CERVUS LP

Second quarter financial statements

For the six months ended June 30, 2004

(Unaudited - Prepared by Management)

These statements have not been audited or reviewed by the Limited Partnership’s auditors.

CERVUS LP

Dear Unitholders

It is my pleasure to present Cervus LP's results for the second quarter ended June 30, 2004.

Second Quarter, Fiscal 2004 Results

The Partnership's sales for the quarter were $41.7 million. The profit for the quarter was $1.7 million or 0.45 per unit basic and on a fully diluted basis. Year to date, revenue was $62.2 million and net earnings were $1.3 million or 0.35 per unit basic and on a fully diluted basis.

The Partnership distributed 0.15 of a common share of Cervus Corporation for each unit to unitholders of record at June 30, 2004 on July 15, 2004.

Current Economic Environment

As harvest approaches it appears most of western Canada will experience above average yields in most regions. With little harvesting completed to date and recent rains, most regions will experience difficult harvesting conditions. Recent frosts in Saskatchewan and Manitoba have also raised some concern over potential reduced grain quality.

The cattle situation and closed US border to live animals continues to be a concern for us and our cattle producer customers. A new government program looks like it may be coming to assist cattle producers this fall, but the long term situation requires either the border to open up to live cattle under 30 months of age or greater production capacity in Canada. We have been directly impacted by less tractor and hay equipment sales this year and are fortunate that good moisture conditions and a high grain yield potential have increased combine and swather sales.

Sincerely submitted on behalf of the employees of Cervus LP and management and directors of the general partner Cervus Corporation,

Peter Lacey
President and Chief Executive Officer
Cervus Corporation, the General Partner

CERVUS LP

Consolidated Balance Sheet
(Unaudited)

	June 30, 2004	December 31 2003
Assets		
Current assets:		
Cash	$ 635,922	$ 886,325
Accounts receivable	2,478,063	1,433,633
Inventories	33,874,128	20,064,559
Prepaids	178,300	102,725
Income taxes receivable	196,852	–
Investment in Cervus Corporation (note 12)	861,800	–
Land and buildings held for sale (note 10)	–	1,865,630
	38,225,065	24,352,872
Equipment	900,495	611,573
Goodwill	803,969	803,969
Investment in affiliates (note 5)	455,203	–
Finance reserve	718,558	517,244
	$ 41,103,290	$ 26,285,658
Liabilities and Partners' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,735,424	$ 1,125,492
Floor plan payables	22,192,659	12,410,972
Due to Cervus Corporation (note 10)	–	1,721,129
Current portion of long-term debt	57,657	–
Future income taxes	–	304,111
	23,985,740	15,561,704
Long-term debt (note 6)	99,767	–
Notes payable to Cervus Corporation	9,525,774	5,118,307
Notes payable	914,405	404,000
Future income taxes	228,705	116,255
Non controlling interest	108,276	–
Partners' equity (note 7)	6,240,623	5,085,392
Subsequent event (note 12)		
	$ 41,103,290	$ 26,285,658

See accompanying notes to consolidated financial statements.

Approved by the Board of the General Partner:

Signed "Peter Lacey" Director

Signed "Graham Drake" Director

CERVUS LP

Consolidated Statement of Earnings

(Unaudited)

	Three months June 30, 2004	Three months June 30, 2003	Six months June 30, 2004	March 14 to June 30, 2003
Revenue:				
Equipment sales	$34,648,125	$11,657,410	$50,608,528	$11,657,410
Parts and service	6,866,279	2,801,697	11,336,911	2,801,697
Other	239,371	–	305,996	–
	41,753,775	14,459,107	62,251,435	14,459,107
Cost of sales	35,436,797	12,105,365	52,809,330	12,105,365
Gross profit	6,316,978	2,353,742	9,442,105	2,353,742
Selling, general and administrative expenses	4,169,933	1,539,168	7,569,598	1,539,168
Earnings before the following	2,147,045	814,574	1,872,507	814,574
Depreciation	60,055	–	115,342	–
Interest	302,910	60,036	531,890	60,036
Earnings before income taxes	1,784,080	754,538	1,225,275	754,538
Income taxes (recovery):				
Current	–	–	–	–
Future	190,000	–	–	–
	190,000	–	–	–
Equity earnings on investments	198,000	–	198,000	–
Non-controlling interest	108,276	–	108,276	–
Earnings	$ 1,683,804	$ 754,538	$ 1,314,999	$ 754,538
Net earnings per unit (note 7):				
Basic	$ 0.45	$ 0.20	$ 0.35	$ 0.20
Diluted	$ 0.45	$ 0.20	$ 0.35	$ 0.20

See accompanying notes to consolidated financial statements.

CERVUS LP

Consolidated Statement of Partners' Equity
(Unaudited)

For the period from January 1, 2004 to June 30, 2004

	Number of units	General Partner	Limited Partners	Total (restated note 4)
General partner unit	1	$ 100	$ –	$ 100
Limited partnership fixed value units	–	803,969	–	803,969
Limited partnership units	3,701,509	–	2,220,906	2,220,906
Partnership formation costs	–	–	(50,000)	(50,000)
Contributed surplus (note 4)	–	–	3,519	3,519
Net earnings	–	47,904	2,058,994	2,106,898
Balance, December 31, 2003	3,701,510	$ 851,973	$ 4,233,419	$ 5,085,392
Contributed surplus (note 7)	–	–	3,432	3,432
Exercise of unit options	215,000	–	215,000	215,000
Contribution to the general partner		–	(378,200)	(378,200)
Net earnings	–	33,250	1,281,749	1,314,999
Balance, June 30, 2004	3,916,510	$ 885,223	$ 5,355,400	$ 6,240,623

See accompanying notes to consolidated financial statements.

CERVUS LP

Consolidated Statement of Cash Flows
(Unaudited)

	Three months June 30, 2004	Three months June 30, 2003	Six months June 30, 2004	March 14 to June 30, 2003
Cash flows from (used in) the following activities:				
Operations:				
Earnings	$ 1,683,804	$ 754,538	$ 1,314,999	$ 754,538
Add items not affecting cash:				
Depreciation	60,055	–	115,342	–
Unit based compensation	1,716	–	3,432	–
Equity earnings on investment	(198,000)	–	(198,000)	–
Non-controlling interest	108,276	–	108,276	–
Future income taxes	190,000	–	–	–
	1,845,851	754,538	1,344,049	754,538
Net change in non-cash working capital	(1,220,664)	(150,210)	(1,681,691)	(150,210)
	625,187	604,328	(337,642)	604,328
Financing:				
Issuance of partnership units	215,000	100	215,000	100
Contribution to the general partner	(378,200)	–	(378,200)	–
Repayment of advance from Cervus Corporation (note 10)	–	(126,178)	(1,660,000)	(126,178)
Advances to affiliate companies	(126,802)	–	(141,802)	–
Net change in long-term debt	19,433	–	(8,210)	–
Increase (decrease) in finance reserve	(52,623)	45,760	(61,791)	45,760
Net change in notes payable to Cervus Corporation	1,220,619	–	1,287,683	–
	897,427	(80,318)	(747,320)	(80,318)
Investments:				
Investment in Cervus Corporation	(861,800)	–	(861,800)	–
Business disposition (note 10)	–	–	1,574,349	–
Purchase of equipment	(55,714)	–	(62,390)	–
Business acquisition (note 11)	–	(19,773)	184,400	(19,773)
	(917,514)	(19,773)	834,559	(19,773)
Increase (decrease) in cash	605,100	504,237	(250,403)	504,237
Cash, beginning of period	30,822	100	886,325	100
Cash, end of period	$ 635,922	$ 504,337	$ 635,922	$ 504,337

The following cash payment have been included in the determined of net earnings:

Cash interest paid	$ 296,648	$ 20,897	$ 495,221	$ 20,897

See accompanying notes to consolidated financial statements.

1. Formation and basis of presentation:

Cervus LP (the "LP") was incorporated under the laws of Alberta as a limited partnership on March 14, 2003. The general partner is Cervus Corporation. The LP, is a retailer of agricultural equipment primarily supplied by Deere & Company and products and services pursuant to a contract agreement to act as an authorized dealer for John Deere Limited.

On March 14, 2003, Cervus Corporation entered into an arrangement agreement with the LP. Pursuant to the agreement, the net assets of its subsidiaries with operations in Calgary, Ponoka, Stettler and Trochu were transferred to the LP in exchange for promissory notes, limited partnership units and fixed value limited partnership units. Cervus Corporation distributed the limited partnership units to its shareholders. On closing of the arrangement, each common shareholder of Cervus Corporation received one limited partnership unit of Cervus LP for each common share held.

On January 1, 2004, the LP acquired a 59% interest in Greenline Equipment Ltd. from Cervus Corporation in exchange for a promissory note. For accounting purposes, the acquisition is a transfer between entities under common control and has been recorded at carrying values.

2. General:

The interim financial statements of Cervus LP have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2003. The disclosures provided below are incremental to those included in the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 2003.

3. Seasonality:

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

4. Change in accounting policy:

Effective January 1, 2004, the partnership adopted the amended Canadian accounting standard for stock-based compensation. The amended standard requires the Company to measure all stock-based payments using the fair value method of accounting and recognize the compensation expense in the financial statements.

The effect of this change in accounting policy has been recorded retroactively with restatement of prior periods. The effect of the adoption is presented in note 7(b).

5. Investment in affiliates:

101034350 Saskatchewan Ltd., 33.33% ownership:		
Investment in shares	$	100
Advances		114,900
Equity earnings		122,203
Deer Star Systems Inc., 27% ownership:		
Investment in shares		4
Advances		79,996
Equity earnings		138,000
	$	455,203

6. Long-term debt:

Finance contracts and fixed rate bank loans payable in monthly installments of $6,075 including interest up to 7.25%, secured by various related equipment due prior to 2007.	$	157,424
		157,424
Less: Current portion		57,657
	$	99,767

Estimated principal repayments are as follows:

2004	$	57,657
2005		44,125
2006		26,168
2007		26,065
2008		3,409
Thereafter		–
	$	157,424

7. Partners' equity:

(a) Per unit amounts:

The earnings per unit have been calculated based on the weighted average number of units outstanding for the period ended June 30, 2004 of 3,707,449. In computing diluted per unit amounts 5,939 units were added to the weighted average number of units for the dilutive effect of unit options.

(b) Unit options:

The LP has a stock 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 three years from the date of grant.

On July 2, 2003, the LP issued unit options to officers of the general partner and employees of the LP to issue unit options to acquire 215,000 units at an exercise price of $1.00 per unit. These options were all exercised on June 25, 2004.

The following weighted average assumptions were used to determine the fair value of options on date of grant:

Risk free interest rate	5%
Expected life	3 years
Maximum life	3 years
Expected dividend	$nil per unit
Expected unit price volatility	36%

Had the LP determined unit-based compensation costs based on the fair value at the date of grant for its unit options, net earnings and earnings per unit ("EPU") for the period from March 14, 2003 to December 31, 2003 would have decreased by the amounts indicated below. These earnings reflect compensation costs amortized over the option's vesting period.

	Six months ended June 30, 2004	Year ended December 31, 2003
Earnings impact	$ 3,432	$ 3,519
Basic EPU impact	$ 0.00	$ 0.00
Diluted EPU impact	$ 0.00	$ 0.00

8. Economic dependence:

The 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 the LP has one year to restore any deficiencies. There can be no guarantee that circumstances will not arise which give John Deere Limited the right to terminate John Deere dealership agreements.

Cervus Corporation, as general partner, is considered a co-borrower and guarantor of the indebtedness of the LP.

9. Related party transactions:

Under the arrangement agreement and subsequent operational agreement between the LP and Cervus Corporation, Cervus Corporation is entitled to reimbursement for costs incurred as general partner. The agreement provides for a 1% annual charge on assets utilized, allocation of insurance costs, allocation of data services, guarantee fees based on 3% of the guarantee amounts to John Deere payable to either Cervus Corporation or the individual providing the guarantees, interest on any overdraft balances, interest on any outstanding indebtedness, building lease charges based on 1% per month of the fair market value of the property, and other direct expenses reimbursable with no handling fees or markup.

During the period ended June 30, 2004, the LP had the following transactions with Cervus Corporation:

	2004	2003
Equipment and land and building rentals	$ 402,162	$ 105,742
Interest on notes payable and income on limited partnership fixed value units	224,544	35,501
Management fees	169,625	46,197
Guarantee fees	48,750	22,500
	$ 845,081	209,940

Certain limited partnership unit holders and the general partner have provided guarantees to John Deere, relating to dealership agreements, aggregating $7,100,000. During 2004, the LP paid these individuals $106,500 (2003 – $22,500) for providing these guarantees.

10. Disposition of certain assets of Farm and Garden Centre of Saskatoon Ltd.:

On November 1, 2003, the LP and Cervus Corporation acquired two Saskatchewan-based John Deere dealerships, one located in Saskatoon and one located in Rosthern.

On January 1, 2004, the LP sold certain net assets to Cervus Corporation for $1,575,000, being the carrying value of the net assets. Cervus LP repaid its advance from Cervus Corporation with the proceeds.

The fair value of net assets acquired and the carrying value of net assets sold are as follows:

	Net Assets Acquired	Net Assets Subsequently Sold	Net Acquisition
Cash	$ 275,423	$ (651)	$ 274,772
Accounts receivable	324,404	(12,830)	311,574
Inventories	3,595,958	–	3,595,958
Prepaid expenses	17,493	–	17,493
Land, buildings and equipment	2,534,826	(1,865,630)	669,196
Finance reserve	152,340	–	152,340
Accounts payable and accrued liabilities	(256,754)	–	(256,754)
Floor plan payables	(2,098,193)	–	(2,098,193)
Income taxes payable	(17,522)	–	(17,522)
Future income taxes	(530,203)	304,111	(226,092)
	$ 3,997,772	$ (1,575,000)	$ 2,422,772

Financed by:	Total
Advance from Cervus Corporation	$ 1,660,000
Notes payable to Cervus Corporation	1,116,772
Notes payable to other related parties	404,000
Floor plan payables	817,000
	$ 3,997,772

The notes payable to Cervus Corporation bear interest at 5% and are subordinated and unsecured. The notes have a six year term, maturing January 1, 2009, and are repayable in advance without penalty. In addition, Cervus Corporation has an entitlement to a 15% share of future earnings of the acquired dealerships.

The notes payable to other related parties are to companies controlled by dealership managers. The notes payable bear interest at 5% and are subordinated and unsecured. The notes have a five year term, maturing January 1, 2009, and are repayable in advance without penalty. In addition, on January 1, 2004 the managers acquired a 20.2% share of future earnings of the acquired dealerships.

11. Acquisition of Greenline Equipment Ltd:

On January 1, 2004, Cervus Corporation sold its 59% interest in Greenline Equipment Ltd. to Questus at carrying values in exchange for promissory note from Questus. For accounting purposes, the acquisition is a transfer between entities under common control and has been recorded at carrying values. The balances as at January 1, 2004 for the Greenline dealerships were as follows:

Net assets transferred to Questus and consideration paid:	
Cash	$ 184,401
Accounts receivable	643,312
Inventories	7,007,879
Income taxes receivable	179,330
Prepaids	32,241
Finance reserve	139,523
Equipment	341,874
Investment in affiliate	87,203
Accounts payable	(374,721)
Floor plan payable	(4,422,095)
Long term debt	(165,634)
Due to Cervus Corporation	(3,058,655)
Due to related companies	(482,207)
Future income taxes	(112,450)
Limited partnership note	$ 1

11. Acquisition of Greenline Equipment Ltd (continued):

The following represents the results of operations for the three and six month periods ending April 30, 2003 while the dealerships were owned by Cervus Corporation. The results are not necessarily indicative of the results of operations, cash flows, or financial position had the dealership assets been operated as an independent entity as at or for the dates and periods presented. The results of operations do not include an allocation of corporate and other overhead costs to the dealerships, costs resulting from the arrangement with the general partner and changes to the income tax provisions resulting from the change in the ownership structure from a corporation to a partnership.

Greenline Equipment Ltd.	Three months ended January 31, 2003	Six months ended April 30, 2003
Revenue	$ 2,906,174	$ 11,175,303
Cost of sales	2,455,731	9,775,984
Gross profit	450,443	1,399,319
Selling, general and administrative expenses	604,131	1,383,071
Earnings (loss) before the following	(153,688)	16,248
Interest	50,086	9,825
Depreciation	17,802	35,604
Earnings (loss) before the following	(221,576)	(29,181)
Income taxes (recovery):		
Current	(86,414)	(11,672)
Future		–
	(86,414)	(11,672)
Earnings (loss) before the following	(135,162)	(17,509)
Equity earnings on investment		–
Non-controlling interest	(54,508)	(7,179)
Net earnings (loss)	(80,654)	$ (10,330)

12. Investment in Cervus Corporation:

On May 5, 2004, the LP acquired 620,000 common shares of Cervus Corporation at a price of $2.00 per common share in a private placement. As the common shares were issued pursuant to an exemption from the prospectus requirements of the Securities Act (Alberta), they are subject to a hold period expiring in September 2004. As a result of the transaction, the LP owns approximately 14.35% of the issued and outstanding shares of Cervus Corporation.

For accounting purposes, the transaction is between related parties entities under common control and has been recorded at carrying values. The carrying value of the shares of Cervus Corporation issued under the arrangement is $861,800 ($1.39 per share). The difference between the purchase price and carrying value $378,200 has been recorded as an equity contribution to Cervus Corporation by the LP.

On July 15, 2004, the LP distributed 587,473 shares of Cervus Corporation to unit holders of record on June 30, 2004. This represents a distribution of $0.21 on an accounting basis or $0.30 on a tax basis per limited partnership unit by receiving of 0.15 Cervus Corporation common shares for each unit. As the hold period on the common shares had not expired by July 15, a director and the principal shareholder of Cervus Corporation, agreed to exchange 620,000 free-trading Cervus Corporation shares for the 620,000 restricted-shares.