarter of 2005.
- Net loss decreased to $188,947, a decrease of $417,528 or 69% over a net loss of $606,475 in the first quarter of 2005.
- Net loss per unit for basic was $0.03 in the first quarter of 2006 compared to $0.15 per unit in the first quarter of 2005.

Financial Review

Revenue is primarily comprised of equipment sales, both new and used, parts and service sales and rental income.

General and administrative expenses primarily consist of personnel and related costs, professional fees, administrative functions and corporate related expenses.

The following is a summary of selected financial and operating information of the LP for the three month period ended March 31, 2006 and 2005. This summary should be read in conjunction with the audited consolidated financial statements for the period ended December 31, 2005.

First Quarter Results

(in Thousands)	March 31, 2006	March31, 2005	% Change
Revenues	$44,687	$19,747	126.3%
Cost of sales	36,948	16,114	129.3%
Gross margin	7,739	3,633	113.0%
Gross margin as a % of sales	17.3%	18.4%	(1.1%)
Selling, general and administrative	6,803	4,041	68.4%
EBITDA[1]	936	(408)	229.7%
Depreciation and amortization	697	55	1,165.0%
Interest	442	190	132.6%
Income before income taxes	(203)	(653)	(68.9%)
Other	14	47	(70.2%)
Net loss for the period	$ (189)	$ (606)	(68.8%)
Net loss per unit			
Basic	$ (0.03)	$ (0.15)	(80%)

[1] EBITDA excludes depreciation and amortization, interest and income taxes for the three month periods ended March 31, 2006 and 2005. EBITDA is a non-GAAP measure.

Revenue

Revenue was $44.69 million for the three months of operations ended March 31, 2006 compared to $19.74 million for the three month period ended March 31, 2005, an increase of $24.95 million. The increase is due to the addition of the contractors' equipment division through the purchase of AR Williams Contractors Equipment Ltd. ("ARW") on November 16, 2005 which has provided $16.3 million of revenue in 2006 compared to $nil in the same period in 2005, as well as $8.6 million of internal growth in the agriculture divisions. In the current year, new and used equipment sales were $35.58 million representing 79.6% of gross sales compared to $14.47 million representing 73.3% of gross sales in the same period last year. Parts and service sales were $8.03 million representing 18% of gross sales compared to $5.2 million representing 26.4% of gross sales for the comparative period. The increase in whole good sales is a result of continued market share growth of approximately 12% over the prior year in the agriculture division as well as the addition of ARW and the construction equipment division.

Cost of Sales

Cost of sales was $36.95 million for the three months ended March 31, 2006, compared to $16.1 million for the comparative period. This increase is directly related to the increase in sales activity.

Gross Profit Margins

Gross profit is 17.3% of sales for the three month period ended March 31, 2006 compared to 18.4% for the same period in 2005. The decrease in gross profit margin of 1.1% is primarily due to a change in the sales mix as described earlier. Other attributing factors include continued market share growth in new sales, increased competition and conservative valuation of used inventory.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $6.8 million or 15.2% of sales, compared with $4.04 million or 20.5% of sales for the same period in 2005. The increase of $2.76 million is attributed to an increase of $2.18 million related to the purchase of ARW and approx $580,000 related to the Agriculture division. The primary reasons for the increase in the Agriculture division are general increases in salaries, wages and benefits and increased professional fees.

Interest

Interest expense was approximately $443,000 compared to approximately $190,000 in the same period last year. The increase is primarily due to the addition of ARW which accounted for an increase in term debt of $5 million when compared to the same period in 2005, increase in bank indebtedness for operations and related interest charges and interest paid on notes payable related to the purchase of ARW.

Depreciation and amortization

Depreciation and amortization was approximately $697,000 for the first three months of 2006, compared to approximately $55,000 for the same period in 2005, an increase of $642,000. Depreciation and amortization is comprised of $532,000 (2005 - $55,000) related to building and equipment and $165,000 related to intangible assets from the purchase of ARW. Building and equipment depreciation and amortization increased primarily related to the addition of ARW which accounted for $393,000 of the increase and the addition of equipment purchased from Proventure in December 2005.

Income Taxes

Income taxes are the responsibility of the individual partners except for the LP's corporate subsidiaries. No income taxes have been provided for in the first quarter ended March 31, 2006 and 2005 due to the losses reported for the period.

Inventories

At March 31, 2006, inventories have increased by $7.8 million to $68.8 million from $61.0 million at December 31, 2005. New equipment inventories account for $2.14 million and used equipment accounts for $5.66 million of the increase. As discussed above, the LP has increased its market share in the agriculture division by approximately 12% which is measured by the increase in new equipment sales. The majority of new equipment sales include trade-ins of older pieces of equipment which has resulted in an increase in used equipment inventories.

Investment in significantly influenced companies

Investment in significantly influenced companies increased by $13,330 to $494,504 at March 31, 2006 compared to $481,174 at December 31, 2005. The increase is attributable to the LP's equity earnings in the underlying companies for the three month period ended March 31, 2006.

Buildings and equipment

Buildings and equipment net carrying value increased to $9.06 million at March 31, 2006 from $8.97 million at December 31, 2005. This increase is attributed to approximately $621,000 of actual equipment additions during the year consisting primarily of $405,000 of cash additions and $216,000 of additions through transfers from inventories. Short-term rental equipment in the construction equipment division accounted for $416,000 of the additions, $61,000 in automotive and trucks, $50,000 in furniture and fixtures and the other $94,000 for additions to computers, parts and shop equipment and leasehold improvements. The LP recorded $531,589 of amortization for the first three months of 2006 for buildings and equipment as described above.

Other assets

Other assets is comprised of $7.2 million of intangible assets related to the purchase of ARW which included $5.2 million allocated to dealer distribution agreements, $1.1 million to customer lists and $900,000 to non-competition agreements. Amortization is provided for at 20 years straight-line for the dealer distribution agreements and 5 years straight-line for customer lists and non-competition agreements. $165,000 of amortization has been recorded for the three months ended March 31, 2006 compared with $nil in the same period during 2005.

Finance reserve

The finance reserve is related to funds held by John Deere Credit Inc. equal to 1% of the face value of finance or lease contracts entered into by customers of the LP. The reserve is capped at 3% of the amount of contracts outstanding. The reserve is used to fund potential defaults made by customers to cover shortfalls in the outstanding contracts. The increase in the finance reserve is directly related to increases in finance contracts entered into by the LP's customers.

Floor plan payables

Floor plan payables are financing arrangements for the LP's inventories. At March 31, 2006, floor plan payables have increased $7.1 million to $47.5 million from $40.4 million at December 31, 2005. The increase in floor plan payables is directly linked to the increase seen in new and used equipment inventories.

Notes payable and advances to Cervus LP

At March 31, 2006, notes payable and advances outstanding with Proventure Income Fund (the "Fund") were approximately $3.7 million compared to $5.0 million at December 31, 2005 and $6.2 million at March 31, 2005. During the period, the LP repaid the advances and an additional $300,000 on the notes payable and advanced an additional $254,714 to the Fund. These notes and advances are unsecured, bear interest at prime and are due in 2008 and 2009. During the three month periods ended March 31, 2006 and 2005, the LP paid $49,557 and $67,932 respectively in interest income

Unitholders Equity

As of March 31, 2006, the LP had 5,956,081 partnership units outstanding, compared to 4,411,421 at December 31, 2005. The LP declared monthly distributions from January through March 31, 2006 of $0.08 per unit. The total distributions during the three month period ended March 31, 2006 aggregated to $1,424,627 of which $678,148 ($225,492 from December 31, 2005 distribution) was reinvested through the Distribution Reinvestment Plan ("DRIP"). Subsequent to March 31, 2006, an additional $227,782 was reinvested from the March 31, 2006 distribution payable of $476,486. 47.8% of total cash distributions have been reinvested under the LP's DRIP during the first three months of 2006 versus 59% during the first three months of 2005.

The DRIP was implemented in 2004 and allows Unitholders to reinvest monthly distributions into additional Fund units. Unitholders who elect to participate will see their periodic cash distributions automatically reinvested in Fund units at a price equal to 95% of the volume-weighted average price of all units traded on the TSX Venture Exchange for the ten trading days preceding the applicable record date. Eligible Unitholders may participate in the DRIP by directing their broker, dealer, or investment advisor holding their Fund units to notify the plan administrator, Computershare Fund Company of Canada Ltd., through the Canadian Depository for Securities Inc. ("CDS").

Lines of Credit, Liquidity and Debt

Bank indebtedness

The LP has an agreement to borrow by means of an operating loan, subject to certain limitations, of up to $10 million. The indebtedness bears interest at the rate of between prime to prime plus 0.5%.

Bank term loan

The LP has a term loan with the bank for $5 million that was drawn on in late 2005 for the purpose of acquiring ARW. The term loan is a two year term loan requiring interest only payments at rates ranging from prime plus 0.25% to prime plus 0.75% and is due in full on December 23, 2007. The term loan and bank indebtedness are subject to certain financial and negative covenants of which, certain of these were in violation at March 31, 2006 and December 31, 2005. Therefore, the term loan has been classified as a current liability at both of these dates. Management is in the process of amending these covenant violations for future periods. It is management's intention to replace the notes payable to Proventure Income Fund with equity in the near future and to amend the capital asset purchase limitation to better reflect the ongoing operations of the LP.

Term debt

During the three months ended March 31, 2006, the LP did not enter into any new term debt agreements. The term debt consists of various finance contracts and a bank term loan requiring monthly instalments of $17,292 and $147,126 respectively and bear interest at rates ranging from 0% to 7.25%. Principal repayments required for 2007 is $1.8 million; 2008, $6.8 million; 2009, $430,000; 2010; $55,000.

Cash Flows from Operations

Cash flows used in operations were $1.12 million in the first three months of 2006 versus $327,000 provided from operations in the first three months of 2005. The primary use of cash was in the non-cash working capital which had a net change of $1.61 million used in the first three months of 2006 versus $926 provided in the first three months of 2005. Of the non-cash working capital changes, the most significant included $7.98 was used for increases in inventories, offset by a $7.09 million increase in floor plan payables and $1.15 million used to pay current income taxes of ARW.

Cash Flows from Financing

In the first three months of 2006, $4.5 million was used for financing activities compared to $1.15 million in the first three months of 2005. The most significant uses of cash included $1.5 million of note repayment from the ARW purchase, $1.3 million of advances and notes repaid to Proventure Income Fund, $361,000 of term debt repayments and $653,000 of cash distributions, net of the DRIP to limited partners.

Cash Flows from Investing

In the first three months of 2006, $405,000 was used for investing activities compared to $65,000 in the first three months of 2005. The amounts were used primarily for equipment additions during the period.

Business Risks and Uncertainties

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

The purchase of Contractors provides revenue diversification into a broader construction industry and will decrease the risk of dependence on a single supplier. Contractors have dealership agreements in place with Bobcat, JCB and JLG. These agreements are one year agreements.

There can be no guarantee that circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements.

Dependence on Industry Sectors

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

The retail farm equipment industry is very competitive. Cervus LP faces a number of competitors, including other "in-line" John Deere dealerships and other competitors including authorized Agco, Case, Caterpillar, Kubota and New Holland dealerships that may be located in communities of Cervus LP's dealerships or are located in surrounding communities to Cervus LP's dealerships. Presently, Deere & Company has a reputation for the manufacture and delivery of high quality, competitively priced products. John Deere has the largest market share of manufacturing and sales of farm equipment in North America. There can be no assurance that John Deere will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

We have mitigated these risks by geographical diversification in Western Canada within the agricultural sector and industry diversification into the construction sector in Alberta

The construction equipment industry in which Contractors sells light and medium construction equipment is comprised of several companies manufacturing and selling various lines of equipment. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction equipment market is very much dependant upon residential construction of new housing. Over the past few years the residential construction markets in Alberta have been very strong. We believe that this will continue over the near term. However, there can be no guarantee that factors could not arise that would change the housing starts quickly and suddenly.

Presently the majority of Contractors revenue is derived from the sale of Bobcat equipment and products. Bobcat has established itself as an industry leader in the Alberta market for the manufacture and deliver of light construction equipment. Bobcat has the largest market share in this niche in the Alberta market. There can be no assurance however that Bobcat will continue to manufacture high quality, competitively priced products or maintain its market share in the future

Outlook

Low grain prices and increases in fuel prices, combined with significant precipitation in certain areas of Saskatchewan, have suppressed the demand for new and used agriculture equipment for the first quarter. Our construction and industrial division has had lower than expected sales because of a mild winter and minimal snow cover, which drives winter sales. As well, the rising Canadian dollar and delayed response by US based manufacturers to lower prices has forced us to reduce margins to maintain market share.

Despite these challenges, our second quarter appears to be on track to our forecasts and improved grain prices during the last two weeks may provide for more favorable conditions for the upcoming quarters.