

# Q3/2007

2007 Third Quarter Report



**CERVUS LP**

STRENGTH IN NUMBERS





# INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF **CERVUS LP**

For the three and nine month periods ended September 30, 2007

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



# CERVUS LP

## INTERIM UNAUDITED CONSOLIDATED BALANCE SHEETS

	September 30, 2007	December 31 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,964,035	\$ -
Trade accounts receivable	19,664,238	10,712,721
Advances to Proventure Income Fund (note 10)	3,272,604	109,680
Inventories	58,318,155	72,160,486
Prepaid expenses and deposits	458,506	689,821
	<u>87,677,538</u>	<u>83,672,708</u>
Investments	1,357,129	815,589
Deposits with John Deere	911,786	1,287,120
Other assets (note 4)	10,030,217	8,452,750
Property and equipment	12,440,628	10,629,911
Goodwill (note 4)	3,320,421	2,657,462
	<u>\$ 115,737,719</u>	<u>\$ 107,515,540</u>
<b>Liabilities and Partners' Equity</b>		
Current liabilities:		
Bank indebtedness (note 5)	\$ -	\$ 4,955,294
Floor plan payables (note 5)	40,845,440	46,121,220
Accounts payable and accrued liabilities	9,297,578	4,509,728
Customer advance deposits	1,630,356	2,668,263
Distribution payable	696,433	617,704
Current portion of notes payable	600,000	100,000
Current portion of term debt	3,639,694	3,206,423
	<u>56,709,501</u>	<u>62,178,632</u>
Term debt (note 5)	9,043,601	8,002,541
Notes payable (note 5)	725,000	1,025,000
Future income taxes payable (note 9)	149,000	149,000
	<u>66,627,102</u>	<u>71,355,173</u>
Partners' equity (note 6):		
Partners' capital	35,302,707	26,672,625
Unit purchase financing	(504,573)	(508,680)
Preferred partnership units	2,050,000	3,000,000
Contributed surplus (note 7)	1,486,083	602,653
Accumulated earnings	10,776,400	6,393,769
	<u>49,110,617</u>	<u>36,160,367</u>
Subsequent events (note 12)		
Commitments and contingencies (note 8)		
	<u>\$ 115,737,719</u>	<u>\$ 107,515,540</u>

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 September 30, 2007	Three month period ended September 30, 2006	Nine month period ended September 30, 2007	Nine month period ended September 30, 2006
<b>Revenue:</b>				
Equipment sales	\$ 76,940,307	\$ 65,864,273	\$ 195,361,156	\$ 164,125,459
Parts	12,552,140	11,429,852	28,868,971	25,037,365
Service	6,087,149	5,645,482	15,559,550	13,598,430
Rentals	2,389,281	2,124,992	5,306,238	4,298,402
Other	33,281	(44,733)	98,674	126,304
	98,002,158	85,019,866	245,194,589	207,185,960
<b>Cost of sales (note 11)</b>	<b>80,762,708</b>	<b>71,480,025</b>	<b>203,116,749</b>	<b>173,426,041</b>
<b>Gross profit</b>	<b>17,239,450</b>	<b>13,539,841</b>	<b>42,077,840</b>	<b>33,759,919</b>
<b>Expenses:</b>				
Selling, general and administrative	10,788,965	8,859,514	29,914,018	23,982,971
Interest	440,230	523,980	1,170,480	1,386,080
Depreciation and amortization	513,398	335,440	1,438,503	1,155,304
<b>Earnings before other income</b>	<b>5,496,857</b>	<b>3,820,907</b>	<b>9,554,839</b>	<b>7,235,564</b>
<b>Other income:</b>				
Other miscellaneous income	145,622	218,284	488,828	218,284
Gain (loss) on disposal of property and equipment	37,949	(46,170)	68,907	(46,170)
Equity earnings (loss) of significantly influenced companies	(39,687)	(50,293)	517,095	257,750
<b>Net earnings</b>	<b>\$ 5,640,741</b>	<b>\$ 3,942,728</b>	<b>\$ 10,629,669</b>	<b>\$ 7,665,428</b>
<b>Net earnings per unit (note 6):</b>				
Basic	\$ 0.78	\$ 0.66	\$ 1.48	\$ 1.29
Diluted	\$ 0.77	\$ 0.62	\$ 1.45	\$ 1.20

See accompanying notes to the interim consolidated financial statements.



# CERVUS LP

## INTERIM UNAUDITED CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS

For the nine months ended September 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	106,297	10,248,309	275,063	-	10,629,669
Distributions declared	(85,917)	(5,886,058)	(275,063)	-	(6,247,038)
Balance, September 30, 2007	\$ 72,547	\$10,703,853	\$ -	\$ -	\$10,776,400

See accompanying notes to the interim consolidated financial statements.



# CERVUS LP

## INTERIM UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three month period ended September 30, 2007	Three month period ended September 30, 2006	Nine month period ended September 30, 2007	Nine month period ended September 30, 2006
Cash flows from (used in):				
Operating activities:				
Net earnings for period	\$ 5,640,741	\$ 3,942,728	\$ 10,629,669	\$ 7,665,428
Add items not affecting cash:				
Loss (gain) on disposal of property and equipment	(37,949)	46,170	(68,907)	46,170
Amortization of employee purchase loans	60,520	-	246,300	-
Compensation from deferred unit plan	1,555	-	1,555	-
Depreciation and amortization	1,021,204	785,103	2,939,211	2,342,894
Equity loss (earnings) from significantly influenced companies	39,687	50,293	(517,095)	(257,750)
	6,725,758	4,824,294	13,230,733	9,796,742
Net change in non-cash working capital related to operations	1,337,928	(279,758)	3,969,263	(6,168,579)
	8,063,686	4,544,536	17,199,996	3,628,163
Financing activities:				
Issuance of limited partnership units	5,803,252	5,025,059	8,313,231	6,427,285
Proceeds on long-term debt, net of repayments	(220,531)	947,042	1,474,331	3,028,064
Distributions to the partners	(2,028,583)	(1,549,942)	(5,807,329)	(4,548,164)
Distributions to senior equity instruments	(72,563)	(90,030)	(275,063)	(293,880)
Distributions to general partner	-	-	(85,917)	-
Advances to related parties	(3,272,604)	-	(3,162,924)	-
Decrease (Increase) in finance reserve	396,483	(256,875)	538,149	7,810
Repayment of notes payable	(100,000)	(2,879,721)	(200,000)	(6,879,695)
	505,454	1,195,533	794,478	(2,258,580)
Investing activities:				
Proceeds from (purchase of) investments	(101,881)	-	58,023	-
Advance of unit purchase loan	(37,193)	-	(37,193)	-
Purchase of other assets	-	(57,368)	-	(57,368)
Business acquisitions (note 4)	-	(1,161,256)	(3,618,898)	(1,161,256)
Purchase of property and equipment, net of proceeds	(590,201)	(1,296,243)	(3,477,080)	(4,167,916)
	(729,275)	(2,514,867)	(7,075,145)	(5,386,540)
Increase (decrease) in cash	7,839,865	3,225,203	10,919,329	(4,016,957)
Cash (bank indebtedness), beginning of period	(1,875,830)	(6,106,981)	(4,955,294)	1,135,179
Cash (bank indebtedness), end of period	\$ 5,964,035	\$ (2,881,778)	\$ 5,964,035	\$ (2,881,778)
The following cash payments have been included in the determination of net earnings:				
Cash interest paid	\$ 521,816	\$ 593,228	\$ 1,390,904	\$ 1,556,004
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 nine month period ended September 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	\$ 662,959
Other intangibles	2,303,000
Inventories	4,271,981
Other current assets	806,470
Property and equipment	478,412
Other current liabilities	(1,771,436)
Floor plan payables	(2,732,488)
	\$ 4,018,898





## 5. DEBT OBLIGATIONS:

### A) BANK INDEBTEDNESS

At September 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. Security provided for the bank line consists of 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 \$2.5 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, 2008 (see Note 4) and notes payable totaling \$925,000 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	94,343	-	757,251	757,251
Contributed surplus adjustment for exercise of unit warrants	-	-	149,899	149,899
Issued under DRIP plan	252,059	-	2,732,969	2,732,969
Exercise of unit options	25,000	-	205,000	205,000
Contributed surplus adjustment for exercise of unit options	-	-	74,365	74,365
Deferred unit plan	-	-	43,727	43,727
Compensation recorded under deferred unit plan	-	-	1,555	1,555
Preferred partnership units converted	118,750	-	950,000	950,000
Issued in private placement, net of unit issue costs	384,616	-	4,823,010	4,823,010
Contributed surplus adjustment for warrants issued in private placement	-	-	(1,107,694)	(1,107,694)
<b>Balance September 30, 2007</b>	<b>7,738,147</b>	<b>\$ 100</b>	<b>\$ 35,302,607</b>	<b>\$ 35,302,707</b>

During the nine months ended September 30, 2007, the LP declared total distributions of \$0.81 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 \$5,886,058 (September 2006 - \$4,762,058). Of this amount, there was a \$2,732,969 (September 2006 - \$2,209,737) 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.



### (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 September 30, 2007 and 25,000 unit options were exercised 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 nine month period ended September 30, 2007.

### (D) WARRANTS:

During the period, the LP issued 384,616 warrants to participants of the July 3, 2007 private placement. These warrants were immediately exercisable and expire on June 30, 2009. The fair values of the warrants were calculated using the Black-Scholes option pricing model was \$2.88 per warrant for an aggregate amount of \$1,107,694 (384,616 units). The assumptions used in calculating the fair values of the warrants included a risk free interest rate of 4.63%, expected life of 2 years, expected volatility of 58% and an expected dividend rate of 9% per annum. The value was reflected as unit issue costs and contributed surplus. During the nine month period ended September 30, 2007, 93,844 of the broker warrants were exercised for proceeds of \$750,752, 3,656 broker warrants expired and 500 warrants were exercised from the August 3, 2006 private placement. \$149,899 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 \$504,573 (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 \$763,913 as at September 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. During the nine month period ended September 30, 2007, \$246,299 (2006 - \$nil) of compensation expense was recorded.



(F) PER UNIT AMOUNTS:

The earnings per unit have been calculated based on the weighted average number of units outstanding for the period ended September 30, 2007 of 7,205,445 (September 30, 2006 – 5,944,267). In computing diluted earnings per unit 288,030 (2006 – 422,783) 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 \$152,749 (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 in cash. The employee is entitled to the benefits of the unit immediately, including distributions, which are paid with additional deferred units rather than cash distributions. The plan allows for up to 100% matching of the deferred unit contributions. The matching units vest over a five year period.

During the three month period ended September 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 \$1,555 (2006 - \$nil) has been recorded during the period to reflect the Units distributions through the DRIP. As at September 30, 2007, 3,841 (2006 – nil) deferred units remain.



## 7. CONTRIBUTED SURPLUS

During the period, the LP issued 384,616 warrants to participants of the July 3, 2007 private placement. These warrants were immediately exercisable and expire on June 30, 2009. The fair values of the warrants were calculated using the Black-Scholes option pricing model was \$2.88 per warrant for an aggregate amount of \$1,107,694 (384,616 units). The assumptions used in calculating the fair values of the warrants included a risk free interest rate of 4.63%, expected life of 2 years, expected volatility of 58% and an expected dividend rate of 9% per annum. The value was reflected as unit issue costs and contributed surplus. During the nine month period ended September 30, 2007, 93,844 of the broker warrants were exercised for proceeds of \$750,752, 3,656 broker warrants expired and 500 warrants were exercised from the August 3, 2006 private placement. \$149,899 was adjusted to partners' capital related to those units.

## 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 \$911,786 at September 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	\$ 2,261,840
2009	1,598,825
2010	1,361,452
2011	806,555
2012	577,706
Thereafter	1,288,578
<b>Total</b>	<b>\$ 7,894,956</b>

## 9. INCOME TAXES:

On September 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. This assessment 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.



## 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 three and nine month periods ended September 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 September 30, 2007	Three month period ended September 30, 2006	Nine month period ended September 30, 2007	Nine month period ended September 30, 2006
Equipment and real estate rental	\$ 332,969	\$ 305,424	\$ 949,817	\$ 731,708
Interest on notes payable and advances	\$ -	\$ -	\$ -	\$ 87,531
Interest on fixed value units	\$ -	\$ -	\$ -	\$ 20,100
Guarantee fees	\$ 36,375	\$ 36,375	\$ 109,125	\$ 109,125

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. Proventure is entitled to guarantee fees based on 3% of \$4,850,000 (September 30, 2006 - \$4,850,000), building lease charges based on lease agreements, and a monthly fee of \$2,500 for administrative service provided by the LP on behalf of Proventure.

At September 30, 2007, the LP has \$3,272,604 (December 31, 2006 \$109,680) outstanding of which \$2,200,000 has been repaid subsequent to the period end. These advances were provided on or around September 21, 2007 to secure the purchase of real estate in Edmonton, AB that is used by the LP in its operations and bear interest of prime + 1%.

- (b) Certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating \$7,150,000 (September 30, 2006 - \$5,000,000). During the nine month period ended September 30, 2007, the LP paid these individuals \$56,250 (September 30, 2006 - \$59,750) for providing these guarantees.

## 11. COST OF SALES:

Included in cost of sales are depreciation and amortization and interest expenses related to the LP's rental fleet. Depreciation and amortization expense amounted to \$507,806 and \$449,663 for the three month period ended September 30, 2007 and 2006 respectively and \$1,500,708; and \$1,187,590 for the nine month period ended September 30, 2007 and 2006 respectively. Interest expense amounted to \$81,586 and \$69,248 for the three month period ended September 30, 2007 and 2006 respectively and \$220,424 and \$169,924 for the nine month period ended September 30, 2007 and 2006 respectively.



## 12. 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 and amounts are as follows:

Nine months ended September 30, 2007	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 158,624,235	\$ 86,570,354	\$ 245,194,589
Net earnings available to partners	3,635,127	6,994,542	10,629,669
Earnings of significantly influenced companies	517,095	-	517,095
Depreciation and amortization	730,214	2,208,997	2,939,211
Capital expenditures	407,073	3,384,861	3,791,934

Nine months ended September 30, 2006	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 145,014,031	\$ 62,171,929	\$ 207,185,960
Net earnings available to partners	3,133,338	4,532,090	7,665,428
Earnings of significantly influenced companies	257,750	-	257,750
Depreciation and amortization	433,486	1,399,331	1,832,817
Capital expenditures	1,319,465	3,511,933	4,831,398

Three months ended September 30, 2007	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 70,317,509	\$ 27,684,649	\$ 98,002,158
Net earnings available to partners	2,513,217	3,127,524	5,640,741
Loss from significantly influenced companies	(39,687)	-	(39,687)
Depreciation and amortization	289,256	731,948	1,021,204
Capital expenditures	80,937	635,419	716,356

Three months ended September 30, 2006	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 64,340,207	\$ 20,679,659	\$ 85,019,866
Net earnings available to partners	2,315,588	1,627,140	3,942,729
Loss from significantly influenced companies	(50,293)	-	(50,293)
Depreciation and amortization	92,825	692,278	785,103
Capital expenditures	796,876	1,262,849	2,059,725



# 2007 THIRD QUARTER REPORT TO THE UNITHOLDERS (UNAUDITED)

For the period ended September 30, 2007

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of November 23, 2007 and is provided to assist readers in understanding Cervus LP's financial performance for the three and nine month period ended September 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 September 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](http://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.





## SELECTED CONSOLIDATED FINANCIAL INFORMATION

for the three and nine month periods ended September 30, 2007 and 2006

\$ thousands, except per unit amounts	Three Months Ended			Nine Months Ended		
	September 30, 2007	September 30, 2006	% Change	September 30, 2007	September 30, 2006	% Change
Revenues	98,002	85,020	15.3	245,195	207,186	18.3
Gross profit	17,239	13,540	27.3	42,078	33,760	24.6
Gross margin	17.6%	15.9%	10.7	17.2%	16.3%	5.5
EBITDA <sup>1</sup>	7,184	5,321	35.0	14,960	11,564	29.4
EBITDA margin <sup>1</sup>	7.3%	6.3%	15.9	6.1%	5.6%	8.9
Per Unit – Basic	1.00	0.90	11.1	2.08	1.95	6.7
Net earnings	5,641	3,942	43.1	10,630	7,665	38.7
Per unit – Basic	0.78	0.66	18.2	1.48	1.29	14.7
Per unit - Diluted	0.77	0.62	24.2	1.45	1.20	20.8
Funds from operations <sup>1</sup>	6,726	4,824	46.6	13,231	9,797	38.6
Per unit – Basic	0.93	0.81	14.8	1.84	1.65	11.5
Distributions declared	2,080	1,764	17.9	5,886	4,762	23.6
Per unit (basic)	0.27	0.27	-	0.81	0.77	5.2

\$ thousands, except per unit amounts	September 30, 2007	September 30, 2006	% Change
Weighted average units outstanding:			
Basic	7,205	5,944	21.2
Diluted	7,494	6,367	17.7
Actual units outstanding	7,738	6,767	14.3
Closing market price per share	14.73	11.05	33.3
Price earnings ratio <sup>1</sup>	9.75	8.57	13.8
Total assets	115,738	109,987	5.2
Long-term liabilities	9,918	11,001	(9.8)
Total debt	66,627	73,672	(9.6)
Unitholders' equity	49,111	36,315	35.2

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



## SELECTED HIGHLIGHTS FOR THE QUARTER

- Peter Lacey, CEO, was a finalist in the Prairies Ernst & Young Entrepreneur of the Year Awards.
- Cervus ranked 111<sup>th</sup> in the Alberta Venture's top 100 & Next 100 which is the authoritative ranking of Alberta's biggest private, public and crown corporations and 465<sup>th</sup> in the Report on Business Top 1000 Public Companies.
- Revenue for the third quarter of 2007 was \$98.0 million, an increase of 15.3% compared to 2006 third quarter revenue of \$85.0 million.
- We reported net earnings of \$5.64 million or \$0.78 per unit in the third quarter of 2007. This represents an increase of 18.2% over net earnings of \$3.94 million or \$0.66 per unit for the third quarter of 2006.
- The construction equipment segment continues to show strong performance and has contributed \$6.99 million of net earnings to the LP for the nine months of 2007 compared to \$4.5 million in the first nine months of 2006, an increase of approximately \$2.46 million or 54.3%.
- The agriculture equipment segment reported earnings of \$3.64 million during the first nine months of 2007, an increase of approximately \$502 thousand or 16.0% over income of \$3.13 million for the same period during 2006.
- We have reported a significant increase in our cash flow, reporting funds from operations providing \$6.7 million in third quarter operations and \$13.2 million year to date.
- Used agricultural equipment inventory has been significantly reduced resulting in increased cash flow and decreased currency risk.

## OVERALL PERFORMANCE FOR THE QUARTER AND YEAR TO DATE

Our construction equipment segment has continued its strong performance during 2007 with an overall increase in gross revenue of \$24.4 million over the same period in 2006, an increase of 39.2%. In addition, the construction segment has contributed \$7.0 million in net earnings, an increase of \$2.46 million or 54.3% over the previous nine months of 2006. The construction segment is still showing strong performance despite market reductions being reported in the housing starts in Alberta.

The agricultural equipment segment revenue have increased by \$13.6 million in 2007 from the same period in 2006 and has contributed \$3.6 million in net earnings, an increase of \$502 thousand or 16.0% over the same period in 2006. Contributing to the increase in revenues and net earnings was the acquisition of an additional dealership in Alberta in the second quarter of 2007.

As a result of our strong revenue performance, we increased our EBITDA (see "Non-GAAP Financial Measures") by 35.0% (29.4% year to date) to \$7.2 million in the third quarter of 2007 (\$15.0 million year to date) from \$5.3 million in the third quarter of 2006 (\$11.6 million year to date). Our overall gross margin increased to 17.6% for the third quarter of 2007 (17.2% year to date) when compared to 15.9% (16.3% year to date) for the same periods of 2006.



For the third quarter of 2007, EBITDA per unit - basic (see "Non-GAAP Financial Measures") was \$1.00 per unit compared to \$0.90 in 2006 and \$2.08 per unit for the first nine months of 2007 when compared to \$1.95 per unit for the same period of 2006. Funds from operations per unit – basic (see "Non-GAAP Financial Measures") for the third quarter of 2007 were \$0.93 per unit when compared to \$0.81 per unit in 2006 and \$1.84 and \$1.65 per unit year to date for 2007 and 2006 respectively. Net earnings are \$0.78 per unit in the third quarter of 2007 compared to \$0.66 per unit in 2006, an 18.2% increase and \$1.48 per unit, up from \$1.29 for the first nine months of 2007 and 2006 respectively, a 14.7% increase.

The cash flow from operations increased significantly during the first nine months of 2007 when compared to 2006 due to the LP realizing on its strategy to decrease its overall used equipment inventories.

For the remainder of 2007, our results should remain positive. Both of our segments will likely see a decline in overall quarterly gross sales as experienced in previous years due to the seasonal nature of our business. Our outlook for 2008 also remains positive as the agricultural segment continues to have stronger commodity prices for grain. The strong grain prices and anticipated increases in producer net profits should result in an increase in our early order programs for 2008 for the agriculture sector. The construction segment continues to experience a high demand for equipment due to a positive 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, combined with anticipated changes in royalty rates, has not impacted the business negatively to date.

## FINANCIAL REVIEW FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 REVENUE

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2007	September 30, 2006	%	September 30, 2007	September 30, 2006	%
Revenues by segment:						
Equipment	55,994	50,490	10.9	127,218	116,653	9.1
Parts	9,610	9,023	6.5	20,082	18,108	10.9
Service	4,398	4,327	1.6	10,698	9,558	11.9
Rental and other	314	497	(36.8)	626	695	(9.9)
Agricultural equipment	70,316	64,337	9.3	158,624	145,014	9.4
Equipment	20,946	15,375	36.2	68,143	47,473	43.5
Parts	2,942	2,407	22.2	8,787	6,930	26.8
Service	1,689	1,318	28.1	4,862	4,040	20.3
Rental and other	2,109	1,583	33.2	4,779	3,729	28.2
Construction equipment	27,686	20,683	33.9	86,571	62,172	39.2
Total	98,002	85,020	15.3	245,195	207,186	18.3

### AGRICULTURAL EQUIPMENT

Revenue for our agricultural equipment segment increased by \$5.8 million and \$13.6 million for the three and nine month period ended September 30, 2007 when compared to the same periods of 2006. The primary factors that caused the increase in revenue were the purchase of two additional dealerships in July, 2006 and May, 2007. These dealership additions resulted in an increase of \$18.7 million in gross revenue when compared to 2006. In addition, the closure of a dealership in southeastern Saskatchewan at the end of 2006 contributed to a \$2.7 million reduction in gross revenue in the first nine months of 2006. Same store sales decreased \$2.4 million or 1.7% for the nine month period ended September 30, 2007 when compared to the same period in 2006.

New and other equipment sales decreased from the previous year while our consumer products division sales grew over the prior year. New agricultural equipment sales have decreased due to our intentional focus on used equipment sales during the current year. Because retail pricing for used equipment is naturally less than that of new equipment, our same store revenue has decreased as a result of this change in sales focus.



## CONSTRUCTION EQUIPMENT

During the third quarter and year to date periods of 2007, revenue in our construction equipment segment increased by \$7.0 million and \$24.4 million respectively. The increases in revenue are attributed to the strong housing market in Alberta, the addition of new mulcher product lines during the year and market share gains in certain equipment categories. The year to date increase in equipment sales was led by our Bobcat equipment dealerships accounting for approximately \$14.2 million of the increase and our JCB dealership accounting for \$10.2 million (approximately \$5.8 million from the new mulcher product line). Parts and service revenues have also increased substantially by approximately \$906 thousand for the third quarter and \$2.7 million year to date for 2007 when compared to the same periods last year. The increases in parts and service revenues are a direct result of high unit sales in prior years which have increased the machine population for aftermarket sales and support. Rental income has also increased by \$526 thousand and \$1.1 million for the three and nine month period ended September 30, 2007 when compared to the same period in 2006. This has been a result of the LP's continued effort to enhance and target key rental equipment business segments as well increased economic benefits being enjoyed in Alberta which is stimulating the demand for rental equipment.

## GROSS PROFIT MARGINS

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2007	September 30, 2006	% change	September 30, 2007	September 30, 2006	% change
Gross profit by segment:						
Agricultural equipment	16.8%	14.0%	20.0	15.5%	14.3%	8.4
Construction equipment	22.8%	18.3%	24.6	20.3%	20.7%	(1.9)
Total	17.6%	15.9%	10.6	17.2%	16.3%	5.5

## AGRICULTURAL EQUIPMENT

The increase in year over year gross profit margin is due in part to a lower 2006 profit margin because of competitive pricing adjustments made to our used equipment inventory as a result of the rising Canadian dollar. Although the dollar has continued to climb, we have done a better job of buying the trade-ins in 2007 at a price that tracks closer to the changing Canadian dollar. As a result, our 2007 margins are more in line with expectations. For 2007, year to date pricing adjustments for used equipment is \$1.5 million compared to \$2.6 million for the same period in 2006. Gross profit margins have remained relatively unchanged for the parts and service departments.

## CONSTRUCTION EQUIPMENT

Gross profit margins have increased in the three month period ended September 30, 2007 due to Canadian pricing adjustments from our suppliers being more in line with our historical pricing model. The strengthening Canadian dollar during the year resulted in competitive pricing being offered to our customers in all departments of our operations. Overall gross margins for the nine month period ended September 30, 2007 is down slightly from the gross margins experienced during 2006 due to the aforementioned factors and the timing of receiving these price adjustments.



## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2007	September 30, 2006	% change	September 30, 2007	September 30, 2006	% change
Selling, general and administrative expenses by segment:						
Agricultural equipment	7,803	6,383	22.2	20,232	16,553	22.2
Construction equipment	2,985	2,477	20.5	9,682	7,430	30.3
Total	10,789	8,860	21.8	29,914	23,983	24.7
% of revenue						
Agricultural equipment	11.1	9.9	12.1	12.8	11.4	12.3
Construction equipment	10.8	12.0	(10.0)	11.2	12.0	(6.7)
Total	11.0	10.4	5.8	12.2	11.6	5.2

### AGRICULTURAL EQUIPMENT

The agricultural equipment segment reported an increase of \$3.7 million year to date and \$1.4 million in the third quarter of 2007 in its selling general and administrative expenses when compared to the same period during 2006. As a percentage of gross sales, selling, general and administration expenses also increased 1.2% and 1.4% for the three and nine month period of 2007 when compared to 2006. Contributing to the increase was the addition of a dealership in Alberta on May 31, 2007 which accounted for approximately \$1.1 million of the year to date increase and the addition of a dealership in Saskatchewan on July 1, 2006 which accounted for approximately \$825 thousand of the increase. In addition, due to changes in our sales force commission structure, commissions have increased by 0.4% of gross revenue over the prior year. This incentive was put in place to ensure that our used equipment inventories were significantly reduced and to provide an increase in our cash flows. Also, bad debt losses incurred year to date were approximately \$990 thousand (0.6% of sales) compared to \$264 thousand (0.2% of sales) for the same period during 2006. This increase was a result of the repossession on equipment which was financed through our deposits with John Deere and accounted for \$347 thousand of the increase and increased accounts receivable exposure experienced in one of our locations in the amount of \$570 thousand due to a former store manager's override of internal controls.

### CONSTRUCTION EQUIPMENT

The construction equipment segment's selling, general and administrative expenses increased \$2.3 million for the first nine months of 2007 when compared to the same period during 2006. As a percentage of construction segment sales, selling, general and administrative costs have decreased by 1.2% in the third quarter and 0.8% year to date during 2007 when compared to the same period of 2006. Personnel expenses have increased by approximately \$1.6 million over the prior year. The increase in personnel costs was primarily due to general increases experienced to bring wages and benefits to market in Alberta as well as a significant increase in variable pay as a result of the strong financial performance of the division. In addition, the segment experienced an increase in bad debts of approximately \$267 thousand over the prior year as a result of the increased sales activity. Other increases were experienced in general operating and occupancy costs when compared to the prior year.

### INTEREST

Interest expense for the third quarter of 2007 was \$522 thousand compared to \$592 thousand for the third quarter of 2006 and \$1.4 million compared to \$1.6 million year to date when comparing 2007 to the same period of 2006. The primary reason for the decrease of \$70 thousand for the quarter and \$200 thousand year to date was due to an increase in the LP's cash flows which have resulted in an elimination of the bank operating line of credit during much of the year.



## EBITDA

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2007	September 30, 2006	\$ change	September 30, 2007	September 30, 2006	\$ change
EBITDA by segment:						
Agricultural equipment	3,116	2,823	293	5,212	4,716	496
Construction equipment	4,068	2,498	1,570	9,748	6,848	2,900
Total	7,184	5,321	1,863	14,960	11,564	3,396
% of revenue	7.3	6.3		6.1	5.6	

For the three months ended September 30, 2007, our EBITDA (see “Non-GAAP Financial Measures”) grew by \$1.9 million or 1% of gross revenue when compared to the same period during 2006. For the nine month period ended September 30, 2007, EBITDA grew by \$3.4 million or 0.5% of gross revenue from the same period in 2006. The increase in EBITDA is primarily attributed to an increase in overall net earnings from the prior year of approximately \$3 million, an increase in depreciation and amortization and offset by a decrease in our interest expense.

## DEPRECIATION AND AMORTIZATION

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2007	September 30, 2006	\$ change	September 30, 2007	September 30, 2006	\$ change
Depreciation and amortization by segment:						
Agricultural equipment	289	93	196	730	434	296
Construction equipment	732	692	40	2,209	1,909	300
Total	1,021	785	236	2,939	2,343	596

### AGRICULTURAL EQUIPMENT

The agricultural equipment segment depreciation and amortization increased by \$196 thousand for the third quarter of 2007 compared to the third quarter of 2006. Year to date depreciation and amortization increased \$296 thousand from the same period in 2006. Contributing to the increase is approximately \$100 thousand of amortization of intangible assets as well as the depreciation of tangible assets due to the purchase of two additional dealerships during this twelve month period.

### CONSTRUCTION EQUIPMENT

The construction equipment segment reported an increase of \$40 thousand and \$300 thousand of depreciation and amortization in the third quarter and year to date amounts for 2007 when compared to the same period in 2006. The primary reason for the increase in amortization and depreciation was the increases in the segment’s rental fleet which accounted for an increase of \$58 thousand and \$313 thousand for the three and nine month periods ended September 30, 2007 when compared to 2006.



## INCOME TAXES

On September 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT" tax) received Royal Assent. The impact of the SIFT tax was reflected in the June 30, 2007 Financial Statements when the tax was substantially enacted.

SIFTs are certain publicly traded income and royalty trusts and limited partnerships including Cervus LP. For SIFTs 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 SIFTs 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, 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			Nine Months Ended		
	September 30, 2007	September 30, 2006	\$ change	September 30, 2007	September 30, 2006	\$ change
Net earnings by segment:						
Agricultural equipment	2,513	2,316	197	3,635	3,133	502
Construction equipment	3,128	1,627	1,501	6,994	4,532	2,463
Total	5,641	3,943	1,698	10,629	7,665	2,964

## WEIGHTED AVERAGE SHARES OUTSTANDING

In thousands	September 30, 2007	September 30, 2006
Basic weighted average number of units outstanding	7,205	5,944
Dilutive effect of convertible preferred units	256	375
Dilutive effect of outstanding unit options	14	18
Dilutive impact of deferred unit plan	4	-
Dilutive effect of outstanding warrants	15	30
Diluted weighted average number of units outstanding	7,494	6,367



## EARNINGS PER UNIT

	Three Months Ended			Nine Months Ended		
	September 30, 2007	September 30, 2006	% change	September 30, 2007	September 30, 2006	% change
Earnings per unit by segment:						
Basic:						
Agricultural equipment	\$ 0.35	\$ 0.39	(10.3)	\$ 0.50	\$ 0.53	(5.7)
Construction equipment	0.43	0.27	59.3	0.98	0.76	28.9
Total	\$ 0.78	\$ 0.66	18.2	\$ 1.48	\$ 1.29	14.7
Diluted:						
Agricultural equipment	\$ 0.33	\$ 0.36	(8.3)	\$ 0.49	\$ 0.49	-
Construction equipment	0.44	0.26	69.2	0.96	0.71	35.2
Total	\$ 0.77	\$ 0.62	24.2	\$ 1.45	\$ 1.20	20.8

### AGRICULTURAL EQUIPMENT

The agricultural equipment sector reported net earnings of \$2.5 million (\$0.35 per unit) and \$3.6 million (\$0.50 per unit) for the three and nine month period ended September 30, 2007 compared to net earnings of \$2.3 million (\$0.39 per unit) and \$3.1 million (\$0.53 per unit) for the same periods of 2006, a decrease, on a per unit basis, of 10.3% and 5.7% respectively. The primary reason for the overall increase is due to an increase in gross profit margin but offset by increases in selling, general and administration expenses as explained above.

### CONSTRUCTION EQUIPMENT

The construction equipment sector experienced an increase of \$1.5 million and \$2.5 million in net earnings for the three and nine month period ending September 30, 2007 when compared to the same period of 2006. This returned \$0.43 per unit and \$0.98 per unit when compared to \$0.27 and \$0.76 per unit for the same periods of 2006. The increase is attributed to consistent margins earned on increases of \$24.4 million of gross revenue and an overall reduction in selling general and administration costs as a percentage of revenue as explained above.





## SELECTED QUARTERLY INFORMATION

<b>\$ thousands, except per unit amounts</b>	<b>September 30, 2007</b>	<b>June 30, 2007</b>	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Revenues	98,002	86,952	60,239	67,335
EBITDA <sup>1</sup>	7,184	6,319	1,457	2,293
Funds from operations <sup>2</sup>	6,726	5,420	1,085	2,366
Net earnings	5,640	4,834	156	970
Basic earnings per unit	.78	0.69	0.02	0.16
Diluted earnings per unit	.77	0.65	0.02	0.15
Actual Units outstanding	7,738	7,159	7,007	6,863
Basic weighted average units outstanding	7,205	7,003	6,937	6,245
Fully diluted weighted average units outstanding	7,494	7,392	7,335	6,661

<b>\$ thousands, except per unit amounts</b>	<b>September 30, 2006</b>	<b>June 30, 2006</b>	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Revenues	85,020	77,479	44,687	49,590
EBITDA <sup>1</sup>	5,321	5,293	950	1,490
Funds from operations <sup>2</sup>	4,824	4,480	493	1,161
Net earnings (loss)	3,943	3,912	(190)	561
Basic earnings (loss) per unit	0.66	0.66	(0.03)	0.14
Diluted earnings (loss) per unit	0.62	0.62	(0.03)	0.13
Actual Units outstanding	6,767	6,175	5,956	4,411
Basic weighted average units outstanding	5,944	5,778	5,543	4,204
Fully diluted weighted average units outstanding	6,367	6,203	6,079	4,614

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	September 30, 2007	December 31, 2006
Current assets	87,678	83,673
Total assets	115,738	107,516
Current liabilities	56,709	62,179
Long-term liabilities	9,918	9,177
Unitholders' equity	49,111	36,160
Working capital <sup>1</sup>	30,969	21,494
Working capital ratio <sup>1</sup>	1.55	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 September 30, 2007 increased to \$31.0 million from \$21.5 million at December 31, 2006, an increase of \$9.5 million during the period. Our working capital increase during the nine month period ended September 30, 2007 was expected due to the LP concentrating on the reduction of used agricultural equipment inventories. Inventory reduction provided \$13.8 million of working capital which was primarily offset by the repayment of our floor plans in the amount of \$5.2 million. The agriculture segment was successful in decreasing its used equipment inventories by \$10.4 million.

### CASH FLOWS

During the nine month period ended September 30, 2007, financing activities provided approximately \$795 thousand of cash for the LP. The most significant financing activities incurred included \$4.8 million raised in a private placement, net of issue costs and the advances of \$3.2 million to Proventure Operating Limited Partnership, a related party of which \$2.2 million has subsequently been repaid.

During the nine month period ended September 30, 2007, the LP spent approximately \$7.1 million on investing activities. The significant investing activities included the purchase of property and equipment in the amount of \$3.5 million, net of proceeds from disposal and \$3.6 million invested in the acquisition of an additional dealership in Alberta.



## DEBT AND CONTRACTUAL OBLIGATIONS

### BANK INDEBTEDNESS

At September 30, 2007 the LP has an operating bank line of credit in the amount of \$15 million (December 31, 2006 - \$12 million). The LP is not utilizing the bank line of credit at September 30, 2007. When used, 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 September 30, 2007 and to the date of this report. The LP has generated sufficient cash from operations to repay all bank indebtedness existing at the beginning of the year.

### 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 the construction division of AR Williams which is repayable at \$1.25 million annually. The term debt carries interest at rates ranging from 0% to 7.25%. Term debt increased approximately \$1.4 million during 2007, net of repayments due primarily to the LP's financing of its 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	12,683	3,640	9,014	29	-
Notes payable	1,325	600	600	125	-
Operating leases	7,895	2,262	3,767	1,057	809
<b>Total contractual obligations</b>	<b>21,903</b>	<b>6,502</b>	<b>13,381</b>	<b>1,211</b>	<b>809</b>



## DISTRIBUTIONS

### DISTRIBUTION POLICY

Cervus LP can, at the discretion of the Board of Directors of the General Partner, to make cash distributions to its Limited Partnership Unit Holders. It has been 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 October 2007.

The following table summarizes our distributions during the nine month period ended September 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
July 31, 2007	0.09	690	328	362
August 31, 2007	0.09	695	329	366
September 30, 2007	0.09	696	128	568
	<u>0.81</u>	<u>5,886</u>	<u>2,565</u>	<u>3,321</u>
General partner		86	-	86
Preferred Units		275	-	275
Total Distributions		<u>6,247</u>	<u>2,565</u>	<u>3,682</u>

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 \$0.81 per unit for an aggregate distribution of \$5.9 million. In addition, we paid \$275 thousand to the holders of the preferred units and \$86 thousand to the General Partner. Of the \$5.9 million issued to the Unitholders, \$2.6 million was reinvested in the LP's DRIP plan resulting in the issuance of approximately 252 thousand units.

### TAXATION OF DISTRIBUTIONS

Because the LP is a limited partnership, the income of the Partnership is allocated to the individual partners of record 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 due to the aforementioned intention of the LP to manage its tax basis of assets and liabilities.

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 third 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	September 30, 2007	September 30, 2006
Cash flow from operations	17,200	3,628
Add (deduct):		
Maintenance capital expenditures <sup>1</sup>	(2,000)	(2,300)
Cash available for distribution and growth (a)	15,200	1,328
Per unit – diluted	2.03	0.21
Gross distributions declared to all equity holders (b)	6,247	5,056
Payout ratio (b)/(a)	41%	381%
Net distributions declared, net of DRIP (c)	3,682	2,792
Payout ratio, net of DRIP (c)/(a)	24%	211%

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 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. Our payout ratios have decreased due to the LP requiring cash flow to finance its business acquisitions and increase its rental fleet.

Cash available for distribution and growth reported for the periods ended September 30, 2007 and 2006 are net of maintenance capital expenditures. Maintenance capital expenditures are the capital expenditures incurred, net of financing 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.

Currently we estimate our unfunded maintenance capital expenditures to be approximately \$250 thousand for the remainder of 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.



## ADDITIONAL DISTRIBUTION INFORMATION

	Three month period ended September 30, 2007	Nine month period ended September 30, 2006	Year ended December 31, 2006	Year ended December 31, 2005
\$ thousands				
Cash flow from operations	\$ 8,064	\$ 17,200	\$3,847	\$4,639
Net earnings	5,641	10,630	8,597	4,835
Distributions declared – including DRIP	2,081	6,247	7,048	4,297
Net Distributions declared – excluding DRIP	1,295	3,682	3,920	1,769
Excess (shortfall) of cash flow from operations over distributions declared – including DRIP	5,983	10,953	(3,201)	342
Excess (shortfall) of cash flow from operations over distributions declared – excluding DRIP	6,769	13,518	(73)	2,870
Excess of net earnings over distributions declared – including DRIP	3,560	4,383	1,549	538
Excess of net earnings over distributions declared – excluding DRIP	4,346	6,948	4,677	3,066

Cash flow from operations exceeded our distributions declared by approximately \$10.9 million and \$13.5 million for distributions, excluding those participating in our DRIP. Cash flow from operations not distributed in 2007 was used to fund the shortfall from 2006, fund our capital expenditure programs, repay our bank indebtedness and advance funds to a related party.

We currently do not base our distributions on net earnings as net earnings includes a number of non-cash items such as amortization and equity income (losses) from significantly influenced companies that do not affect our ability to make distributions to our Unitholders.

For the remainder of 2007, we anticipate that our net distributions declared, excluding DRIP to increase as there are currently less Unitholders participating in the DRIP program. We expect that our rate of distributions will be lower than our net earnings in the future. We believe we can sustain the current rate of distributions in the future as the sustainability of our distributions is best determined by the amount of distributable cash we are able to generate (see "Distributable Cash" section above).

## 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 aggressive market valuation of our used equipment to reflect the impact of the exchange rate as well as focusing our efforts on reducing our overall used equipment inventories. There is no guarantee that a further adjustments may be required if the Canadian dollar continues to strengthen compared to the US dollar and there is no guarantee that our gross revenues will not decrease.

### 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.

On September 11, 2007, Statistics Canada estimated that the grain reserves in Canada at July 31, 2007 were significantly lower than those in 2006. Due to lower carry-in reserves and lower production, the supply of grains and oilseeds in Canada for 2007-08 is expected to decrease by about 8% from last year. Exports are forecast to decrease by 14%, due mainly to lower shipments of wheat, but domestic use is expected to increase due to increased use of corn and wheat for ethanol production. Prices for most crops are expected to be higher than in 2006 and 2007 but they will continue to be pressured by the strong Canadian dollar. The major factors to watch are the US and Canadian crop development and harvest conditions, the bio-fuel market, ocean freight rates and the Canada/US exchange rate. Canola, oats, barley, peas and even wheat prices have rebounded from the low price levels experienced in 2005.

It is anticipated that Canadian production for ethanol will increase to nearly a billion and a half litres by the end of 2008 from its current 2007 production of approximately 1 billion litres.

*"Biofuel is going to have a significant impact on agriculture in Canada by 2008," says Kory Teneycke, executive director of the Canadian Renewable Fuels Association. "I would argue that biofuels are the best tool we have available today to improve the lot of agriculture and revitalize rural communities."*

A bushel of grain, whether it is corn or wheat, will produce about 10 litres of ethanol. Using this 10-to-one ratio, a 200-million-litre ethanol plant will use 20 million bushels of grain a year. By the end of 2008, ethanol production will consume almost one hundred million bushels (2.5 million tonnes) of corn and approximately 50 million bushels (1.3 million tonnes) of wheat. To put this in perspective, Canadian farmers, on average, grow 8.7 million tonnes of corn annually and grew 19.1 million tonnes of hard spring wheat in 2006.

In rural Canada, ethanol has been a mainly positive development. Grain prices have increased globally and the plants are providing much-needed local jobs. Grain producers have access to new markets, and nearby livestock operations benefit from having a local source of distillers' grains.

### 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 high levels. This, combined with announcements by Shell to build a new up-grader facility near Edmonton, combined with the planned investment in the oil sands projects in Northern Alberta, will continue to drive the already strong, Alberta economy.

On September 18, 2007, the Royalty Review Panel, a Government of Alberta independently tasked panel, released its royalty review report. Subsequently, on October 25, 2007, the premier released The New Royalty Framework which will increase current royalty rates by approximately 20%, effective January 2009.

As our construction segment relies on the construction and related oil services and housing contractors, we are unsure of the impact of this announcement on our future business operations and financial results for the segment. However, preliminary discussions with our key customers indicate that the industries and economy will remain relatively strong. We anticipate that this announcement, together with the rising Canadian dollar, may have a significant impact on our revenue growth, however, we believe that this segment has positioned itself within the market to maintain profitability and react to sudden changes that may occur as a result.





## 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 September 30, 2007, payments in arrears by such customers aggregated \$303 thousand (December 31, 2006 - \$878 thousand). In addition, the LP is responsible to purchase 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 September 30, 2007, the net residual value of such leases aggregated \$37.8 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 \$911 thousand as at September 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

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 three and nine month periods ended September 30, 2007 and 2006 are as follows:

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

	Three month period ended September 30, 2007	Three month period ended September 30, 2006	Nine month period ended September 30, 2007	Nine month period ended September 30, 2006
Equipment and real estate rental	\$ 332,969	\$ 305,424	\$ 949,817	\$ 731,708
Interest on notes payable and advances	\$ -	\$ -	\$ -	\$ 87,531
Interest on fixed value units	\$ -	\$ -	\$ -	\$ 20,100
Guarantee fees	\$ 36,375	\$ 36,375	\$ 109,125	\$ 109,125

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. Guarantee fees are based on 3% of \$4,850,000 (September 30, 2006 - \$4,850,000). The LP is paid a monthly fee of \$2,500 for administrative service provided by the LP on behalf of Proventure.

At September 30, 2007, the LP has \$3,272,604 (December 31, 2006 \$109,680) outstanding of which \$2,200,000 has been repaid subsequent to the period end. These advances were provided on or around September 21, 2007 to secure the purchase of real estate in Edmonton, AB that is used by the LP in its operations and bear interest of prime + 1%.

In addition, certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating \$7,150,000 (September 30, 2006 - \$5,000,000). During the nine month period ended September 30, 2007, the LP paid these individuals \$56,250 (September 30, 2006 -\$59,750) for providing these guarantees.





## BUSINESS RISKS AND UNCERTAINTIES

Our business is subject to certain risks and uncertainties. For example, the recently announced changes in the Royalty payments affecting the energy sector in Alberta may have a negative impact on the economy which may impact housing starts and demand for construction equipment. In addition, the rising Canadian dollar may cause continued downward pressure on the retail pricing of equipment which may in turn impact our margins negatively. 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](http://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

As a result of testing performed during the first quarter of 2007, including spot checks of certain inventories and related transactions, irregularities were discovered in the processing of parts inventory transactions at one of our agricultural equipment dealerships. As a result, changes have been made in the management of the store and adjustments have been recorded aggregating approximately \$1.5 million for the nine months ended September 30, 2007. Although this appears to be an isolated incident of management override of internal controls, the controls surrounding these transactions, including authorization of credits on customer accounts and inventory adjustments, have been modified to further enhance the internal controls over financial reporting in these areas.

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. There has been no material change in the disclosure controls and procedures over financial reporting.



## 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 amounts	per unit	Three Months Ended		Nine Months Ended	
		September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net earnings		5,641	3,942	10,629	7,665
Add:					
Interest		522	594	1,392	1,556
Amortization		1,021	785	2,939	2,343
EBITDA		7,184	5,321	14,960	11,564
EBITDA margin <sup>1</sup>		7.3%	6.3%	6.1%	5.6%

**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.