Q2/2007

2007 Second Quarter Report

CERVUS LP

STRENGTH IN NUMBERS

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

CERVUS LP

For the three and six month period ended June 30, 2007

(These interim consolidated financial statements have not been reviewed by Cervus LP's auditors)

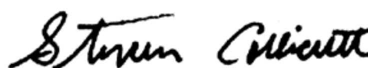
CERVUS LP

INTERIM UNAUDITED CONSOLIDATED BALANCE SHEETS

		June 30, 2007		December 31 2006
Assets				
Current assets:				
Trade accounts receivable	$	11,577,288	$	8,124,784
Contracts in transit		2,737,759		2,587,937
Advances to Proventure Income Fund (note 9)		-		109,680
Inventories		77,901,029		72,160,486
Prepaid expenses and deposits		515,264		689,821
		92,731,340		83,672,708
Investments		1,212,467		815,589
Deposits with John Deere		1,308,269		1,287,120
Other assets, net of accumulated amortization (note 4)		10,324,679		8,452,750
Property and equipment		12,530,541		10,629,911
Goodwill (note 4)		3,402,889		2,657,462
	$	121,510,185	$	107,515,540
Liabilities and Partners' Equity				
Current liabilities:				
Bank indebtedness (note 5)	$	1,875,830	$	4,955,294
Floor plan payables (note 5)		55,873,876		46,121,220
Accounts payable and accrued liabilities		7,169,869		4,509,728
Customer advance deposits		1,673,763		2,668,263
Distribution payable		644,322		617,704
Current portion of notes payable		600,000		100,000
Current portion of term debt		2,066,833		3,206,423
		69,904,193		62,178,632
Term debt (note 5)		10,836,993		8,002,541
Notes payable (note 5)		825,000		1,025,000
Future income taxes payable (note 9)		149,000		149,000
		81,715,186		71,355,173
Partners' equity (note 6):				
Partners' capital		29,660,695		26,672,625
Unit purchase financing		(527,900)		(508,680)
Preferred partnership units		3,000,000		3,000,000
Contributed surplus (note 7)		373,288		602,653
Accumulated earnings		7,288,916		6,393,769
		39,794,999		36,160,367
Subsequent events (note 12)				
Commitments and contingencies (note 8)				
	$	121,510,185	$	107,515,540

See accompanying notes to the interim consolidated financial statements.

Approved by the Board of the General Partner:



Peter Lacey, Director

Steven Collicutt, Director

CERVUS LP

INTERIM UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME

	Three month period ended June 30, 2007	Three month period ended June 30, 2006	Six month period ended June 30, 2007	Six month period ended June 30, 2006
Revenue:				
Equipment sales	$ 69,653,543	$ 63,179,923	$ 118,420,849	$ 98,261,186
Parts	9,916,693	8,395,203	16,316,831	13,607,513
Service	5,471,588	4,503,435	9,472,401	7,952,948
Rentals	1,853,298	1,143,948	2,916,957	2,032,199
Other	57,872	255,957	65,393	312,248
	86,952,994	77,478,466	147,192,431	122,166,094
Cost of sales (including depreciation and amortization of $509,741; $392,187; $992,902; and $737,927)	71,092,188	64,651,806	122,202,210	101,946,016
Gross profit	15,860,806	12,826,660	24,990,221	20,220,078
Expenses:				
Selling, general and administrative	10,868,627	8,255,421	19,110,944	15,058,850
Interest	165,991	484,080	552,984	926,708
Depreciation and amortization	493,766	469,015	925,105	819,864
Earnings before other income	4,332,422	3,618,144	4,401,188	3,414,656
Other income:				
Gain on disposal of property and equipment	23,071	-	30,958	-
Equity earnings of significantly influenced companies	477,040	294,713	556,782	308,043
Net earnings	$ 4,832,533	$ 3,912,857	$ 4,988,928	$ 3,722,699
Net earnings per unit (note 6):				
Basic	$ 0.69	$ 0.65	$ 0.71	$ 0.60
Diluted	$ 0.65	$ 0.61	$ 0.67	$ 0.58

See accompanying notes to the interim consolidated financial statements.

CERVUS LP

INTERIM UNAUDITED CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS

For the six months ended June 30, 2007 and the year ended December 31, 2006

	General Partner	Limited Partners	Preferred Partnership Units	Limited Partnership Fixed Value Units	Total
Balance, December 31, 2005	$ 1,580	$ 4,843,383	$ -	$ -	$ 4,844,963
Net earnings available to partners	81,867	8,104,819	390,000	20,100	8,596,786
Distributions declared	(31,280)	(6,606,600)	(390,000)	(20,100)	(7,047,980)
Balance, December 31, 2006	52,167	6,341,602	-	-	6,393,769
Net earnings available to partners	49,889	4,736,539	202,500	-	4,988,928
Distributions declared	(85,917)	(3,805,364)	(202,500)	-	(4,093,781)
Balance, June 30, 2007	$ 16,139	$ 7,272,777	$ -	$ -	$ 7,288,916

See accompanying notes to the interim consolidated financial statements.

CERVUS LP

INTERIM UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three month period ended June 30, 2007	Three month period ended June 30, 2006	Six month period ended June 30, 2007	Six month period ended June 30, 2006
Cash flows from (used in):				
Operating activities:				
Net earnings for period	$ 4,832,533	$ 3,912,857	$ 4,988,928	$ 3,722,699
Add items not affecting cash:				
Gain on disposal of property and equipment	(23,071)	-	(30,958)	-
Amortization of employee purchase loans	84,434	-	185,780	-
Depreciation and amortization	943,507	861,202	1,918,007	1,557,791
Equity earnings from significantly influenced companies	(477,040)	(294,713)	(556,782)	(308,043)
	5,420,363	4,479,346	6,504,975	4,972,447
Net change in non-cash working capital related to operations	749,151	(4,283,941)	2,631,335	(5,888,821)
	6,169,514	195,405	9,136,310	(916,374)
Financing activities:				
Issuance of limited partnership units	1,258,449	724,078	2,509,979	1,402,226
Proceeds on long-term debt, net of repayments	1,168,662	2,986,472	1,694,862	2,625,254
Distributions to the partners	(1,912,228)	(1,667,015)	(3,778,746)	(2,998,222)
Distributions to senior equity instruments	(101,250)	(103,800)	(202,500)	(203.850)
Distributions to general partner	(85,917)	-	(85,917)	-
Advances to related parties	106,009	184,042	109,680	(298,582)
Decrease (Increase) in finance reserve	18,233	358,994	141,666	264,685
Repayment of notes payable	-	(1,431,249)	(100,000)	(4,245,624)
	451,958	1,051,522	289,024	(3,454,113)
Investing activities:				
Repayment from investment in significantly influenced companies	129,404	-	159,904	-
Business acquisitions (note 4)	(3,618,898)	-	(3,618,898)	-
Purchase of property and equipment, net of proceeds	(1,706,930)	(2,466,940)	(2,886,876)	(2,871,673)
	(5,196,424)	(2,466,940)	(6,345,870)	(2,871,673)
Increase (decrease) in cash	1,425,048	(1,220,013)	3,079,464	(7,242,160)
Cash (bank indebtedness), beginning of period	(3,300,878)	(4,886,968)	(4,955,294)	1,135,179
Bank indebtedness, end of period	$ (1,875,830)	$ $(6,106,981)	$ (1,875,830)	$ $(6,106,981)
The following cash payments have been included in the determination of net earnings:				
Cash interest paid	$ 201,249	$ 280,442	$ 552,984	$ $1,027,385
Cash income taxes paid	-	-	-	1,145,389
Supplemental disclosure of non-cash financing and investing activities not included in the statement of cash flows:				
Issuance of partnership units for notes receivable from employees	205,000	-	205,000	-

See accompanying notes to the interim consolidated financial statements.

CERVUS LP

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2007 and the year ended December 31, 2006

1. DESCRIPTION OF BUSINESS:

Cervus LP (the "LP") was incorporated under the laws of Alberta as a limited partnership on March 14, 2003. The general partner is Cervus GP Ltd. The LP is a retailer of agricultural and construction equipment and products and services.

The financial statements of Cervus LP have been prepared by management in accordance with accounting principles generally accepted in Canada. The unaudited financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2006, except as disclosed in note 2. The disclosures provided below are incremental to those included in the annual audited financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 2006. These unaudited consolidated financial statements have not been reviewed by the Corporation's auditors.

2. NEW ACCOUNTING POLICIES:

Effective January 1, 2007, the LP adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 Comprehensive Income, Section 3251 Equity, Section 3855 Financial Instruments – Recognition and Measurement, and Section 3861 Financial Instruments – Disclosure and Presentation. These new Handbook Sections apply to fiscal years beginning on or after October 1, 2006.

COMPREHENSIVE INCOME AND EQUITY

Section 1530 establishes standards for the reporting and display of comprehensive income. The section defines other comprehensive income to include certain revenues, expenses, and gains and losses that are recognized in comprehensive income but excluded from net income. The adoption of Section 1530 did not have any impact on the LP's financial statement presentation in the current period.

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to those of Section 1530 and recommend that an enterprise should present separately the following components of equity: retained earnings, accumulated other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital, and reserves. The adoption of Section 3251 did not have any impact on the LP's financial statement presentation in the current period. The LP has no other comprehensive income components.

FINANCIAL INSTRUMENTS

Under Section 3855, all financial instruments are classified into one of these five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held for trading financial instruments are measured at fair value and changes in fair value are recognized in net earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of Section 3855, the LP has classified its cash and cash equivalents as held for trading. Accounts receivable and notes in transit are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities, floor plan payables, customer advance deposits, distribution payable, term debt and notes payable are classified as other liabilities, all of which are measured at amortized cost.

3. SEASONALITY:

The Canadian retailing of agricultural and construction equipment is influenced by seasonality. Sales activity for the agriculture segment is normally highest between April and September during growing seasons in Canada. The construction sector is not as volatile but does see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter.

4. BUSINESS ACQUISITIONS

On May 31, 2007, the LP acquired 100% of the issued and outstanding shares of Greenline Equipment Sales Ltd. ("Greenline"), a John Deere dealership located in Olds, Alberta for $4,000,000 plus closing costs of $18,898 for a total of $4,018,898. The purchase price was paid by cash of $3,618,898 and a promissory note of $400,000 (see note 5(d)) issued to the principals of Greenline. The purchase price was allocated as follows:

Goodwill and other intangibles	$ 745,427
Other intangibles	2,303,000
Inventories	4,271,981
Other assets	732,682
Property and equipment	469,732
Other liabilities	(1,771,436)
Floor plan payables	(2,732,488)
	$ 4,018,898

5. DEBT OBLIGATIONS:

A) BANK INDEBTEDNESS

At June 30, 2007 the LP has an operating bank line of credit to a maximum amount of $15 million. The operating line of credit bears interest at rates ranging from prime plus 0.25% to prime plus 0.75% based on certain financial covenants and is secured by a general security agreement, a priority agreement, trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the LP's subsidiaries and the general partner.

B) FLOOR PLAN PAYABLES

The LP utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include a one to ten-month interest-free period followed by a term during which interest is charged ranging from prime plus 0.5% to prime plus 1%. Settlement of the floor plan liability occurs at the earlier of sale of the inventory or in accordance with terms of the financing arrangement. Floor plan payables are secured by specific new and used equipment inventories.

C) TERM DEBT

The LP has various term debt facilities for the purchase of equipment and rental fleet inventories. These facilities bear interest at the rates ranging from prime plus 0.25% to prime plus 0.75% and also fixed rate facilities with interest up to 7.25% per annum. Principal repayments required on the term debt facilities are approximately $3.1 million per year. The term debt is secured by short-term rental equipment, other equipment and by the security described above under bank indebtedness.

D) NOTES PAYABLE

The LP's notes payable consist of a note for $400,000 which bears interest at bank prime plus 1% and is due in full on May 31, 2007 (see Note 4) and notes payable totaling $1,025,000 which bear interest at the rate of 6% per annum and repayable semi-annually instalments of $100,000 on January 31 and July 31 of each fiscal period.

6. PARTNERS' EQUITY:

(A) AUTHORIZED:

Unlimited number of partnership units

(B) ISSUED:

	Number of units	General partner	Limited partner	Total
Balance December 31, 2006	6,863,379	$ 100	$ 26,672,525	$ 26,672,625
Issued on exercise of warrants	93,843	-	750,752	750,752
Issued under DRIP plan	176,908	-	1,759,227	1,759,227
Contributed surplus adjustment for exercise of unit options	25,000	-	74,365	74,365
Unit purchase loans issued to employees for options			205,000	205,000
Deferred unit plan	-	-	43,727	43,727
Contributed surplus adjustment for expiry of warrants	-	-	5,812	5,812
Contributed surplus adjustment for exercise of unit warrants	-	-	149,188	149,188
Balance June 30, 2007	7,159,130	$ 100	$ 29,660,596	$ 29,660,696

During the six months ended June 30, 2007, the LP declared total distributions of $0.54 per unit and they were paid in distributions of $0.09 per unit to Unitholders of record on the last day of each month. Total distributions payable was $3,805,364 (June 2006 - $2,998,222). Of this amount, there was a $1,759,227 (June 2006 - $1,402,226) reinvested through the LP's Distribution Reinvestment Plan ("DRIP"). The DRIP is voluntary programs that permits eligible Unitholders too automatically, and without charge, reinvest monthly distributions in additional units.

Subsequent to June 30, 2007, 118,750 of the 375,000 preferred partnership units outstanding were converted to limited partnership units.

(C) UNIT OPTION PLAN:

The LP has a unit option plan available to officers, directors and employees with grants under the plan approved from time to time by the board of directors of the general partner. The exercise price of each option equals the market price of the partnership units at the date of grant. The plan provides for vesting, at the discretion of the board, and the options expire after five years from the date of grant. There are 35,000 exercisable unit options outstanding at June 30, 2007 and 25,000 unit options were exercised (note 6c) during the period through the issuance of a unit purchase loan. The LP issued an employee, unit purchase financing in the amount of $205,000 to exercise the option and $74,365 was adjusted from contributed surplus to reflect the fair value of the options recorded when they were originally issued. No compensation expense has been recorded in the six month period ended June 30, 2007.

(D) WARRANTS:

The LP issued 200,000 warrants to participants of the August 3, 2006 private placement. These warrants were immediately exercisable and expire on August 3, 2008. The fair value of the warrants, as calculated using the Black-Scholes option pricing model was $1.42 per warrant for an aggregate amount of $284,256. The value was reflected as unit issue costs and contributed surplus. In addition, during 2005 the LP issued 97,500 warrants to brokers as part of the 2005 private placement. During the six month period ended June 30, 2007, 93,844 of the broker warrants were exercised for proceeds of $750,752 and 3,656 of the broker warrants expired. $155,000 was adjusted to partners' capital related to those units.

(E) EMPLOYEE SHARE PURCHASE LOANS RECEIVABLE

Offset within Unitholders' capital are employee share purchase loans receivable of $527,900 (December 31, 2006 - $508,680). These loans were issued to assist key employees in acquiring units of the LP. These loans bear interest at the rate of 4% per annum and are collateralized by the unit certificates issued. The market value of the units held as collateral for these loans was $703,436 as at June 30, 2007. The loan agreements provide that the principal and interest components of the loans will be forgiven if the employees meet specified terms of service.

The loans are classified as a reduction from partner's equity. The forgiveness of interest and principal is accounted for as a compensation expense in the accompanying statement of earnings and $185,780 of compensation expense was recorded for the six month period ended June 30, 2007 (2006 - $nil).

(F) PER UNIT AMOUNTS:

The earnings per unit have been calculated based on the weighted average number of units outstanding for the period ended June 30, 2007 of 7,003,176 (June 30, 2006 – 5,778,300). In computing diluted earnings per unit 389,972 (2006 – 424,670) units were added to the weighted average number of units for the dilutive effect of subscription receipts, broker warrants, private placement warrants, preferred units and unit options.

(G) EMPLOYEE UNIT PURCHASE PLAN:

The LP has an employee unit purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. Cervus contributes at a minimum of 15% to 100% on a matching basis to a maximum of $5,000 per year, per employee. The partnership units are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing Unitholders. Included in general, sales and administrative expenses are $94,569 (2006 - $nil) of contributions made on behalf of the LP's employees.

(H) DEFERRED UNIT PLAN:

During 2007, the LP initiated a deferred unit plan that entitles certain officers and employees, to receive deferred units in consideration for bonuses which would have otherwise been paid. The deferred unit bonuses effectively vest immediately. At each anniversary date, the LP matches the deferred units by providing an additional 20% per annum over a five year period to the employee and recording a stock compensation expense. The deferred units earn additional deferred units for the distributions that would otherwise have been paid through the LP's DRIP (i.e., had they instead been issued as Partnership Units on the date of grant).

During the three month period ended June 30, 2007, the LP issued 3,716 deferred units for a value of $43,727 (2006 - $nil). These units were granted to certain employees for bonus expense recorded in 2006. As they were a result of 2006 bonuses that would have otherwise been payable, they are not subject to the matching component described above. Additional compensation expense of $532 (2006 - $nil) has been recorded during the period to reflect the Units distributions through the DRIP. As at June 30, 2007, 3,762 (2006 – nil) deferred units remain.

7. CONTRIBUTED SURPLUS

During the period, 93,844 warrants were exercised for gross proceeds of $750,752 and 25,000 unit options were exercised by way of an employee share purchase loan receivable of $205,000 and partnership units were issued. In addition, 3,656 warrants expired during the period. The fair value of the warrants of $155,000 and the unit options of $74,365 was recorded as a reduction in contributed surplus and an increase in Partners' Capital.

8. COMMITMENTS AND CONTINGENCIES:

(a) John Deere Credit provides financing to certain of the LP's customers of which a portion of this financing is with recourse to the LP if the amounts are uncollectible. This amount is limited to the finance reserve account held by John Deere which aggregated $1,308,269 at June 30, 2007 ($1,287,120 at December 31, 2006).

(b) The LP is committed to the following annual operating leases for equipment, land and buildings:

2008	$	2,325,890
2009		1,631,529
2010		1,319,121
2011		939,221
2012		579,300
Thereafter		1,408,476
Total	$	8,203,537

9. INCOME TAXES:

On June 12, 2007, the Government of Canada enacted new tax legislation on publicly traded partnerships. Under the new rules, effective January 1, 2011, distributions will be taxed at an approximate tax rate similar to corporate income taxes, which is estimated to be 31.5 percent. As a result of the enactment, the LP determined that no additional future income tax liability and future income tax expense was required to be recorded in the accompanying financial statements. This reflects the LP's estimate of future income tax liabilities related to the LP's temporary differences between the accounting and tax values of assets and liabilities expected to be remaining at January 1, 2011. In accordance with GAAP, prior to the enactment of the tax legislation, the LP's temporary differences were not recorded as future income taxes.

10. RELATED PARTY TRANSACTIONS:

The LP has recorded certain transactions with related parties. The transactions are recorded at exchange amount, which is the amount agreed to between the related parties. The transactions for the six month period ended June 30, 2007 and 2006 are as follows:

(a) Proventure Income Fund, an open-ended mutual fund trust under common control and management

	Three month period ended June 30, 2007	Three month period ended June 30, 2006	Six month period ended June 30, 2007	Six month period ended June 30, 2006
Equipment and real estate rental	$ 377,424	$ 262,184	$ 754,848	$ 426,284
Interest on notes payable and advances	$ -	$ 37,974	$ -	$ 87,531
Interest on fixed value units	$ -	$ 10,050	$ -	$ 20,100
Guarantee fees	$ 36,375	$ 36,375	$ 72,750	$ 72,750

The CEO of the LP is the chairman and a trustee of Proventure Income Fund, a publicly traded fund. In addition, the CEO is the single largest equity holder of each of these entities. Under an agreement between the LP and Proventure, Proventure is entitled to reimbursement for costs incurred and allocation of insurance costs, allocation of data services, guarantee fees based on 3% of $4,850,000 (June 30, 2006 - $4,850,000), interest on any overdraft balances, interest on any outstanding indebtedness, building lease charges based on lease agreements, and other direct expenses reimbursable with no handling fees or markup.

(b) Certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating $5,650,000 (June 30, 2006 - $5,000,000). During the six month period ended June 30, 2007, the LP paid these individuals $84,750 (June 30, 2006 -$59,750) for providing these guarantees.

11. SEGMENTED INFORMATION:

The LP operates in two main industry segments with all of the operations being in Canada. These segments are agricultural and construction equipment. The segmented amounts are as follows:

June 30, 2007	Agricultural Equipment	Construction Equipment	Total
Revenue	$ 88,299,054	$ 58,885,705	$ 147,184,759
Net earnings available to partners	1,121,910	3,867,018	4,988,928
Earnings of significantly influenced companies	556,782	-	556,782
Depreciation and amortization	440,958	1,477,049	1,918,007
Capital expenditures	326,136	2,749,442	3,075,578

June 30, 2006	Agricultural Equipment	Construction Equipment	Total
Revenue	$ 80,673,822	$ 41,492,272	$ 122,166,094
Net earnings available to partners	797,650	2,844,949	3,642,599
Earnings of significantly influenced companies	308,043	-	308,043
Depreciation and amortization	340,661	1,217,130	1,557,791
Capital expenditures	522,589	2,249,084	2,871,673

12. SUBSEQUENT EVENTS:

On July 3, 2007, the LP closed a private placement with the issuance of 384,616 limited partnership units for an aggregate amount of $5,000,008. The subscription agreement includes a warrant to purchase one-half of one partnership unit at an exercise price of $14 per unit subscribed and expires on January 31, 2008. The total net proceeds from the private placement will be used by the LP to fund further capital expenditures and business acquisitions and for general corporate purposes. Finder's fees of $67,097 were paid and recorded as a reduction in gross proceeds in relation to the private placement.

CERVUS LP

2007 SECOND QUARTER REPORT TO THE UNITHOLDERS (UNAUDITED)

For the period ended June 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of August 27, 2007 and is provided to assist readers in understanding Cervus LP's financial performance for the six month period ended June 30, 2007 and significant trends that may affect future performance of Cervus LP. This MD&A should be read in conjunction with the accompanying unaudited consolidated financial statements for the period ended June 30, 2007 and the notes contained therein. The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and Cervus LP's reporting currency is the Canadian dollar. Cervus LP is a reporting issuer in the provinces of Alberta and British Columbia, Canada. Cervus LP's units trade on the TSX Venture Exchange under the symbol "CVL.UN".

Additional information relating to Cervus LP 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-GAAP financial measures to assist users in assessing Cervus LP's performance. Non-GAAP financial measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-GAAP Financial Measures".

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 and construction equipment is influenced by seasonality. Agriculture sales activity is normally highest between April and September during growing seasons in Canada whereas construction sales activity is not as volatile, however sees slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

for the three and six month periods ended June 30, 2007 and 2006

$ thousands, except per unit amounts	Three Months Ended			Six Months Ended		
	June 30, 2007	June 30, 2006	% Change	June 30, 2007	June 30, 2006	% Change
Revenues	86,953	77,478	12.2	147,185	122,166	20.5
Gross profit	15,861	12,826	23.7	24,990	20,220	23.6
Gross margin	18.2%	16.6%	9.6	17.0%	16.6%	2.4
EBITDA[1]	6,002	5,258	6.1	7,460	6,207	20.1
EBITDA margin[1]	6.9%	6.8%	1.5	5.1%	5.1%	-
Per Unit – Basic	0.81	0.91	(17.3)	1.07	1.07	-
Net earnings	4,833	3,913	23.5	4,988	3,641	37.0
Per unit – Basic	0.69	0.67	3.0	0.71	0.63	12.7
Per unit - Diluted	0.65	0.63	3.2	0.67	0.59	13.6
Funds from operations[1]	5,420	4,479	21	6,505	4,972	30.8
Per unit – Basic	0.77	0.78	(1.2)	0.93	0.86	(1.2)
Distributions declared	2,113	1,777	18.9	4,094	3,202	27.9
Per unit	0.27	0.27	-	0.54	0.50	16.0

$ thousands, except per unit amounts	June 30, 2007	June 30, 2006	% Change
Weighted average units outstanding:			
Basic	7,003	5,778	21.2
Diluted	7,392	6,203	19.1
Actual units outstanding	7,159	6,019	19.0
Closing market price per share	13.04	11.00	18.5
Price earnings ratio[1]	10.3	10.1	2.0
Total assets	121,510	110,471	10.0
Long-term liabilities	11,811	8,378	41.0
Total debt	81,715	71,355	14.5
Unitholders' equity	39,795	28,830	38.0

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

SELECTED HIGHLIGHTS FOR THE QUARTER

- Effective May 31, 2007, we purchased the John Deere dealership in Olds, Alberta for $4 million.

- Revenue for the second quarter of 2007 was $86.95 million, an increase of 12.2% compared to 2006 second quarter revenue of $77.48 million.

- We reported net earnings of $4.83 million or $0.69 per unit in the second quarter of 2007. This represents an increase of 23.5% over net earnings of $3.91 million or $0.67 per unit for the second quarter of 2006.

- The construction equipment segment continues to show strong performance and has contributed $3.87 million of net earnings to the LP for the six months of 2007 compared to $2.84 million in the first six months of 2006, an increase of approximately $1.02 million or 35.9%.

- The agriculture equipment segment reported earnings of $1.12 million during the first six months of 2007, an increase of approximately $324 thousand or 40.6% over income of $798 thousand for the same period during 2006.

OVERALL PERFORMANCE FOR THE QUARTER AND YEAR TO DATE

Continuing our growth strategies and a strong housing demand in Alberta, has allowed us to achieve record second quarter gross revenue of $86.9 million and $147.2 million year to date. This is an increase of $9.5 million when compared to revenue of $77.4 million for the second quarter of 2006 and $25.0 million when compared to revenue of $122.2 million for the first six months of the same period in 2006. Likewise, we increased our EBITDA (see “Non-GAAP Financial Measures”) by 6.1% (20.1% year to date) to $6.0 million in the second quarter of 2007 ($7.5 million year to date) from $5.65 million in the second quarter of 2006 ($6.2 million year to date). Our gross margin increased to 18.2% for the second quarter of 2007 (17.0% year to date) when compared to 17.0% (16.6% year to date) for the same periods of 2006.

For the second quarter of 2007, EBITDA per unit - basic (see “Non-GAAP Financial Measures”) was $0.81 per unit compared to EBITDA per unit of $0.91 in 2006 and remained consistent at $1.07 per unit for the first six months of 2007 and 2006. Funds from operations per unit – basic (see “Non-GAAP Financial Measures”) for the second quarter of 2007 were $0.77 per unit when compared to $0.78 per unit in 2006 and $0.93 per unit and $0.86 per unit year to date for 2007 and 2006 respectively. Net earnings increased to $0.69 per unit in the second quarter of 2007 from $0.67 per unit in 2006. Year to date earnings for 2007 were $0.71 per unit, up from $0.63 for the same period of 2006.

We achieved strong revenue and cash flow growth from both the agricultural and construction equipment segments; however, this was offset by decreases in overall gross margins achieved from both segments.

During the period, we purchased the Olds, AB John Deere dealership. The purchase of this dealership complements our current agricultural equipment segment as it expands our current territorial rights under our dealership arrangement with John Deere. The operations have been merged with our other current Alberta operations to take advantage of synergies that result from combining the management and marketing focus of this group of stores.

Our outlook for the remainder of 2007 and 2008 remains positive. The agricultural segment is experiencing a higher level of optimism from its customers, commodity prices for grains remain strong and there are strong fundamentals in the market for a strengthening agriculture sector. The construction segment continues to see a high demand for equipment due to a strong housing market in Alberta, combined with increased economic activity in northern Alberta due to large construction projects and the oil sands development. The slowdown in the oil services sector has not impacted the business negatively.

We expect our growth to continue in 2007 due to a strong Western Canada economy, especially in Alberta for our construction equipment segment and a strengthening agriculture base due to anticipated higher crop prices.

FINANCIAL REVIEW FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006 REVENUE

$ thousands	Three Months Ended			Six Months Ended		
	June 30, 2007	June 30, 2006	% change	June 30, 2007	June 30, 2006	% change
Revenues by segment:						
Equipment	44,886	43,487	2.3	71,225	66,163	7.6
Parts	6,609	5,691	16.1	10,471	9,085	15.3
Service	3,710	2,938	26.3	6,299	5,230	20.4
Rental and other	318	139	128.8	304	196	55.1
Agricultural equipment	55,523	52,255	6.3	88,299	80,674	9.5
Equipment	24,768	19,693	25.8	47,196	32,098	47.0
Parts	3,307	2,704	22.3	5,845	4,523	29.2
Service	1,676	1566	7.0	3,173	2,722	16.6
Rental and other	1,679	1,260	33.3	2,672	2,149	24.3
Construction equipment	31,430	25,223	24.6	58,886	41,492	41.9
Total	86,953	77,478	12.2	147,185	122,166	12.2

AGRICULTURAL EQUIPMENT

Revenue for our agricultural equipment segment increased by $3.3 million to $55.5 million and $7.6 million to $88.3 million for the second quarter and first half of 2007, when compared to the same periods of 2006. This is an increase of 6.3% and 9.5% for the second quarter and year to date revenues of $52.3 million and $80.7 million for the same periods during 2006. The primary factors that caused the increase in revenue are due to the purchase of the Watrous, SK dealership on July 1, 2006 which has increased revenue by $4.7 million for the second quarter of 2007 and $6.5 million year to date. This increase is offset by the closure of the Wawota, SK dealership at the end of 2006 which contributed $781 thousand and $1.2 million of gross revenue for the second quarter and year to date periods of 2006. The LP has experienced lower new John Deere equipment sales for the current year, which has been offset by increased equipment sales in used equipment as the segment is concentrating on reducing its overall used equipment inventories. Our parts and service revenues have increased 19.6% and 17.1% for the 2007 second quarter and year to date over the same periods in the prior year. This increase is due to us concentrating on external customer sales, higher margin products and less internal service work being performed, in addition to the items described above.

CONSTRUCTION EQUIPMENT

During the second quarter and year to date periods of 2007, revenue in our construction equipment segment increased by $6.2 million and $17.4 million to $31.4 million and $58.9 million respectively. This is an increase of 24.6% for the second quarter and 41.9% for year to date over revenues of $25.2 million and $41.5 million for the same periods of 2006. Contributing to the increase in revenues was equipment sales ($5.1 million for the second quarter and $15.1 million year to date), parts sales ($603 thousand for the second quarter and $1.3 million year to date), service sales ($110 thousand in the second quarter and $451 thousand year to date) and rental and other revenue ($419 thousand for the second quarter and $523 thousand year to date). The year to date increase in equipment sales was led by sales of new Bobcat equipment which accounted for $4.6 million of the increase in the second quarter (approximately $8.0 million year to date) and $3.2 million in sales of a new line of mulcher equipment year to date. The strong Alberta economy, combined with heavy snowfall in Northern Alberta in the first quarter of 2007 continues to be the primary reason for the increased revenues.

GROSS PROFIT MARGINS

$ thousands	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	% change	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	% change
Gross profit by segment:						
Agricultural equipment	17.5%	14.7%	15.8	15.6%	14.7%	6.1
Construction equipment	19.3%	21.8%	(25.7)	19.1%	22.0%	(13.2)
Total	18.2%	16.6%	6.0	17.0%	16.6%	2.4

AGRICULTURAL EQUIPMENT

In the second quarter of 2007, the agricultural equipment segment reported a 17.5% gross profit margin (15.6% year to date) compared to 14.7% for the same periods during 2006. The primary reason for the increase in gross profit margin was the reduced impact felt by the US dollar which resulted in used equipment write-downs during 2006. This reduced the overall impact on the current year's gross profit margin by pricing our inventory to respond to this market change.

CONSTRUCTION EQUIPMENT

The construction equipment segment reported a 19.3% gross profit margin for the first six months of 2007 when compared to 21.8% for the first six months of 2006 and 19.1% gross profit margin year to date when compared to 22.0% for the same period of 2006. This resulted in a decrease in overall gross profit margin of 2.5% and 2.9% when compared to the second quarter and year to date periods during 2006. The primary reason for the decrease was the effect of the strengthening Canadian dollar during the year which resulted in competitive pricing being offered to our customers combined with the inability to offset higher cost of sales coming from inventories previously purchased.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

$ thousands	Three Months Ended June 30, 2007	June 30, 2006	% change	Six Months Ended June 30, 2007	June 30, 2006	% change
Selling, general and administrative expenses by segment:						
Agricultural equipment	6,946	5,661	22.7	12,414	10,135	22.5
Construction equipment	3,922	2,594	51.1	6,697	4,924	36.0
Total	10,868	8,255	31.7	19,111	15,059	26.9
% of revenue						
Agricultural equipment	12.5	10.8	15.7	14.1	12.6	11.9
Construction equipment	12.5	10.3	21.4	11.4	11.8	(3.4)
Total	12.5	10.7	16.8	13.0	12.3	5.7

AGRICULTURAL EQUIPMENT

The agricultural equipment segment reported $6.9 million of selling general and administrative expenses in the second quarter of 2007, $12.4 million year to date when compared to $5.7 million and $10.1 million for the same periods of 2006. This is an increase over 2006 of 22.7% for the second quarter and 22.5% year to date. Selling general and administrative expenses as a percentage of agriculture segment revenue was 12.5% for the second quarter of 2007 and 14.1 % year to date versus 10.8% and 12.6% for the same periods of 2006, an increase of 3.3% and 1.5% respectively. The primary reason for the increased selling general and administrative expenses as a percentage of revenue was due to increased after sales, credit and collection, and commission costs. The increased after sales costs relate to expenses incurred on specific unit sales subsequent to the sale date. These costs are generally incurred for customer retention. Credit and collection costs are a result of customer defaults on specific leases. Our exposure on default is limited to the finance reserve, as described in the notes to the Financial Statements. Increased commission costs are due to higher sales and gross profit margins.

CONSTRUCTION EQUIPMENT

The construction equipment segment incurred $3.9 million of selling, general and administrative expenses for the second quarter of 2007 and $6.7 million year to date versus $2.6 million and $4.9 million for the same periods of 2006. As a percentage of construction segment sales, selling, general and administrative costs have increased to 12.5% in the second quarter of 2007 compared to 10.3% for the second quarter of 2006 and 11.4% year to date for 2007 when compared to 11.8% year to date for 2006. Selling, general and administrative costs increased as a percentage of revenue primarily due to increased general administration costs caused by increases in credit and collection costs in the second quarter of 2007 and higher commission costs, both as a result of increased sales activity.

INTEREST

Interest expense for the second quarter of 2007 was $166 thousand compared to $484 thousand for the second quarter of 2006. The primary reason for the decrease of $318 thousand was due to an increase in the LP's cash flows which have reduced the LP's overall borrowing costs combined with a decrease in interest paid to related parties in 2006 on notes payable.

EBITDA

$ thousands	Three Months Ended June 30, 2007	June 30, 2006	$ change	Six Months Ended June 30, 2007	June 30, 2006	$ change
EBITDA by segment:						
Agricultural equipment	3,114	2,621	493	1,892	1,960	(68)
Construction equipment	2,888	3,037	(149)	5,568	4,247	1,321
Total	6,002	5,258	344	7,460	6,207	1,253
% of revenue	6.9	7.3		5.1	5.1	

For the three months ended June 30, 2007, our EBITDA (see “Non-GAAP Financial Measures”) grew to $6.0 million from $5.7 million in 2006 and $7.5 million for 2007 year to date from $6.2 million year to date in 2006. This increase is directly attributable to higher revenues during the quarter. Our EBITDA margin for the second quarter has decreased to 6.9% from 7.3% in 2006 but has remained consistent at 5.1% of revenue for 2007 and 2006 year to date. The decrease in the second quarter is primarily attributed to an increase in selling, general and administrative expenses as a percentage of revenues which were not offset by our increase in gross profit margin.

DEPRECIATION AND AMORTIZATION

$ thousands	Three Months Ended June 30, 2007	June 30, 2006	$ change	Six Months Ended June 30, 2007	June 30, 2006	$ change
Depreciation and amortization by segment:						
Agricultural equipment	244	206	38	441	341	100
Construction equipment	760	656	104	1,477	1,217	260
Total	1,004	862	142	1,918	1,558	26.9

AGRICULTURAL EQUIPMENT

The agricultural equipment segment depreciation and amortization increased by $38 thousand to $244 thousand for the second quarter of 2007 compared to $206 thousand for the second quarter of 2006. Year to date depreciation and amortization increased $100 thousand to $441 thousand from $341 thousand in 2006. The increase in depreciation and amortization is primarily related to the amortization of intangible assets resulting from acquisitions in the third quarter of 2006 and the Greenline business acquisition in the second quarter of 2007 of $59 thousand in the second quarter ($101 thousand year to date) versus no intangible asset amortization recorded in the same periods of 2006.

CONSTRUCTION EQUIPMENT

The construction equipment segment had $760 thousand of depreciation and amortization in the second quarter of 2007 versus $656 thousand in the second quarter of 2006, an increase of $104 thousand and $1.48 million year to date in 2007 versus $1.22 million year to date in 2006, an increase of $260 thousand. The primary reason for the increase in depreciation and amortization is due to an increase in the segment's rental equipment fleet which grew from a net book value of $7.8million at December 31, 2006 to $8.7 million at June 30, 2007. The increase of $900 thousand in net book value of property and equipment is a combination of purchases of equipment in the amount of $1.9 million and offset by depreciation recorded in the amount of approximately $1.0 million.

INCOME TAXES

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT" tax), referred to as "Specified investment flow-through ("SIFT") entities (Bill C-52) received third reading in the House of Commons and on June 22, 2007, the bill received Royal Assent. As a result, the tax was considered to be enacted for accounting purposes in June 2007.

SIFTs' are certain publicly traded income and royalty trusts and limited partnerships including Cervus LP. For SIFT's in existence on October 31, 2006, the SIFT tax will be effective in 2011 unless certain rules related to "undue expansion" are not adhered to. Under the guidance provided, we can increase our equity by approximately $50 million per year between now and 2011 without prematurely triggering the SIFT tax.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFT's in 2011 and thereafter and any limited partnership taxable income will be taxed at an approximate rate of 31.5 percent, being the estimated corporate income tax rate. The resultant distributions will be considered taxable to the Unitholders. Distributions representing return of capital for income tax purposes will continue to be an adjustment to a Unitholders adjusted cost base of the partnership units.

For accounting purposes, as the SIFT tax was enacted in the second quarter of 2007, the LP assessed its temporary differences between book and tax basis of assets and liabilities and determined that no additional future income tax liability or future income tax expense was required at this time. It is the intention of the LP to manage the difference between its book value of its assets and liabilities so that the tax basis of the assets and liabilities are substantially the same at December 31, 2010.

The LP is currently reviewing organizational structures and alternatives to minimize the impact of the SIFT tax on our Unitholders. While there can be no assurance that the negative effect of the tax can be minimized or eliminated, we continue to work diligently on these issues.

NET EARNINGS

$ thousands	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Three Months Ended $ change	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	Six Months Ended $ change
Net earnings by segment:						
Agricultural equipment	2,840	1,989	851	1,122	798	324
Construction equipment	1,993	1,842	151	3,866	2,843	1,023
Total	4,833	3,831	1,002	4,988	3,641	1,347

WEIGHTED AVERAGE SHARES OUTSTANDING

In thousands	June 30, 2007	June 30, 2006
Basic weighted average number of units outstanding	7,003	5,778
Dilutive effect of convertible preferred units	375	375
Dilutive effect of outstanding unit options	11	18
Dilutive impact of deferred unit plan	4	-
Dilutive effect of outstanding warrants	-	32
Diluted weighted average number of units outstanding	7,392	6,203

Subsequent to June 30, 2007, 118,750 preferred units were converted to LP units.

EARNINGS PER UNIT

	Three Months Ended			Six Months Ended		
	June 30, 2007	June 30, 2006	% change	June 30, 2007	June 30, 2006	% change
Earnings per unit by segment:						
Basic:						
Agricultural equipment	$ 0.40	$ 0.34	17.6	$ 0.16	$ 0.14	14.2
Construction equipment	0.29	0.31	(6.5)	0.55	0.49	12.2
Total	$ 0.69	$ 0.65	6.2	$ 0.71	$ 0.63	12.7
Diluted:						
Agricultural equipment	$ 0.38	$ 0.32	18.8	$ 0.15	$ 0.13	15.4
Construction equipment	0.27	0.30	(10.0)	0.52	0.46	13.0
Total	$ 0.65	$ 0.62	4.8	$ 0.67	$ 0.59	13.6

AGRICULTURAL EQUIPMENT

The agricultural equipment reported net earnings of $2.8 million ($0.40 per unit) for the three months ended June 30, 2007 compared to net earnings of $2.0 ($0.34 per unit) million for the same period in 2006, a 17.6% increase. The increase in earnings was primarily caused by a reduction in used equipment write-downs during the second quarter of 2007 when compared to the same period during 2006. Write-downs for the second quarter of 2007 were $300 thousand compared to approximately $1.0 million for the same period during 2006. Income for 2007 year to date was $1.1 million ($0.16 per unit) compared to $798 ($0.14 per unit) for the same period in 2006, a 40.6% increase. Due to the seasonality of the agricultural equipment business, net losses were recorded in the first quarter of 2007 and 2006 which is consistent with historical results.

CONSTRUCTION EQUIPMENT

The construction equipment sector experienced an 8.2% increase in net earnings to $2.0 million for the second quarter of 2007 when compared to $1.8 million for the same period in 2006. The increase can primarily be contributed to increased revenues resulting in increased gross profit margin. Year to date net earnings have increased 36.0% to $3.9 million for 2007 compared to $2.8 million for 2006. Contributing to the year to date revenues was record revenue in the first quarter of 2007 due to heavy snow fall in Northern Alberta.

SELECTED QUARTERLY INFORMATION

$ thousands, except per unit amounts	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Revenues	86,952	60,239	67,335	79,634
EBITDA[1]	6,002	1,457	2,293	4,450
Funds from operations[2]	5,420	1,085	2,366	4,314
Net earnings	4,833	156	970	4,002
Basic earnings per unit	0.69	0.02	0.16	0.67
Diluted earnings per unit	0.65	0.02	0.15	0.62
Actual Units outstanding	7,159	7,007	6,863	6,767
Basic weighted average units outstanding	7,003	6,937	6,245	5,944
Fully diluted weighted average units outstanding	7,392	7,335	6,661	6,367

$ thousands, except per unit amounts	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005
Revenues	77,478	44,687	49,590	63,530
EBITDA[1]	5,258	950	1,490	2,937
Funds from operations[2]	4,479	493	1,161	2,624
Net earnings (loss)	3,831	(190)	561	2,592
Basic earnings (loss) per unit	0.66	(0.03)	0.14	0.61
Diluted earnings (loss) per unit	0.62	(0.03)	0.13	0.59
Actual Units outstanding	6,175	5,956	4,411	4,156
Basic weighted average units outstanding	5,778	5,543	4,204	4,156
Fully diluted weighted average units outstanding	6,203	6,079	4,614	4,223

Notes: 1. EBITDA is earnings before depreciation and amortization, interest and income taxes. EBITDA is a non-GAAP measure. (see “Non-GAAP Financial Measures”)

2. Cash flow from operations before changes in non-cash working capital.

SEASONALITY OF OPERATIONS

The Canadian retailing of agricultural and construction equipment is influenced by seasonality. Sales activity for the agriculture segment is normally highest between April and September during growing seasons in Canada. The construction sector is not as volatile; however it does see slower sales activity in the winter months though due to heavy snow fall in Northern Alberta in the first quarter of 2007, this was not experienced. As a result, earnings or losses may not accrue uniformly from quarter to quarter.

FINANCIAL CONDITION AND LIQUIDITY

$ thousands, except ratio amounts	June 30, 2007	December 31, 2006
Current assets	92,731	83,673
Total assets	121,510	107,516
Current liabilities	69,904	62,179
Long-term liabilities	11,810	9,177
Unitholders' equity	39,795	36,160
Working capital[1]	22,827	21,494
Working capital ratio[1]	1.33	1.35

Notes: 1. Working capital is calculated as current assets minus current liabilities. Working capital ratio is calculated as current assets divided by current liabilities (see "Non-GAAP Financial Measures).

WORKING CAPITAL

Our working capital (see "Non-GAAP Financial Measures") at June 30, 2007 increased to $22.8 million from $21.5 million at December 31, 2006, an increase of $1.3 million during the period. Our working capital increase during the six month period ended June 30, 2007 was expected due to the seasonality of our operations and management is confident there is sufficient working capital to meet our upcoming operational and debt servicing requirements as they become due. It is expected that a large number of combines will be sold, delivered and settled in our agricultural equipment segment during the third quarter from our early order programs and we believe that our current working capital, combined with any use of our operating line availability will be sufficient for the increased sales activity.

Accounts receivable increased $3.4 million to $11.5 million at June 30, 2007, primarily as a result of increased construction equipment segment revenues. Contracts in transit increased by $150 thousand to $2.7 million at June 30, 2007 from $2.6 million at December 31, 2006 due to timing and completion of customer sales processed. Inventories increased to $77.9 million at June 30, 2007 from $72.2 million at December 31, 2006, an increase of $5.7 million. The primary cause for the increase in inventories was the purchase of the John Deere dealership in Olds, AB which approximated $4.2 million as well as increases in parts inventories of approximately $700 thousand, new equipment inventories of approximately $1.2 million, a reduction in used equipment inventories of approximately $400 thousand ($1.1 million, or 4%, reduction excluding the increase in used equipment inventories from the Olds acquisition). Accounts payable and accrued liabilities have increased by $2.7 million to $7.2 million at June 30, 2007, compared to $4.5 million at December 31, 2006. The primary reason for the increase was the purchase of the Olds, AB John Deere dealership which accounts for approximately $1.4 million of the increase. Floor plan payables have also increased by $9.7 million at June 30, 2007 to an aggregate amount outstanding of $55.8 million compared to $46.1 million at December 31, 2006. Floor plan payables represent approximately 71% of inventories at June 30, 2007 versus 64% at December 31, 2006.

CASH FLOW FROM OPERATIONS AND FUNDS FROM OPERATIONS

Cash flow generated from operations was $6.2 million for the three months ended June 30, 2007 compared to $195 thousand in 2006, an increase of $6.0 million. Excluding net changes in non-cash working capital balances that provided $749 thousand, operations generated $5.4 million of cash in the second quarter of 2007 versus $4.4 which included non-cash working capital balances that used $4.2 million for the same period of 2006. The balance of the increased cash flow came primarily from the increase in net earnings for the period. We believe funds from operations is a useful Non-GAAP financial measure as it provides an indication of our ability to generate cash, exclusive of period to period changes in our non-cash operating working capital balances which includes adjustments for increases and decreases in our current assets and liabilities, including accounts receivable, inventories, prepaid expenses, accounts payable and accrued liabilities and advance customer deposits.

CASH FLOWS FROM FINANCING

Cash flow provided by financing activities during the second quarter of 2007 was $451 thousand versus $1.0 million in the second quarter of 2006. The primary uses and sources of cash flows from financing activities during the three months ended June 30, 2007 were distributions to partners ($2.1 million), issuance of limited partnership units through the LP's dividend reinvestment plan ("DRIP") ($1.3 million) and net cash provided from long-term debt of $1.2 million primarily due to the financing of increases in our rental equipment fleet.

CASH FLOWS FROM INVESTING

During the second quarter of 2007, we used $5.2 million of cash flows for investing activities versus $2.4 million in the same period of 2006. The primary use of cash was for the purchase of the Olds, AB John Deere dealership for approximately $4 million which required cash of $3.6 million and additions made to property and equipment which aggregated $1.7 million. Subsequent to the second quarter end, the LP closed a private placement which has provided $4.9 million in cash proceeds that we anticipate using for further capital expenditures and business acquisitions.

DEBT AND CONTRACTUAL OBLIGATIONS

BANK INDEBTEDNESS

At June 30, 2007 the LP has an operating bank line of credit in the amount of $15 million (December 31, 2006 - $12 million). The LP has used $1.9 million of the line at June 30, 2007. The operating line of credit bears interest at rates ranging from prime plus 0.25% to prime plus 0.75% based on certain financial covenants and is secured by a general security agreement, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of insurance and guarantees from the LP's subsidiaries and Cervus GP Ltd. The bank indebtedness is also subject to certain financial and negative covenants for which we are in compliance with at June 30, 2007 and to the date of this report. We have increased our floor plan financing by identifying unencumbered inventory. This along with our reduction in used inventories has reduced the use of our operating line facility.

TERM DEBT

Term debt consists of financing arrangements for our short term rental equipment financing, agricultural equipment segment rental fleet and to finance some of our automotive and truck purchases. Term debt also consists of a $5 million term loan acquired when we purchased AR Williams. The term debt carries interest at rates ranging from 0% to 7.25%. Term debt increased approximately $1.7 million during 2007 and this is primarily related to an increase in the construction equipment segment's short term rental equipment.

CONTRACTUAL OBLIGATIONS

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

$ in thousands	Total	Due 2008	Due 2009 through 2011	Due 2012 through 2013	Due thereafter
Long-term debt	12,903	2,066	10,837	-	-
Notes payable	1,425	600	600	225	-
Operating leases	8,203	2,325	3,890	1,129	859
Total contractual obligations	22,531	4,991	15,327	1,354	859

DISTRIBUTIONS

DISTRIBUTION POLICY

Cervus LP, in accordance with its Limited Partnership Agreement, is entitled, at the discretion of the Board of Directors, to make cash distributions to its Limited Partnership Unit Holders. It is the intention of the Board of Directors to distribute the net earnings of Cervus LP earned in the prior fiscal period, over the current fiscal period after accounting for such items as maintenance capital expenditures (see – "Non-GAAP Financial Measures) and principal repayments of debt agreements and other discretionary funding requirements. We have continued to distribute $0.09 per unit for the periods January through July 2007.

The following table summarizes our distributions during the six month period ended June 30, 2007 ($ thousands, except per unit amounts):

Record Date	Distribution per Unit	Distribution Payable	Distributions Reinvested	Net Distributions Paid
January 31, 2007	0.09	620	294	326
February 28, 2007	0.09	628	302	326
March 31, 2007	0.09	631	278	353
April 30, 2007	0.09	640	280	360
May 31, 2007	0.09	642	310	332
June 30, 2007	0.09	644	316	328
	0.54	3,805	1,780	2,025
General partner		86	-	86
Preferred Units		202	-	202
Total Distributions		4,093	1,780	2,313

Cash distributions are normally paid by Cervus LP on a monthly basis to Unitholders of record on the last business day of each month. Distributions are payable on or about the 15th day of the month following the record date.

DISTRIBUTION REINVESTMENT PLAN

During the period we declared total distributions to the Unitholders of $0.54 per unit for an aggregate distribution of $3.8 million. In addition, we paid $202 thousand to the holders of the preferred units and $86 thousand to the General Partner. Of the $3.8 million issued to the Unitholders, $1.78 million was reinvested in the LP's DRIP plan resulting in the issuance of approximately 177 thousand units.

TAXATION OF DISTRIBUTIONS

Because LP is a partnership, the income of the Partnership is allocated to the individual partners annually on December 31, who in turn, are responsible for the taxes on their portion of the partnership income. The cash distributions are paid monthly and are considered a return of capital for income tax purposes. The taxable income allocated and the cash distributions paid may differ in timing and amount.

In June 2007, the Government of Canada enacted the previously announced tax on publicly traded partnerships. As a result and as described above, the LP did not record any additional future income tax liabilities or expenses in the second quarter. The LP remains active in reviewing and/or pursuing alternative tax efficient structural alternatives.

CAUTIONARY NOTE REGARDING DISTRIBUTIONS

Although we intend to continue making monthly distributions to our Unitholders, cash distributions are not assured and may be reduced or suspended. Our ability to continue making cash distributions and the actual amount distributed 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 units may decline if we were unable to meet our cash distribution targets in the future, and that decline may be significant.

As terms under our credit facilities, we are restricted from declaring distributions or distributing cash if the LP is in breach of its debt covenants.

DISTRIBUTABLE CASH CALCULATED:

$ thousands, except per unit amounts	June 30, 2007	June 30, 2006
Cash flow from operations	6,169	195
Add (deduct):		
Net change in non-cash operating working capital	(749)	4,284
Maintenance capital expenditures[1]	(538)	(244)
Cash available for distribution and growth (a)	4,882	4,235
Per unit – diluted	0.70	0.68
Gross distributions declared to all equity holders (b)	4093	3,202
Payout ratio (b)/(a)	83%	76%
Net distributions declared, net of DRIP (c)	2,313	1,646
Payout ratio, net of DRIP (c)/(a)	47%	39%

Notes: 1. these terms are identified and defined under the section “Non-GAAP Financial Measures)

Cash available for distribution and growth in excess of distributions we declare reflects our reserves for such things as future working capital requirements and future capital expenditures. In addition, cash retained through the participation of Unitholders in our DRIP is also used to fund future capital expenditures and acquisitions.

Cash available for distribution and growth reported for the periods ended June 30, 2007 and 2006 are net of maintenance capital expenditures. Maintenance capital expenditures are the capital expenditures incurred during the period to maintain our existing levels of service. This includes capital expenditures used to replace buildings and equipment and enhance the operational life of existing equipment. These capital expenditures can fluctuate significantly, year-to-year depending on our identified needs. If maintenance capital expenditures increase in future periods, our cash available for distribution and growth would be negatively impacted.

We estimate our unfunded maintenance capital expenditures to be approximately $2 million for the year ended December 31, 2007 (see “Note Regarding Forward-Looking Statements). We based this estimate on our preliminary replacement expectations for equipment, net of funding resources received. The actual timing of the replacements is subject to a number of variables that cannot necessarily be predicted and though we believe these estimates to be appropriate, our actual maintenance capital expenditures may differ materially from our original estimates.

MARKET OUTLOOK

The strength of the Canadian dollar in comparison to the US dollar continues to place downward pressure on the valuation of used equipment, particularly in the Agriculture sector, though being experienced somewhat in our construction segment as discussed above. We believe we have reacted to the market appropriately through the write down of values to reflect the impact of the exchange rate, however there is no guarantee that a further adjustments may be required if the Canadian dollar continues to strengthen compared to the US dollar.

AGRICULTURE SEGMENT:

Strong grain prices and the generally strong fundamentals in the agriculture sector have driven our past growth in revenues and we believe this will continue into the near future.

We have been experiencing hotter and drier weather in most of our territories resulting in earlier harvesting conditions. This may impact our farmer customers as hotter weather will result in lower grain quantities. However, increased prices in most grain markets may offset the reduction in crop yields.

CONSTRUCTION SEGMENT:

We anticipate a continued high level of demand for our construction products and services driven mainly by a strong housing market. Though housing starts have slowed in the Alberta economy, they still remain at record levels. This, combined with announcements by Shell to build a new up grader facility near Edmonton, combined with investment in the oil sands projects in Northern Alberta, will continue to drive the already strong, Alberta economy.

Ingersoll Rand announced in July 2007 that it has sold its Bobcat, utility equipment and attachments businesses to Doosan Infracore. We have no way to determine the impact of this decision, but do not anticipate that it will have a negative impact on our business.

We believe that this segment will continue to provide strong financial results in the near future.

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 general partner's directors, officers, and employees in accordance with our limited partnership agreement and other agreements. Certain agreements do not contain any limits on our liability and, therefore, it is not possible to estimate our potential liability under these indemnities. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we also maintain insurance policies that may provide coverage against certain claims under these indemnities.

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the LP's customers. A portion of this financing is with recourse to the LP if the amounts are uncollectible. At June 30, 2007, payments in arrears by such customers aggregated $7.34 million (December 31, 2006 - $878 thousand). In addition, the LP 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, 2007, the net residual value of such leases aggregated $24.35 million (December 31, 2006 - $27.7 million).

The LP is liable for a portion of the deficiency in the event that the customer defaults on their lease obligation. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the LP owes Deere Credit under this obligation. The deposits are capped at 1% to 3% of the total dollar amount of the lease finance contracts outstanding. The maximum liability that may arise related to these arrangements is limited to the deposits of $1.3 million as at June 30, 2007 (December 31, 2006 - $1.28 million). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the LP.

TRANSACTIONS WITH RELATED PARTIES

Our related party transactions are disclosed in the notes to the accompanying interim consolidated financial statements.

BUSINESS RISKS AND UNCERTAINTIES

Our business is subject to certain risks and uncertainties. Prior to making any investment decision regarding Cervus LP, investors should carefully consider, among other things, the risks described within this MD&A and the business risks and factors set forth in Cervus LP's 2006 Annual MD&A. These business risks and factors are incorporated by reference herein. These documents are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com

ADOPTION OF NEW ACCOUNTING POLICIES:

Effective January 1, 2007, the LP adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 Comprehensive Income, Section 3251 Equity, Section 3855 Financial Instruments – Recognition and Measurement, and Section 3861 Financial Instruments – Disclosure and Presentation. These new Handbook Sections apply to fiscal years beginning on or after October 1, 2006.

COMPREHENSIVE INCOME AND EQUITY

Section 1530 establishes standards for the reporting and display of comprehensive income. The section defines other comprehensive income to include certain revenues, expenses, and gains and losses that are recognized in comprehensive income but excluded from net income. The adoption of Section 1530 did not have any impact on the LP's financial statement presentation in the current period.

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to those of Section 1530 and recommend that an enterprise should present separately the following components of equity: retained earnings, accumulated other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital, and reserves. The adoption of Section 3251 did not have any impact on the LP's financial statement presentation in the current period. The LP has no other comprehensive income components.

FINANCIAL INSTRUMENTS

Under Section 3855, all financial instruments are classified into one of these five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held for trading financial instruments are measured at fair value and changes in fair value are recognized in net earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of Section 3855, the LP has classified its cash and cash equivalents as held for trading. Accounts receivable and notes in transit are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities, floor plan payables, customer advance deposits, distribution payable, term debt and notes payable are classified as other liabilities, all of which are measured at amortized cost.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Cervus LP is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. The Chief Executive Officer and Chief Financial Officer have concluded, as of the end of the period covered by the interim filings that Cervus LP's disclosure controls and procedures are effectively designed to provide reasonable assurance that material information related to the issuer, is made known to them by others within the Partnership. It should be noted that while the Partnership's Chief Executive Officer and Chief Financial Officer believe that the disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met.

NON-GAAP FINANCIAL MEASURES

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

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

The following is a reconciliation of EBITDA to net earnings

$ thousands, except per unit amounts	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Net earnings	4,833	3,912	4,989	3,723
Add:				
Interest	165	485	553	927
Amortization	1,004	861	1,918	1,558
EBITDA	6,002	5,258	7,460	6,208
EBITDA margin[1]	6.9%	6.8%	5.1%	5.1%

EBITDA MARGIN; EBITDA margin is calculated as EBITDA divided by revenue.

FUNDS FROM OPERATIONS BEFORE CHANGES IN NON-CASH OPERATING WORKING CAPITAL; cash flow from operations before changes in non-cash operating working capital is derived from the consolidated statements of cash flows and is calculated as cash provided from operating activities before changes in non-cash operating working capital. Per unit amounts refer to cash flow from operations before changes in non-cash operating working capital divided by the weighted average number of units outstanding during the period.

WORKING CAPITAL; working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities.

MAINTENANCE CAPITAL EXPENDITURES; maintenance capital expenditures are the capital expenditures incurred during the period to maintain our existing levels of service. This includes capital expenditures used to replace buildings and equipment and enhance the operational life of existing equipment, net of financing proceeds.

PRICE EARNINGS RATIO; price earnings ratio is the ratio derived by dividing the closing value of the LP's unit price on the market by the earnings per share.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements." All statements, other than statements of historical fact, that address activities, events, or developments that Cervus LP 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 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 LP. 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.