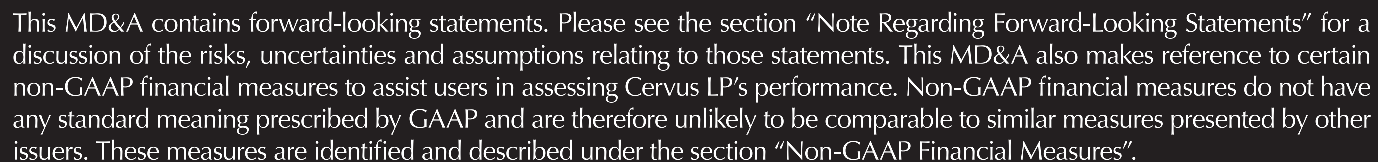
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of April 24, 2006 and is provided to assist readers in understanding Cervus LP's financial performance for the year ended December 31, 2005 and significant trends that may affect future performance of Cervus LP. This MD&A should be read in conjunction with the accompanying consolidated financial statements for the year ended December 31, 2005 and the notes contained therein. The accompanying 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".

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Period ended $ thousands, except per unit amounts	December 31 2005 (12 months)	December 31 2004 (12 months)	December 31 2003 (9 months)
Revenue	**$ 182,450**	$ 141,617	$ 56,408
Gross profit	**27,869**	21,157	9,492
Gross margin (%)	**15.3%**	14.9%	16.8%
EBITDA (1)	**6,271**	4,518	2,447
EBITDA margin (1) (%)	**3.4%**	3.2%	4.3%
Net earnings (loss)			
Per unit			
Basic	**1.15**	0.97	0.57
Diluted	**1.05**	0.94	0.56
Cash flow from operations before changes in non-cash operating working capital (1)	**5,424**	3,742	2,061
Per unit			
Basic	**1.29**	0.98	0.56
Diluted	**1.17**	0.95	0.56
Distributions declared			
Per unit	**0.96**	-	-
Total assets	**89,212**	33,434	26,286
Long term liabilities	**7,653**	7,649	5,638
Unitholders' Equity	**$ 25,036**	$ 7,726	$ 5,085

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

ACCOMPLISHMENTS

- **March 2003 –** Cervus Corporation transfers the Calgary, Trochu, Stettler, Coronation, and Ponoka Alberta dealerships to Cervus LP.
- **November 2003 –** Cervus LP purchases the John Deere dealerships in Saskatoon and Rosthern, Saskatchewan.
- **January 2004 –** Cervus LP acquires a majority interest in Greenline Equipment Ltd with dealerships located in Moosomin and Wawota, Saskatchewan and Russell Manitoba.
- **Fiscal 2004 –** Cervus LP earns revenue of $142 million and net income of $3.7 million.
- **September 2005 –** Cervus LP is added to the Alberta Venture Magazine's "100 + Next 50" list.
- **January 2005 –** Cervus LP begins paying distributions of $0.08 per month per unit.
- **November 2005 –** Cervus LP completes a private placement of units and raises $16,500,000.
- **November 2005 –** Cervus LP purchases A.R. Williams Contractors Equipment Ltd., and rolls the assets into its subsidiary, Cervus Contractors Equipment LP ("Contractors").
- **November 2005 –** Cervus LP establishes a $10 million operating line and a $5 million term debt facility.
- **December 2005 –** Cervus LP, through its subsidiary Questus Corporation, purchases the remaining minority interest in Greenline Equipment Ltd.
- **Fiscal 2005 –** Contractors achieves the third highest sales of JCB equipment of any JCB dealership in North America.
- **Fiscal 2005 –** Cervus LP earns revenue of $182 million, an increase of 29% over the same 12-month period in 2004.
- **Fiscal 2005 –** Cervus LP reports net earnings of over $4.8 million or $1.15 per basic unit

VISION, MISSION, STRATEGY AND CORE BUSINESS

OUR MISSION

Cervus LP is in the business of acquiring and operating authorized agricultural and industrial equipment dealerships by facilitating dealership succession and positioning the next generation of dealers for profitability and growth.

OUR VALUES

- Teamwork and shared achievement.
- Continuous improvement and innovation.
- Customer input into the design and delivery of products and services.
- Genuine customer value at the dealership level.
- Workmanship that is of the highest quality.
- Personal and corporate growth.
- Employee safety, pride and integrity.

OUR PHILOSOPHY

- Open information sharing.
- Decision making as close to the customer as possible.
- Personal challenge, accountability and trust.
- Accepting risk as a key component of innovation and competition.
- Celebration of accomplishments.
- Our team members are owners.

OUR BUSINESS

Cervus LP is in the business of acquiring and operating authorized agricultural and industrial equipment dealerships. Cervus LP is the owner of the largest group of John Deere agricultural equipment dealers in Canada. With the recent acquisition of the Bobcat, JCB and JLG dealerships in Alberta, Cervus LP now also has a significant presence in the construction and industrial equipment sectors. Cervus LP does business through 15 dealer stores in 13 locations across Alberta, Saskatchewan and western Manitoba.

The manufacturers of products enter into dealership agreements providing the dealer the right to sell their products within a specified geographical territory. These agreements include performance criteria such as market share, customer satisfaction and financial objectives. As at December 31, 2005, all dealerships owned by Cervus LP were performing at or above manufacturer requirements.

There is a growing need among first and second generation owners of dealerships for viable exit strategies. However, the cost and complexity of owning and operating a dealership has increased considerably over the years. With access to capital markets, experienced managers, stable operating results and effective incentive programs, Cervus LP is able to provide a means by which these owners can realize their investments while at the same time provide a strong succession plan for the dealership. These owners can become owners of Cervus LP. The consolidation of dealerships is a strategy encouraged by the manufacturers. We see this trend clearly on the agriculture side of the business. With the rising cost of operations, farms continue to consolidate into larger operations. This in turn encourages dealerships to also consolidate.

We are dedicated to ensuring the advancement of these brands through partnership with the manufacturers, by facilitating dealership succession, and by positioning the next generation of dealers for profitability and growth. Cervus LP is divided into two divisions, the Agriculture Division and the Construction Division. We have done this to better focus on the various markets. Wherever feasible, Cervus LP is committed to having a separate store for each major product line as a means to enhance brand commitment and focus. We believe that increased focus on the market and specific brand line has a direct, positive impact on sales.

MANAGED GROWTH

We intend to grow the business organically and through acquisitions. Over the last number of years, Cervus LP has undertaken a series of business acquisitions which have played a key role in achieving our growth strategies. The recent acquisition of A.R. Contractors Equipment Ltd. was a significant strategic acquisition which we will discuss in more detail later.

Our business acquisition strategy is comprised of the following key elements.

1. STICK TO WHAT WE DO BEST

Our success has come from being efficient and effective operators of dealerships. We believe that our greatest potential for sustainable growth comes from leveraging this experience. We intend to stick close to what we do best.

2. LEVERAGING OUR RESOURCES THROUGH CLUSTERING

We believe that the largest impact to the bottom line will be realized through acquisitions that can either be joined with an existing cluster and thereby realize immediate synergies as they are integrated into those operations, or by acquiring existing clusters possessing existing economies of scale and leverage of resources.

3. MITIGATE OVERALL RISK THROUGH DIVERSIFICATION

Our core business of agricultural dealerships possesses intrinsic geographical risks, the most obvious being weather related risks. We intend to mitigate those risks through acquisitions that provide geographical and market diversification.

4. PROVEN SUCCESS

Each business we acquire must have a proven track record of success. We target value in our acquisitions. We acquire businesses that have generated strong profits over consecutive years and have demonstrated an ability to grow successfully.

5. SKILLED, KNOWLEDGEABLE PEOPLE

We believe that our most important resource is our people. As we continue to grow the business we have an ever increasing need for skilled, knowledgeable, motivated individuals to run the operations. This is a key consideration when evaluating a potential acquisition and critical to the ongoing growth and success of the organization.

6. EFFECTIVE DUE DILIGENCE AND INTEGRATION PLANNING

We review all potential acquisitions carefully to ensure they complement our existing operations and to avoid surprises. Time is also spent identifying integration issues to ensure that the merger into existing operations will take place as smoothly as possible. We are currently in the process of updating our operating process and procedure documentation, with the intent to not only of identifying improvements within our current operations but as a means to facilitate quick integration of acquired dealerships.

7. DO NOT OVERPAY

A business acquisition must provide long-term value. It must be accretive to earnings per unit. We will not acquire a company just for the sake of growth.

EXECUTING OUR GROWTH STRATEGY IN 2005

ORGANIC GROWTH

We experienced approximately 19% organic growth in 2005. The average sales growth in our Alberta stores was 16% with a 22% average increase in our Saskatchewan and Manitoba stores.

We invested approximately $2.3 million in operational capital expenditures in 2005. The majority of this expenditure, $1.2 million, was the purchase of Cervus Corporation operating assets that were leased. We anticipate the 2006 capital needs to be approximately $1.0 million.

EXPANSION THROUGH ACQUISITION

Cervus LP completed the purchase of all of the outstanding shares of AR Williams Contractors Equipment Ltd., an Alberta corporation, on November 16, 2005 and subsequently rolled the assets into its subsidiary, Cervus Contractors Equipment LP (“Contractors”). Contractors are an exclusive distributor of Bobcat, JCB and JLG construction equipment. In addition to selling new and used equipment, Contractors rents equipment, sells parts and provides equipment repair and maintenance services. Contractors have five dealerships in four cities: one in each of Calgary, Red Deer and Fort McMurray and two in Edmonton.

We pursued this acquisition as a means to increase return to the unit holders, decrease the risks inherent in the core business by diversifying into a like business serving other industries, and increase our participation in the growth of the Alberta market. We have entered into dealership agreements with Bobcat, JCB and JLG. More recently, and as a means to continue to strengthen our reach into additional customer markets, we have added a line of commercial forestry mulchers to Contractors’ product line. This line of product offers an environmentally friendly way for site preparation for the oil and gas extraction industries and is compatible with the current customer base and products.

ANALYSIS OF OPERATING AND FINANCIAL RESULTS

MEASURING FINANCIAL SUCCESS

At the end of the day, investors will evaluate how successful we were in meeting our goals. A key measure is our corporate growth and profitability. So how do we measure financial success?

We measure it over the long-term. We do not measure success based on what our financials looked like yesterday or what they will look like tomorrow, but what our financial performance will be long-term. This is because both our vision and unit holders are focused on the long-term. We measure the success of our growth strategies by tracking our performance using the following key financial measures:

EBITDA:

EBITDA is defined as earnings before interest, taxes, depreciation, and amortization and is a core performance measure that we use to measure profitability. EBITDA provides us 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. We also use EBITDA as a key performance measure in assessing the profitability and value of potential business acquisitions. A comparison of EBITDA is provided in the following graph.

CASH FLOW:

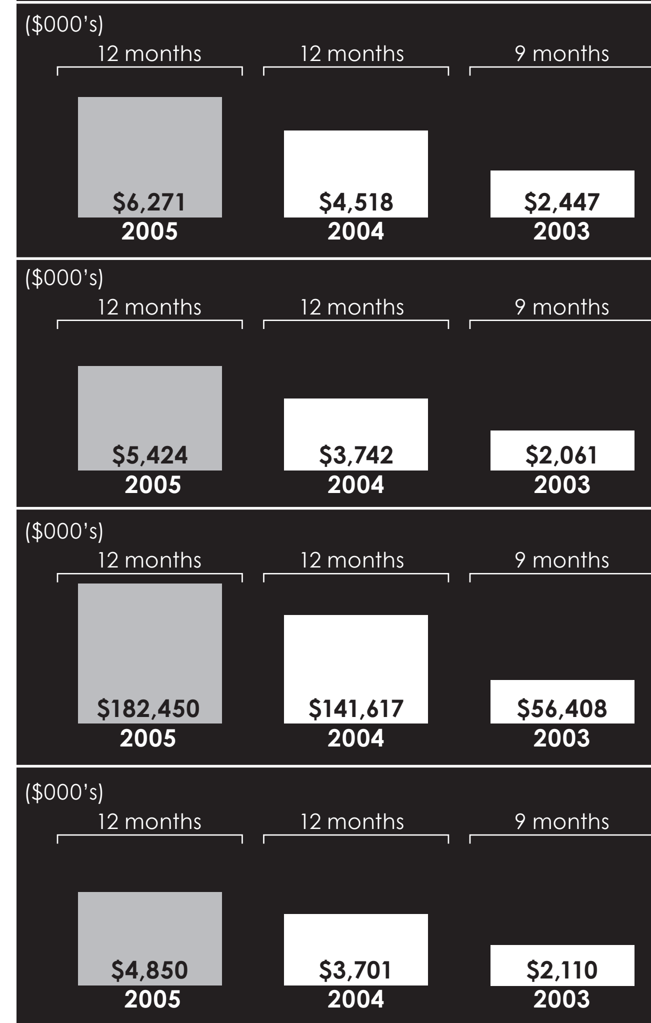
Cash flow from operations before changes in non-cash operating working capital are key. This cash flow measure provides an indication of our ability to grow our operations and to distribute income. A comparison of cash flow from operations (before changes in non-cash operating working capital) for the three most recently completed financial years is provided in the graph below.

REVENUE:

Revenue growth drives all of our other financial performance measures. Cervus LP has achieved year over-year revenue growth and we believe this trend will continue. We believe that continuing to achieve strong year-over-year revenue growth will allow us to be the dominant service supplier in the industry in our service areas. A comparison of revenue for the three most recently completed financial years is provided in the graph below.

NET EARNINGS:

Growing our revenue, EBITDA, and cash flow should contribute to an increase in our net earnings. Net earnings represent our bottom line, and growing our net earnings per unit drives Unit holder value. A comparison of net earnings for the three most recently completed financial years. A summary is provided in the graph below.



KEY PERFORMANCE DRIVERS

At Cervus LP our performance depends on:

- **Effective, efficient operations that deliver products and services efficiently to customers.**
- **Attracting and retaining skilled, knowledgeable employees through effective hiring and training.**
- **Diversified, well capitalized dealership networks.**
- **Capitalizing on growth opportunities**
- **Financing our growth**
- **Mastering the competitive environment.**
- **Strong relationships with the manufacturers**
- **High customer satisfaction and loyalty**
- **Maintaining strong market share for new equipment while at the same time matching the used inventory levels to the market risk**

EFFECTIVE, EFFICIENT OPERATIONS

We are migrating to a system of centralized processing and administration in order to realize on the efficiencies now available through centralized processing, facilitate efficient integration of acquisitions, and allow the dealership to focus on the heart of the business – sales and customers service. We remain committed to ensuring that decisions are made as close to the customer as possible.

We realize that the cost of delivery may increase due to demand on labour. Attention on efficiency needs to continue for increased profitability.

ATTRACTING AND RETAINING QUALITY EMPLOYEES

Our employees are critical to our long-term success and viability. Due mainly to the high growth of the Alberta economy, we are experiencing a very high demand for skilled labour. Our future success depends heavily on our ability to attract and retain key personnel.

To attract and retain quality employees, we need to offer competitive wages, opportunities for personal growth and development, and ensure that our employees are engaged as partners in Cervus LP's future. We have a strong commitment to employee ownership. This ensures our employees have a vested interest in Cervus LP's performance and enjoy the fruits of their labour. This approach is somewhat unique to the owner-operator model prevalent in our industry and we believe it provides us with a competitive advantage.

As of April 24, 2006 Cervus LP's senior officers and dealer partners owned approximately 44% of Cervus LP's outstanding LP units. We believe this is important because it ensures management's interests are aligned with those of our Unitholders.

DIVERSIFIED, WELL CAPITALIZED DEALERSHIP NETWORKS

We need to grow in order to enhance the range and depth of services we offer our customers and keep pace with the consolidation that is taking place in the agriculture sector. There are significant growth opportunities that we need to take advantage of including the following:

Consolidation of equipment dealerships: The equipment dealership business is relatively mature and generally owner operated. The increasing price of equipment over the years has resulted in the need for significant capital investment in inventories. This has made it more difficult for young entrepreneurs to step into an ownership position of a dealership. As a result, these owner-operators find they have very limited opportunities for divesting of their investment in these dealerships. We have the opportunity to lever our access to capital markets and management experience to provide a viable exit strategy for these dealer owners and entry for young entrepreneurs. While there is growth potential in each of the dealerships we currently own, the opportunity for consolidation also remains very high.

Geographical and market diversification: Many of the risks inherent in our core business such as weather, seasonality and regional economic conditions can be mitigated through diversification into other regions or markets. Our intention is to continue to seek out opportunities that complement our current business while mitigating these inherent risks in our core business. We were pleased to be able to diversify within the booming Alberta economy through the purchase of A.R. Williams Contractors Equipment Ltd. This acquisition not only connected us closer with the oil sector but also complimented the seasonality of our core business.

FINANCING OUR GROWTH

We must have sufficient capital to realize these growth opportunities. We obtain this financing through operating cash flows that we retain, the public sale of Cervus LP units and through debt financing. In 2005 we raised over $16.5 million in new external capital, mainly in relation to the purchase of Contractors in November 2005. In addition, we established a $10 million revolving credit facility and a $5 million two year term facility. The purpose of the credit facility was to replace the existing facilities held by Cervus LP and Contractors. This credit facility requires payments of interest only at rates ranging from bank prime to prime plus 0.5%. An additional stand-by fee calculated at an annual rate of 0.25% per annum is also required on the unused portion of the credit facility. At December 31, 2005 we had not drawn against this facility. The term facility was used to replace the existing term facilities held by Contractors, used mainly for financing of the rental fleet and requires payments of interest only at rates ranging from bank prime plus 0.25% to prime plus 0.75%.

In addition, we have floor plan facilities in place for financing our inventory requirements. The facilities are assessed on a periodic basis and the availability adjusted as required.
These equity offerings and new credit facilities have provided us the financial flexibility that we need to pursue and take advantage of growth opportunities. However, we will need to obtain additional growth capital from both internal and external resources in the future to achieve our on-going growth opportunities.

MASTERING THE COMPETITIVE ENVIRONMENT

Our dealerships operate in very competitive environments. We believe that in order for Cervus LP to have sustainable earnings we must answer the competitive threat on three levels: attention to our customers, partnering with our suppliers, and strong market presence.

CUSTOMER FOCUS

Customer satisfaction is a key performance criteria used in evaluating dealership performance. As an example of our commitment to customer focus, our Saskatoon Saskatchewan store received The Western Producer Dealership of the Year Award for 2005. The mandate of the award is to recognize a dealer or dealership that consistently serves their customers well, or one that repeatedly goes above and beyond normal customer service to assist farmers at a critical time.

PARTNERING WITH SUPPLIERS

A strong relationship with our manufacturers is critical to ensuring product deliver, price competition and quick response to competitive pressures. We enjoy a good relationship with all of our manufacturer suppliers.

MARKET PRESENCE

Our product brands are among the strongest in the marketplace which has contributed to strong market share in the areas we serve. However, there is a balance that must be struck between maintaining strong market share for new equipment sales, healthy margins and inventory risk. The majority of our new equipment sales in the agriculture sector are accompanied with trade-ins of used equipment. Carrying charges on used equipment generally begins as soon as possession is taken. We manage this exposure in a number of ways. Wherever possible we obtain customer commitments to purchase the used equipment trade- in before the new equipment is even received and prior to taking possession of the trade-in. Used inventory maximums are set for each store based on historic sales and market conditions. In addition, the used inventory lists are shared amongst all of our dealer stores to ensure that any equipment past its targeted carrying period can be disposed of as quickly as possible through our network of dealer stores. Our used inventory has increased by 94% to $24.7 million at December 31, 2005 compared to $12.7 million at December 31, 2004. This increase is due to the increase in activity experienced in 2005, the purchase of Contractors and a program we undertook in 2005 to increase market share in certain of our stores in southern Saskatchewan. We expect these levels to decrease during 2006.

RESULTS OF OPERATIONS

COMPARATIVE FIGURES

REVENUE

($000s)	2005 (12 months)	2004 (12 months)	2003 (9 months)
Revenue by segment:			
Agriculture	**$ 171,358**	$ 141,617	$ 56,408
Construction	**11,092**	-	-
Total	**$ 182,450**	$ 141,617	$ 56,408

We have experienced significant revenue growth over the past few years. We achieved growth of $40.8 million or approximately 29% compared to revenue of $141.6 million reported for the year ended December 31, 2004. Acquisitions and organic expansion in existing locations have fuelled this growth.

Increases in revenue for the year ended December 31, 2005 compared to the annualized year ended December 31, 2004 were the result of:

The acquisition of Contractors effective November 16, 2005 contributed $11 million of revenue to operations in 2005.

We experienced approximately 19% ($30 million) organic growth in 2005. The average sales growth in our Alberta stores was 16% with a 22% average increase in our Saskatchewan and Manitoba stores. This was due to changes in management in 2003 and a more aggressive approach to the market in 2004 and 2005.

We expect to continue our growth in 2006 with a view of achieving revenues in excess of $240 million. It is anticipated that expected organic growth primarily from Alberta and central Saskatchewan, combined with a full year of operating results from Contractors, will contribute to this increase. We are also pursuing additional business acquisitions in 2006. If completed, these business acquisitions may contribute to additional revenue growth beyond our target, depending on the timing of the completion of the acquisition.

REVENUE BY SEGMENT

The table above shows that the majority of our historical revenue has been generated from the Agricultural segment. We expect this to continue in 2006 although the relative allocation will change due to the results from Contractors contributing for the entire year.

GROSS PROFIT

$ thousands	2005 (12 months)	2004 (12 months)	2003 (9 months)
Amount	**$ 27,869**	$ 21,157	$ 9,492
Gross margin %	**15.3%**	14.9%	16.8%

Gross Profit continued...
With our revenue growth, we increased our gross profit to $27.9 million in 2005, an increase of 32% compared to 2004. Our gross margin percentage for the year ended December 31, 2005 increased to 15.3%, an increase of 0.4 percentage points compared to 2004 and a decrease of 1.5 percentage points compared to the nine months of 2003. We expect these margins to increase in 2006 due to the addition of Contractors, which historically has enjoyed higher margins than experienced in the agriculture segment.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

$ thousands	2005 (12 months)	2004 (12 months)	2003 (9 months)
Amount	**$ 21,422**	$ 16,599	$ 7,044
% of revenue	**11.7%**	11.7%	12.5%

Selling, general and administrative expenses increased significantly from 2004. These increases are attributable to additional salary and wage costs and other fixed expenses required to support our increased level of revenue from new and existing services and includes additional administrative support for the acquisitions completed over the last couple years.

As a percentage of revenue, selling, general and administrative expenses for the year ended December 31, 2005 remained virtually unchanged when compared to the year ended December 31, 2004 and decreased by 0.8 percentage points when compared to the nine month period ended December 31, 2003. We believe that this improvement over the prior year reflects the stability in the agriculture dealership operations.

We estimate that selling, general and administrative expenses will continue to grow significantly in 2006 due to the addition of Contractors' operations for the year. However, we do expect to experience certain efficiencies once we have completed the transfer to a centralized, shared resources model, for the management of administrative functions. Selling, general and administrative expenses as a percentage of revenue should remain unchanged or decrease due to continuing economies of scale improvements.

DEPRECIATION AND AMORTIZATION

$ thousands	2005 (12 months)	2004 (12 months)	2003 (9 months)
Amount	**$ 539**	$ 257	$ 60
% of revenue	**0.3%**	0.2%	0.1%

Depreciation and amortization expense increased substantially in 2005 due to the acquisition of Contractors and the purchase of operating assets previously owned and leased from a related company. Property, plant, and equipment increased to $10.7 million at December 31, 2005 compared to $2.2 million at December 31, 2004. This increase in property, plant and equipment mostly took place in the fourth quarter of the year. $6.4 million related to the purchase of Contractors. As a result, we anticipate a significant increase in amortization expense in 2006. Depreciation and amortization calculated as a percentage of revenue was 0.3% for the year ended December 31, 2005, similar to the 2004.

EBITDA

$ thousands	2005 (12 months)	2004 (12 months)	2003 (9 months)
Amount	**$ 6,271**	$ 4,518	$ 2,447
% of revenue	**3.4%**	3.3%	4.3%

EBITDA continued...

EBITDA grew to $6.3 million or 3.4% of revenue for the year ended December 31, 2005. This increase in EBITDA is a direct result of our increased revenue and control of the increases in direct costs and administrative and general expenses. We expect EBITDA to grow substantially in 2006 with the inclusion of a full year of Contractors operating results. In addition, we anticipate that we will benefit from continued organic growth in existing operations and through additional business acquisitions in 2006.

INTEREST EXPENSE

$ thousands	2005 (12 months)	2004 (12 months)	2003 (9 months)
Amount	**$ 1,008**	$ 805	$ 387
% of revenue	**0.6%**	0.6%	0.7%

Interest expense increased to approximately $1.0 million in 2005, but remained constant as a percentage of revenue at 0.6% compared to 0.6% and 0.7% for the comparative twelve month period in 2004 and nine month period in 2003. The increase in interest expense is directly linked to higher long-term debt and bank indebtedness balances in 2005 to support the increase in our operating activity. The acquisition of Contractors was mainly financed with equity. As a result, we anticipate that interest as a percentage of revenue will remain similar in 2006 to the percentages experienced in 2005, unless we use a portion of our existing debt facilities to finance future acquisitions.

UNIT-BASED COMPENSATION

During, 2005 we granted 59,000 options to senior managers of Cervus LP. These options are exercisable at $8.20 per Cervus LP unit and vested immediately. Unit-based compensation expense for the options granted, recognized at their estimated fair value using the Black-Scholes option valuation model, was $176 thousand.

In addition, there were 97,500 warrants issued in relation to the placement costs for the equity offering. These warrants are immediately exercisable and expire within 18 months of issuance.

INCOME TAXES

$ thousands	2005 (12 months)	2004 (12 months)	2003 (9 months)
Earnings before income taxes	**$ 4,850**	$ 3,663	$ 2,001
Income tax expense (recovery)	**-**	(38)	(110)

As a result of being a limited partnership, the earnings of Cervus LP are allocated at the end of the year to the Unitholders who in turn are responsible for the taxes on the earnings of Cervus LP. The recovery amounts in 2004 and 2005 have to do with the recovery of future taxes that arose from timing differences between the accounting treatment and tax treatment of expenses.

We follow the current liability method of accounting for any incorporated subsidiaries that are subject to income taxes. Cervus LP recognizes income tax expenses related to operations conducted by incorporated subsidiaries. The majority of Cervus LP's earnings are not be subject to income taxes.

NET EARNINGS AND EARNINGS PER UNIT

$ thousands	2005 (12 months)	2004 (12 months)	2003 (9 months)
Net earnings (loss)	**$ 4,850**	$ 3,701	$ 2,106
Earnings per unit			
basic	**1.15**	0.97	0.57
diluted	**1.05**	0.94	0.56

Net Earnings and Earnings Per Unit continued...

Net earnings for the year ended December 31, 2005 grew significantly relative to the twelve month period in 2004 and the nine months in 2003, 31% and 76% respectively. Substantial growth in operating revenue and consistent margins has contributed to the majority of this increase.

The earnings per unit have been calculated based on the weighted average number of units outstanding for the year ended December 31, 2005 of 4,204,105 (2004 - 3,823,250; 2003 – 3,701,510). In computing diluted per unit amounts 410,842 (2004 - 101,786; 2003 – 43,000) units were added to the weighted average number of units for the dilutive effect of unit options.

SUMMARY OF QUARTERLY DATA

($ thousands, except per unit amounts)	Dec 2005	Sept 2005	Jun 2005	Mar 2005	Dec 2004	Sept 2004	Jun 2004	Mar 2004
Revene	**$49,590**	**$ 63,530**	**$49,582**	**$19,747**	$31,684	$47,681	$41,754	$20,498
EBITDA (1)	**$1,348**	**$ 2,904**	**$2,427**	**$(408)**	$617	$2,028	$2,147	$(274)
Net earnings (loss) (3)	**580**	**2,592**	**2,274**	**(596)**	496	1,890	1,684	(369)
Earnings per unit (2)								
basic	**$0.14**	**0.61**	**0.55**	**(0.15)**	0.12	0.50	0.45	(0.10)
diluted	**0.07**	**0.59**	**0.53**	**(0.14)**	0.09	0.50	0.45	(0.10)
Shares outstanding	**4,411**	**4,299**	**4,207**	**4,051**	4,017	3,917	3,917	3,702
Fully diluted share	**4,615**	**4,425**	**4,333**	**4,138**	4,159	4,059	3,917	3,917

Notes: (1) EBITDA is identified and defined under the section "Non-GAAP Financial Measures".
(2) Quarterly earnings per unit may not equal the annual earnings per unit reported. This is due to the effect of units issued during the year on the weighted average number of units outstanding.
(3) Excludes earnings of significantly influenced companies. These are investments in companies owned by the John Deere dealers in these regions and represent our relative share of the earnings in those companies.

Our operations traditionally follow a seasonal pattern, with revenue and earnings traditionally being higher in the second and third quarters of the year. However, with the recent acquisition of Contractors, whose income stream has somewhat less seasonal impact, our 2006 results are expected to be less drastic from quarter to quarter. The seeding and harvest seasons will still have a significant impact on the agricultural division and will continue to have an overriding effect on the seasonality of our results.

FINANCIAL CONDITION AND LIQUIDITY

$ thousands, except ratio amounts	2005 (12 months)	2004 (12 months)	2003 (9 months)
Current assets	**$ 69,008**	$ 30,382	$ 24,583
Total assets	**89,212**	33,434	26,286
Current liabilities	**56,523**	18,059	15,562
Total liabilities	**64,176**	25,708	21,200
Unitholders' Equity	**$ 25,036**	$ 7,726	$ 5,085
Working capital ratio (1)	**1.22**	1.68	1.56
Total debt to equity (2)	**2.56**	1.38	1.29

Financial Condition and Liquidity continued...

Notes: (1) Working capital ratio is calculated as current assets divided by current liabilities.
(2) Total Debt is defined as Total Liabilities less shareholder loans and related loans which are formally postponed to the Bank and notes payable to Proventure Income Fund, a related party. Equity is defined as Unitholders' Equity (including Partners capital, retained earnings and current earnings) plus Unit holder loans which are formally postponed to the Bank and notes payable to Proventure Income Fund, a related party less goodwill and other intangibles.

WORKING CAPITAL

Our working capital improved by 1.3% to $12.5 million on December 31, 2005 from a working capital position of $12.3 million at December 31, 2004. This increase was due mainly to the positive working capital position of Contractors acquired in 2005 and the cash flow generated from existing operations during the year.
We expect our working capital to remain strong in 2006 due to continued positive cash flow from operations.

CASH FLOW FROM OPERATIONS

Cash flow from operating activities was approximately $4.6 million for the year ended December 31, 2005 compared to $1.8 million for the year ended December 31, 2004 and $2.2 million for the 9 months December 31, 2003. This improvement is a result of an increase in revenue and earnings in 2005.

Our increase in operating activity also contributed to increases in our non-cash operating working capital balances, including accounts receivable and inventory. Excluding changes in non-cash operating working capital balances, we generated positive operating cash flow of $5.4 million in 2005 compared to $3.7 million in 2004, a 46% increase.

CAPITAL EXPENDITURES

During 2005, we acquired approximately $8.5 million in additional property, plant, and equipment, net of disposals. $6.4 million of capital expenditures were acquired through the acquisition of Contractors and $1.2 million was incurred to buy-out existing equipment

lease commitments. The remaining $0.9 million related to capital expenditures to support the revenue growth.

Our 2006 capital expenditure program for current operations is expected to be in line with the 2005 operating asset expenditure levels.

We will fund these capital expenditures from our existing credit facilities and from cash generated from operations, including operating cash flow retained through the Distribution Reinvestment Plan.

CREDIT FACILITY, LONG-TERM DEBT AND CONTRACTUAL OBLIGATIONS

Limitations on fund transfers
Cervus LP and its subsidiaries are limited on fund transfers and bank indebtedness for the purposes of operating advances, not to exceed $10 million. The indebtedness is subject to certain positive, negative and financial covenants and was put in place on November 17, 2005. The credit facility is a committed 364 day operating loan facility and is available at Cervus LP's option by way of prime rate based loans, bankers' acceptances, letters of credit and stand-by letters of guarantee.

Credit Facility
We entered into a credit agreement with TD Commercial Banking on November 17, 2005. The agreement provides for a committed 364 day operating loan facility of up to $10 million, bearing interest at rates ranging from prime to prime + 0.50% and a two year $5 million committed non-reducing term facility bearing interest at rates ranging from prime + 0.25% to prime + 0.75%. The interest rate is dependant upon the Senior Debt to EBITDA ratio of Cervus LP. For the purposes of this calculation, Senior Debt is defined as all Bank indebtedness outstanding and EBITDA is defined as Net Earnings plus Interest, Taxes, Depreciation and Amortization. The purpose of these facilities is for working capital and acquisition financing. A portion of the proceeds was used to retire Contractors' existing operating facility.

At December 31, 2005, the effective interest rate on this credit facility was 5.0%. An additional stand-by fee of 0.25% per annum is also required on the unused portion of the operating credit facility. The credit facility is secured by a general security agreement representing a first charge on all the assets and undertakings of Cervus LP, guarantees from its subsidiaries and priority agreements with the other lenders.

TERM DEBT

Term debt increased by $9.2 million to $9.4 million as of December 31, 2005 compared to term debt of $0.2 million as of December 31, 2004. The majority of this increase resulted from the following factors:

A two year $5 million committed non-reducing term facility was obtained to facilitate the acquisition of Contractors. Due to the favorable reception of the private placement, this facility was not required for the acquisition and was used to retire the bank debt Contractors carried on a portion of the rental fleet and to draw down the operating facility.

$3.9 million of long term debt was assumed in the acquisition of Contractors. These facilities were used primarily to finance Contractors' rental fleet.

Our contractual obligations for the next five years are as follows:

$ thousands	2006	2007	2008	2009	2010	Total
Long-term debt	$1,771	$6,796	$806	$65	$11	$9,449
Notes payable	-	957	3,059	-	-	4,016
Operating leases	2,129	2,124	2,000	1,886	1,588	9,727
Total	$3,900	$9,877	$5,865	$ 1,951	$1,599	$ 23,192

The outstanding term debt consists of $0.5 million in finance contracts for equipment, $3.9 million in term debt, primarily for Contractors' rental fleet, and the $5.0 million two-year term facility discussed earlier. The finance contracts and term debt on the rental fleet are secured against specific equipment, have specified rates of interest and require payment against principal. The $5.0 million two-year term facility is a variable rate facility requiring interest only payments.

In accordance with the credit agreement with the bank, we have to maintain certain financial covenants. Certain of these covenants were not in compliance at December 31, 2005. We obtained a waiver from the bank as at December 31, 2005, however, if left unchanged we will likely be in violation of the covenant requirements at future dates. Therefore, the $5 million term debt described above has been classified as a current liability. We are working with the bank to amend certain of the financial covenants, along with taking certain actions to correct the non-compliance. We expect to be successful in correcting these areas of non-compliance and will be able to classify this debt as term debt at that time.

Notes payable consist of subordinated, unsecured promissory notes due to a related party. The notes have five-year terms, are repayable in advance without penalty and require quarterly interest payments at bank prime rate.

The operating leases consist mainly of leases on the occupied buildings and land. They are 5 to 10 year leases at fair market value and payable to a related party.

UNITHOLDERS' EQUITY

Unitholders' Equity increased by $17.3 million to $25.0 million at December 31, 2005 compared to $7.7 million at December 31, 2004. This increase resulted from an increase in accumulated earnings during the year, options and warrants issued and recorded as stock based compensation, and a significant increase in Unitholders' Capital. The notes to the accompanying consolidated financial statements provide a schedule showing the changes in Unitholders' Capital during the year. This increase resulted from a number of factors, including the issuance of Cervus LP units upon the acquisition of Contractors, the Distribution Reinvestment Plan, the equity private placement in November 2005, and the issuance of units on the exercise of options during the year.

DISTRIBUTIONS

The following table summarizes our distributions during the year ended December 31, 2005:
$ thousands, except per unit amounts

Record Date	Distribution per Unit	Distribution Payable ($)	Distributions Reinvested ($)	Net Distributions Paid ($)
January 31, 2005	0.08	323	191	132
March 4, 2005	0.08	327	193	134
March 30, 2004	0.08	329	194	135
April 29, 2004	0.08	332	196	136
May 31, 2005	0.08	334	208	126
June 30, 2005	0.08	337	213	124
July 29, 2005	0.08	339	216	124
August 31, 2005	0.08	342	220	122
September 30, 2005	0.08	344	223	121
October 31, 2005	0.08	346	225	122
November 30, 2005	0.08	350	225	125
December 31, 2005	0.08	353	225	127
		4,055	2,528	1,527
Fixed Value Units	107	107		107
General Partner	105	105		105
Preferred Units	15	15		15
Total Distributions	4,282	4,282	2,528	1,754

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.

TAXATION OF DISTRIBUTIONS

Net earnings are allocated to the Unit holders each year. Income taxes are the responsibility of the individual Unit holder and accordingly are not reflected in the financial statements, except for income taxes of the subsidiaries. The subsidiaries follow the liability method of accounting for corporate income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

DISTRIBUTION REINVESTMENT PLAN

During the year ended December 31, 2005, we declared total distributions of $0.96 per unit to the limited partners. Of this amount, there was $2.528 million (60%) reinvested through our Distribution Reinvestment Plan ("DRIP"), resulting in the issuance of a total of 338,011 Cervus LP units.

The DRIP is a voluntary program that permits eligible Unitholders automatically and without charge to reinvest monthly distributions in additional Fund units. Unitholders who elect to participate will see their periodic cash distributions automatically reinvested in Fund units at a price equal to 95% of the volume-weighted average price of all units traded on the TSX Venture Exchange on the ten trading days preceding the applicable record date. Eligible Unitholders may participate in the DRIP by directing their broker, dealer, or investment advisor holding their Fund units to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Canadian Depository for Securities Inc. ("CDS").

Although we intend to continue making distributions to our Unitholders, these cash distributions are not assured, and may be reduced or suspended. Our ability to make cash distributions and the actual amount distributed will depend upon, among other things, our financial performance, our debt covenants and obligations, our ability to refinance our debt obligations on similar terms and at similar interest rates, our working capital requirements, and our future capital requirements. In addition, the market value of Cervus LP units may decline if we are unable to meet our cash distribution targets in the future, and that decline may be significant.

LIMITED PARTNERSHIP UNITS DISTRIBUTIONS

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 current fiscal period, over the subsequent fiscal period.

FIXED VALUE UNITS DISTRIBUTIONS

The fixed value units are non-voting and entitle the holder to an annual distribution of 5% of the face value and are redeemable at the option of Cervus LP.

PREFERRED UNITS DISTRIBUTIONS

These units arose from the acquisition of Contractors. Each unit is convertible at the option of the holder into one Cervus LP unit. The units are non-voting and entitle the holder to an annual earnings allocation of 4% of the face value. In addition these units participate in equivalent distributions to the Unitholders in excess of the 4%. Cervus LP can require conversion to Cervus LP units on July 31, 2010.

GENERAL PARTNER DISTRIBUTIONS

Cervus Corporation resigned as general partner of Cervus LP effective May 31, 2005. The new general partner is a private company, Cervus GP Ltd. The appointment was approved by the limited partners at the annual special meeting on May 31, 2005 and received final regulatory approval on August 1, 2005. The shareholders of the general partner, in total, own approximately 70 percent of the outstanding shares of Cervus Corporation. The shareholders of the general partner, in total, owned approximately 70 percent of the outstanding units of Cervus LP as at the May 31, 2005 and approximately

44 percent as at date of this report. The dilution was a result of the issuance of the subscription receipts in November 2005 which were subsequently converted to partnership units.

Under the Amended and Restated Limited Partnership Agreement, Cervus GP Ltd. is entitled to reimbursement of all reasonable direct and indirect costs incurred on behalf of Cervus LP and to 1% of the net income of Cervus LP.

OFF-BALANCE SHEET ARRANGEMENTS

a) We have guaranteed mortgages for Proventure Income Fund, a related party, on buildings that they own and lease to us. As at December 31, 2005 the loan balances outstanding were $2,107,000 (2004 $1,563,000).

b) 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.

c) We act as a sales agent for the lease of certain equipment by customers from Deere Credit. Under the terms of its agreement with Deere Credit, Cervus LP is obligated to purchase the equipment leased to customers by Deere Credit at the end of the lease term at a predetermined amount under the terms of the respective leases. Deere Credit is obligated to finance these future purchases under dealer floor plan arrangements. The total future purchase commitments aggregate approximately $23,700,000 at December 31, 2005 (2004 - $21,500,000).

d) Deere Credit provides financing to certain of ours customers. A portion of this financing

Off-Balance Sheet Arrangements continued...

is with recourse to Cervus LP if the amounts are uncollectible. As at December 31, 2005 this amount was approximately $508,000 (2004 - $384,000).

RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 2005 and 2004, the LP had the following transactions with Proventure Income Fund:

	2005	2004
Equipment and real estate rentals	**$ 901,770**	$ 804,324
Interest on notes payable	**287,110**	424,584
Interest on fixed value units	**40,200**	40,200
Guarantee fees	**145,500**	97,500
Monthly management fees	**–**	291,604
	$ 1,374,580	$ 1,658,212

The Chief Executive Officer ("CEO") of the LP is the CEO of the general partner and 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 Income Fund, Proventure is entitled to reimbursement for costs incurred and allocation of insurance costs, allocation of data services, guarantee fees based on 3% of the guarantee amounts to John Deere payable to either Proventure Income Fund or the individual providing the guarantees, 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 $5,200,000 (2004- $5,200,000). During 2005, the LP paid these individuals $156,000 (2004 -$213,000) for providing these guarantees and these were recorded at the amount agreed to by the related parties.

(c) In December 2005 the LP purchased equipment from Proventure Income Fund for an amount equal to Proventure's net book value of $1,189,867. The consideration paid was the assumptionof $201,324 of related debts and a payable of $988,543 to Proventure.

(d) Cervus Corporation resigned as general partner of the LP effective May 31, 2005. During the year, Cervus Corporation was paid $16,774 (2004 - $37,011) as general partner. The new general partner is Cervus GP Ltd., a private company. Cervus GP Ltd.'s shareholders own approximately 52 percent of the outstanding units of the LP. Under the amended and restated limited partnership agreement, Cervus GP Ltd. is entitled to reimbursement of all reasonable direct and indirect costs incurred on behalf of the LP and to 1% of the net earnings. For the year ended this amounted to $32,731.

(e) Notes payable to other related parties:

	2005	2004
5% notes payable, unsecured	**$ 511,620**	$ 404,000
Notes payable, non-interest bearing and unsecured	**298,652**	310,792
	$ 810,272	$ 714,792

Related Party Transactions continued...

The notes payable are to companies controlled by dealership managers. The 5% notes payable have a five year term, maturing January 1, 2009, and are repayable in advance without penalty. The non-interest note payable has no maturity and is repayable in advance without penalty. During the year, interest of $21,545 (2004 - $20,200) was paid on the notes.

(f) During the year, equipment and real estate rentals of $250,836 (2004 - $361,236) and guarantee fees of $91,500 (2004 - $115,500) were paid to officers, directors and unit holders of the LP. During the year, management fees of $747,579 (2004 - $162,500) were paid to companies controlled by dealership managers. These transactions are recorded at the amount agreed to by the related parties.

(g) Reduction on acquisition of Cervus Corporation common shares:
On May 5, 2004 the LP acquired 620,000 common shares of Cervus Corporation at $2.00 per share from Cervus Corporation. On the date of the issue, the carrying value of Cervus Corporation common shares was $1.39 per share. As the transaction was with a related party, the amount paid for the shares in excess of Cervus Corporation's carrying value of the shares has been recorded as a reduction of the limited partners' accumulated earnings.

These related party transactions were measured at their exchange amounts, which was the consideration established and agreed to by the related parties. It is our opinion that these transactions were conducted at terms and rates that represent fair value for the services received and the assets acquired. All of these transactions were conducted in the normal course of operations.

ANALYSIS AND REVIEW OF OPERATIONS FOR THE FOURTH QUARTER OF 2005

Three Month Period Ended $ thousands, except per unit amounts	December 31 2005	December 31 2004
Revenue	**$ 49,590**	$ 31,684
Cost of sales	**41,093**	26,635
Gross profit	**8,497**	5,049
Gross margin (%)	**17.1%**	15.9%
Selling, general and administrative	**6,973**	4,433
Depreciation and amortization	**354**	75
Interest	**337**	78
Unit-based compensation	**176**	-
Earnings before income taxes	**657**	450
Income taxes (recovery)	**-**	(39)
Earnings before the following	**657**	489
Equity earnings of significantly influenced companies	**(77)**	7
Net earnings	**580**	496
Per unit		
basic	**$ 0.14**	$ 0.12
diluted	**0.07**	0.09
EBITDA (1)	**$ 1,348**	$ 603
EBITDA margin (%) (1)	**2.7%**	1.9%
Cash flow from operations before changes in non-cash operating working capital (1)	**$ 1,286**	$ 565
Per unit		
basic	**0.30**	0.13
diluted	**0.26**	0.13
Distributions declared	**$ 1,049**	n/a
Per unit	**$ 0.24**	$ n/a

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

Revenue for the quarter ending December 31, 2005 increased $17.9 million or 57% compared to the same period in 2004. Again, this illustrates the significant growth we have experienced in our operations in 2005. This trend continues throughout the income statement, reflecting major increases in all expense categories required to support our increase in revenue. Revenue decreased by $21 million compared to reported revenue of $70.6 million for the three months ended September 30, 2005. This decrease is indicative of the slow down in sales after the end of the harvest season. The decrease was offset in part by revenue form the acquisition of Contractors during the fourth quarter of 2005.

Analysis and Review of Operations for the Fourth Quarter of 2005 continued...

Our gross margin during the fourth quarter of 2005 increased by 68% compared to the same period in 2004. This increase was due in part to the addition of the results of Contractors which was purchased on November 16, 2005. Our gross margin percentage of 17% increased from our gross margin percentage reported for the previous three months ended September 30, 2005 of 14% Selling, general and administrative expenses increased by $2.6 million or 58% compared to the same period in 2004. This, again, was caused by the increase in our operating activity in 2005. As a percentage of revenue, selling, general and administrative expenses for the three months ended December 31, 2005 was 14%, which is the same percentage as the three-month period ended December 31, 2004.

Depreciation and amortization expense increased by $0.3 million or 371%, mainly as a result of the purchase of the Contractors rental fleet and the purchase of operating assets previously leased.

Interest expense increased by $0.2 million or 330% compared with the same period in 2004. This increase was due to long term debt assumed through the purchase of Contractors. This debt is substantially to finance the rental fleet.

A non-recurring unit-based compensation expense of $175.5 thousand was also incurred during the fourth quarter of 2005. This expense related to 59,000 options granted to employees of Cervus LP and 97,500 warrants to brokers as part of the private placement.

Net earnings for the three months ended December 31, 2005 was $0.6 million or $0.14 per unit - basic, a $0.1 million improvement over the comparative quarter in 2004. Earnings per unit were calculated based on the weighted average number of units outstanding during the three months ended December 31, 2005. The basic and diluted weighted average number of units outstanding for the three months ended December 31, 2005 was 4,204,105 and 4,614,947 respectively.

OUTLOOK FOR 2006

We will continue to expand our business in 2006. Growing our business will be critical to achieving our vision of becoming the premier aggregator of equipment dealerships. Our growth in 2006 will be focused in the following areas:

- Continued consolidation of a fragmented equipment dealership industry;
- Industry diversification through acquisition of construction and industrial equipment dealerships;
- Geographic expansion, primarily in Western Canada;
- Realizing on potential synergies through clustering of dealership groups and rationalization of operations;
- Increasing our market presence;
- Increasing our customer base; and
- Introducing new and related product lines that will complement the current lines provided through our dealership networks.

NEW DEVELOPMENTS - BUSINESS ACQUISITIONS

No letters of intent have been entered into as at the date of this report.

EVALUATION OF DISCLOSURE CONTROLS

The LP has established and maintains disclosure controls over financial reporting. The certifying officers have evaluated the effectiveness of the LP's disclosure controls and procedures as of December 31, 2005 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings.

CRITICAL ACCOUNTING ESTIMATES

Preparation of consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the consolidated financial statements. Our significant accounting estimates include estimating bad debts on accounts receivable; amortization of intangible assets and property, plant, and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; the fair value of unit-based awards; asset retirement obligations; the fair value of reporting units for goodwill impairment testing purposes; and estimates of various taxation matters. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE

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

DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

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

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant, and equipment and intangible assets acquired, we rely on independent third party valuations.

ASSET IMPAIRMENT

We assess the carrying value of long-lived assets, which include property, plant, and equipment and intangible assets, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the reporting unit to the estimated fair value to ensure that the fair value is greater than the carrying value. We arrive at the estimated fair value of a reporting unit using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including future revenue growth, expected earnings, and earnings multiples. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

TAXATION MATTERS

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for income taxes is adequate.

FAIR VALUE OF UNIT-BASED AWARDS

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

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the year.

ACCOUNTING POLICIES ADOPTED IN 2005

In 2005, we also adopted some new accounting policies to address new developments in our business. These included the following:

INTANGIBLE ASSETS

Pursuant to our acquisition of A.R. Williams Contractors Equipment Ltd on November 16, 2005, we adopted Canadian Institute of Chartered Accountants (“CICA”) Standard 1581 regarding the recognition of intangible assets apart from goodwill.

UNIT-BASED COMPENSATION

We issued warrants to a brokerage firm as part of their commission arrangement in connection with the private placement in November 2005. These warrants are recognized in accordance with the fair-value based method of accounting. Compensation expense is measured at fair value at the grant date using the Black-Scholes valuation model and is recognized as unit-based compensation expense over the vesting period of the warrants granted.

FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The carrying amounts of accounts receivable, work in progress, accounts payable and accrued liabilities, unit holder distributions payable, and notes payable approximate their fair values because of the short-term maturity of these instruments. The carrying value of bank indebtedness and long-term debt approximates fair value because the applicable interest rates are based on variable reference rates. The uncertainty and broad range of outcomes pertaining to related future cash flows renders the calculation of a fair value with appropriate reliability impractical.

b) Credit risk

Credit risk arises from the possibility that the entities to which we provide services may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of our revenue is generated from customers in the agricultural sector. This results in a concentration of credit risk from customers in this industry. A significant decline in economic conditions in this sector would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations to us.

We mitigate our credit risk by assessing the credit worthiness of our customers on an ongoing basis. We also closely monitor the amount and age of balances outstanding. To date, our bad debts have been within expectations and are generally limited to specific customer circumstances.

c) Interest rate risk

We are subject to interest rate risk on our operating credit facilities because they are based on floating rates of interest. The required cash flow to service the debt will fluctuate as a result of changes in market rates. We have not entered into any derivative agreements to mitigate these risks.

d) Foreign currency risk

We are exposed to foreign currency fluctuations in relation to new equipment and parts purchased from U.S. manufacturers and therefore are exposed to the financial risk of cost fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. We do not use derivative financial instruments to reduce our exposure to foreign currency risk. In our opinion, our exposure to foreign currency risk is not significant since these fluctuations generally are passed on to the consumer through changes in the retail price of the parts and equipment. In addition, the manufactures have historically addressed significant fluctuations in exchange rates through special pricing programs for the dealers. We expect this practice would continue.

An increasing Canadian dollar will translate into less expensive new equipment and accordingly a decrease in the value of used equipment that tracks new prices. The risk is greatest with 1-2 year old equipment. We generally pre-sell the newer used equipment at the time it is taken in on trade to mitigate that risk

BUSINESS RISKS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in our forward looking statements (See "Note Regarding Forward Looking Statements"). These business risks include the following:

- Cash distributions are not guaranteed and will fluctuate with the financial performance of Cervus LP

* Financial instrument risks - (see "Financial Instrument" section above)

- Availability of future debt and equity financing
- Failure to realize anticipated benefits of acquisitions
- Dependence on key personnel
- Workforce availability
- Regulatory and statutory developments
- Competition
- Reliance on management information systems
- Industry and worldwide economic and political conditions

Investors and the public should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to Cervus LP.

We identify below the following three principal risks that affect our business and our ability to meet our financial goals.

ECONOMIC DEPENDENCE

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

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

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

WORKFORCE AVAILABILITY

Our ability to provide high quality services to our customers is dependent upon our ability to attract and retain well-trained, experienced employees. Our industry is experiencing a very high demand for and a corresponding shortage of quality employees. We need to attract and retain good employees, or our long-term success and ability to take full advantage of growth opportunities could be threatened.
We have established a number of human resource initiatives and compensation strategies to address this risk and are in the process of developing a stock based individual retirement savings program for our employees.

DEPENDENCE ON INDUSTRY SECTORS

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

The retail farm equipment industry is very competitive. Cervus LP faces a number of competitors, including other "in-line" John Deere dealerships and other competitors including authorized Agco, Case, Caterpillar, Kubota and New Holland dealerships that may be located in communities of Cervus LP's dealerships or are located in surrounding communities to Cervus LP's dealerships. Presently, Deere & Company has a reputation for the manufacture and delivery of high quality, competitively priced products. John Deere has the largest market share of manufacturing and sales of farm equipment

Business Risks continued...

in North America. There can be no assurance that John Deere will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

We have mitigated these risks by:

- Geographical diversification in western Canada within the agricultural sector
- Industry diversification into the construction sector in Alberta

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

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

OUTSTANDING UNIT DATA

As of April 24, 2006, we had 5,976,299 Cervus LP units outstanding. The increase from December 31, 2005 totals was due to 1,484,600 subscription receipts being converted in January 2006 and further issuance through the DRIP program. These subscription receipts were issued in conjunction with the private placement funding for the acquisition of Contractors.

As of April 24, 2006, we had 115,000 options outstanding. 101,000 are exercisable at $2.00 per unit and 59,000 at $8.20 per unit and were issued to employees of Cervus LP. The first block expire in 2008 and the second block in 2010. All of these options have vested.

In addition, Cervus LP issued 97,500 warrants to brokers in connection with the placement of the subscription receipts. These warrants are exercisable at $8.00 and expire in 2007.

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

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 definition of EBITDA excludes the gain (loss) on disposal of property, plant, and equipment and equity earnings of significantly influenced companies. The latter are investments in companies owned by the John Deere dealers in these regions and represent our relative share of the earnings in those companies.

The following is a reconciliation of EBITDA to net earnings for each of the periods presented in this MD&A:

Period Ended $ thousands	December 31 2005 (12 months)	December 31 2004 (12 months)	December 31 2003 (9 months)
Net earnings (loss)	**$ 4,850**	$ 3,701	$ 2,110
Add:			
Equity earnings of significantly influenced Companies	**(126)**	(207)	-
Income taxes	**-**	(38)	(110)
Amortization	**539**	257	60
Interest	**1,008**	805	387
EBITDA	**$ 6,271**	$ 4,518	$ 2,447

The following is a reconciliation of quarterly EBITDA to net earnings for each of the quarters presented in this MD&A:

$ thousands	Dec 2005	Sept 2005	Jun 2005	Mar 2005	Dec 2004	Sept 2004	Jun 2004	Mar 2004
Net earnings (loss)	**$580**	**$ 2,592**	**$2,274**	**$(596)**	$ 709	$1766$1784	$(558)	
Add (deduct):								
Equity earnings of Significantly influenced Companies	**77**	**(32)**	**(114)**	**(57)**	(207)	-	-	-
Income taxes	**-**	**-**	**-**	**-**	(38)	-	-	-
Amortization	**354**	**64**	**66**	**55**	75	67	60	55
Interest	**337**	**280**	**201**	**190**	78	195	303	229
EBITDA	**$1,348**	**$ 2,904**	**$2,427**	**$(408)**	$617	$2,028	$2,147	$(274)

EBITDA MARGIN

EBITDA margin is calculated as EBITDA divided by revenue.

CASH FLOW FROM OPERATIONS BEFORE 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.

Non-GAAP Financial Measure continued...

TOTAL DEBT TO EQUITY

Total Debt is defined as Total Liabilities less shareholder loans and related loans which are formally postponed to the Bank and notes payable to Proventure Income Fund, a related party. Equity is defined as Unitholders' Equity (including Partners capital, retained earnings and current earnings) plus Unit holder loans which are formally postponed to the Bank and notes payable to Proventure Income Fund, a related party less goodwill and other intangibles

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 the Fund 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, the Fund. 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