

Unaudited Condensed Interim
Consolidated Financial
Statements of

**CERVUS EQUIPMENT
CORPORATION**

For the three month periods ended March 31, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2015.

CERVUS EQUIPMENT CORPORATIONUnaudited Condensed Interim Consolidated Statements of Financial Position
As at March 31, 2016 and December 31, 2015

(\$ thousands)	Note	March 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		\$ 8,752	\$ 11,955
Trade and other accounts receivable		57,596	59,071
Inventories	5	332,607	317,726
Income taxes receivable		1,773	-
Current portion finance lease receivables		480	584
Derivative financial asset		564	7,195
Assets held for sale	6	1,172	9,247
Total current assets		402,944	405,778
Non-current assets			
Long-term receivables		1,162	1,287
Long-term finance lease receivables		804	878
Investments in associates, at equity		5,512	5,762
Deposits with manufacturers		2,512	2,657
Property and equipment		140,289	141,799
Intangible assets		50,033	51,008
Goodwill	7	20,505	20,616
Total non-current assets		220,817	224,007
Total assets		\$ 623,761	\$ 629,785

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position (continued)

As at March 31, 2016 and December 31, 2015

(\$ thousands)	Note	March 31, 2016	December 31, 2015
Liabilities			
Current liabilities			
Trade and other accrued liabilities		\$ 77,872	\$ 77,938
Customer deposits		4,339	3,004
Floor plan payables	8	170,056	168,643
Dividends payable		1,094	3,317
Income taxes payable		-	142
Current portion of term debt	8	21,983	17,917
Derivative financial liability		561	7,180
Current portion of finance lease obligation		5,361	5,713
Liabilities associated with assets held for sale	6	2,606	4,037
Total current liabilities		283,872	287,891
Non-current liabilities			
Term debt	8	85,306	87,661
Finance lease obligation		14,988	16,351
Debenture payable		33,172	32,941
Deferred income tax liability		12,234	11,648
Total non-current liabilities		145,700	148,601
Total liabilities		429,572	436,492
Equity			
Shareholders' capital	9	88,520	88,270
Deferred share plan		7,905	7,098
Other reserves		5,202	5,182
Accumulated other comprehensive income		1,011	1,831
Retained earnings		90,052	89,413
Total equity attributable to equity holders of the Company		192,690	191,794
Non-controlling interest		1,499	1,499
Total equity		194,189	193,293
Total liabilities and equity		\$ 623,761	\$ 629,785

Approved by the Board: "Peter Lacey" Director "Angela Lekatsas" Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
For the three month periods ended March 31, 2016 and 2015

(\$ thousands)	Note	Three month periods ended March 31	
		2016	2015
Revenue			
Equipment sales		\$ 139,628	\$ 167,210
Parts		45,097	47,043
Service		19,199	19,067
Rentals		4,618	5,102
Total revenue		208,542	238,422
Cost of sales		(169,324)	(194,110)
Gross profit		39,218	44,312
Other income (loss)	10	4,191	(1,173)
Selling, general and administrative expense		(38,223)	(44,271)
Income (loss) from operating activities		5,186	(1,132)
Net finance costs	11	(2,834)	(2,586)
Share of (loss) profit of equity accounted investees, net of income tax		(249)	321
Income (loss) before income tax expense		2,103	(3,397)
Income tax (expense) recovery	12	(370)	422
Income (loss) for the period		1,733	(2,975)
Other comprehensive income:			
Foreign currency translation differences for foreign operations		(820)	862
Total comprehensive income (loss) for the period		913	(2,113)
Income (loss) attributable to:			
Shareholders of the Company		1,733	(2,896)
Non-controlling interest		-	(79)
Income (loss) for the period		1,733	(2,975)
Total comprehensive income (loss) attributable to:			
Shareholders of the Company		913	(2,034)
Non-controlling interest		-	(79)
Total comprehensive income (loss) for the period		\$ 913	\$ (2,113)
Net income (loss) per share attributable to shareholders of the Company:			
Basic	13	\$ 0.11	\$ (0.19)
Diluted	13	\$ 0.11	\$ (0.19)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Changes in Equity
For the three month periods ended March 31, 2016 and 2015

Attributable to equity holders of the Company									
(\$ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
Balance December 31, 2014		\$ 83,814	\$ 7,559	\$ 6,433	\$ 192	\$ 130,036	\$ 228,034	\$ 1,457	\$ 229,491
Comprehensive loss for the period									
Profit		-	-	-	-	(2,896)	(2,896)	(79)	(2,975)
Other comprehensive income									
Foreign currency translation adjustments		-	-	-	862	-	862	-	862
Total comprehensive income (loss) for the period		-	-	-	862	(2,896)	(2,034)	(79)	(2,113)
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(3,287)	(3,287)	-	(3,287)
Shares issued through reserve		508	-	(508)	-	-	-	-	-
Shares issued through DRIP		288	-	-	-	-	288	-	288
Shares issued through deferred share plan		406	(406)	-	-	-	-	-	-
Shares issued through option plan		361	-	(129)	-	-	232	-	232
Share-based payment transactions		-	193	74	-	-	267	-	267
Transactions with owners		1,563	(213)	(563)	-	(3,287)	(2,500)	-	(2,500)
Balance March 31, 2015		\$ 85,377	\$ 7,346	\$ 5,870	\$ 1,054	\$ 123,853	\$ 223,500	\$ 1,378	\$ 224,878
Balance December 31, 2015		\$ 88,270	\$ 7,098	\$ 5,182	\$ 1,831	\$ 89,413	\$ 191,794	\$ 1,499	\$ 193,293
Comprehensive loss for the period									
Profit		-	-	-	-	1,733	1,733	-	1,733
Other comprehensive income									
Foreign currency translation adjustments		-	-	-	(820)	-	(820)	-	(820)
Total comprehensive income for the period		-	-	-	(820)	1,733	913	-	913
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(1,094)	(1,094)	-	(1,094)
Shares issued through reserve	9	-	-	-	-	-	-	-	-
Shares issued through DRIP	9	230	-	-	-	-	230	-	230
Shares issued through deferred share plan	9	20	(20)	-	-	-	-	-	-
Shares issued through option plan	9	-	-	-	-	-	-	-	-
Share-based payment transactions		-	827	20	-	-	847	-	847
Transactions with owners		250	807	20	-	(1,094)	(17)	-	(17)
Balance March 31, 2016		\$ 88,520	\$ 7,905	\$ 5,202	\$ 1,011	\$ 90,052	\$ 192,690	\$ 1,499	\$ 194,189

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three month periods ended March 31, 2016 and 2015

(\$ thousands)	Note	Three month periods ended	
		March 31	
		2016	2015
Income (loss) for the period		\$ 1,733	\$ (2,975)
Income tax expense (recovery)	12	370	(422)
Depreciation		3,272	3,334
Amortization of intangibles		1,267	1,277
Equity-settled share-based payment transactions		160	105
Net finance costs	11	3,368	2,778
Unrealized foreign exchange (gain) loss	10	(2,707)	1,326
Gain on sale of property and equipment	10	(1,584)	(102)
Non-cash write-down of inventories	5	1,692	357
Share of loss (profit) of equity accounted investees, net of tax		249	(321)
Change in non-cash working capital		(1,652)	(7,822)
		6,168	(2,465)
Cash taxes paid		(1,663)	(72)
Interest paid		(3,280)	(3,147)
Net cash provided from/(used in) operating activities		1,225	(5,684)
Cash flows from investing activities			
Interest received	11	29	57
Purchase of property and equipment		(656)	(7,767)
Payments for intangible assets		(362)	-
Final working capital payments on business combination		-	(7,749)
Proceeds from disposal of property and equipment		462	359
Net cash used in investing activities		(527)	(15,100)
Cash flows from financing activities			
Net proceeds from term debt		778	18,316
Proceeds from exercise of share options		-	232
Cash dividends paid		(3,086)	(2,944)
Payment of finance lease liabilities		(1,715)	(1,935)
Increase in deposits with John Deere		123	200
Net cash (used in)/provided from financing activities		(3,900)	13,869
Net increase (decrease) in cash and cash equivalents		(3,202)	(6,915)
Effect of foreign currency translation on cash		(1)	(89)
Cash and cash equivalents, beginning of period		11,955	18,787
Cash and cash equivalents, end of period		\$ 8,752	\$ 11,783

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

1. Reporting entity

Cervus Equipment Corporation (“Cervus” or the “Company”) is an incorporated entity under the Canada Business Corporations Act and is domiciled in Canada. The unaudited condensed interim consolidated financial statements of the Company as at and for the period ended March 31, 2016 comprise of the Company and its subsidiaries (“the Group”). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, transportation, construction, and industrial equipment. The Company also provides equipment rental, primarily in the construction and industrial equipment segment. The Company wholly owns and operates 64 John Deere agricultural equipment, Bobcat and JCB construction equipment and Clark, Sellick, Doosan material handling equipment and Peterbilt truck dealerships in 38 locations in Western Canada, 11 locations in Ontario, 9 locations on the north island of New Zealand and 6 locations in Victoria, Australia. The Company also holds a 21.4% investment in seven John Deere agricultural equipment dealerships operating in Western Canada. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “CVL”.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The unaudited condensed interim consolidated financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2015.

The Board of Directors authorized the issue of these unaudited condensed interim consolidated financial statements on May 10, 2016.

(b) Use of judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2015.

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2015.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

4. Seasonality

The Canadian, New Zealand and Australian retailing of agricultural, transportation, commercial, and industrial equipment is influenced by seasonality. Sales activity for the agricultural equipment segment is normally highest between April and September during growing seasons in Canada and July through December in New Zealand and Australia. Sales in the commercial, industrial, and transportation equipment segment are not as heavily impacted by seasonality but do see slower sales activity in the winter months. As a result, profit or losses may not accrue uniformly from quarter to quarter.

5. Inventories

(\$ thousands)	March 31, 2016	December 31, 2015
New equipment	\$ 175,766	\$ 165,660
Used equipment	104,428	100,412
Parts and accessories	50,872	50,195
Work-in-progress	1,541	1,459
	\$ 332,607	\$ 317,726

Included in costs of sales are amounts related to inventory write-downs during the three month periods ended March 31, 2016 and 2015 of \$1,692 thousand and \$357 thousand, respectively.

6. Assets held for sale

In 2015, the Company committed to a plan to sell three buildings and land within Agricultural and C&I segments. Accordingly, these properties and related term debt were classified as held for sale.

During the three month period ended March 31, 2016, the Company sold one of the properties for net proceeds of approximately \$6,676 thousand and a net gain of \$1,464 was recognized in other income on the sale. Property title transferred on March 29, 2016 with funds transferred from trust on April 1, 2016. Term debt due at the time of sale of this property of \$2,606 thousand remains payable as at March 31, 2016 and has been classified as held for sale. In addition, one of the properties and related term debt previously held-for-sale was reclassified as held-for-use.

As at March 31, 2016, land and buildings within Agricultural segment with a net book value of \$1,172 thousand remains classified as held for sale.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

7. Goodwill

The movements in the net carrying amount of goodwill are as follows:

(\$ thousands)	
Balance at January 1, 2015	\$ 19,732
Valuation adjustment on business combination	480
Impact of translation of goodwill held in foreign currencies	404
Balance at December 31, 2015	\$ 20,616
Impact of translation of goodwill held in foreign currencies	(111)
Balance at March 31, 2016	\$ 20,505

8. Capital resources

The Company has various facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at March 31, 2016 are as follows:

(\$ thousands)	March 31, 2016		December 31, 2015	
	Total Limits	Borrowings	Total Limits	Borrowings
Operating and other bank credit facilities	\$ 100,821	\$ 55,921	\$ 100,832	\$ 52,832
Capital facilities	63,378	41,563	64,131	42,800
Floor plan facilities and rental equipment term loan financing	477,244	182,739	479,243	182,959
Total borrowing	\$ 641,443	\$ 280,223	\$ 644,206	\$ 278,591
Total current portion long term debt		(21,983)		(17,917)
Total liabilities held for sale		(2,606)		(4,037)
Total inventory floor plan facilities		(170,056)		(168,643)
Deferred debt issuance costs		(272)		(333)
Total long term debt	\$ 641,443	\$ 85,306	\$ 644,206	\$ 87,661

As at March 31, 2016 the Company is in compliance with all of its covenants.

Operating and other bank credit facilities - Operating and other bank credit facilities include the Canadian amounts as well as the New Zealand and Australian amounts.

Floor plan facilities - The Company utilizes floor plan financing arrangements with various suppliers for inventory and rental equipment purchases.

Capital facilities - Capital facilities consist of capital asset financing primarily through credit facilities with Farm Credit Canada and Affinity Credit Union.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

9. Capital and other components of equity

The Company has unlimited authorized share capital without par value for all common shares. All issued common shares have been fully paid.

Share capital

(thousands)	Number of common shares	Total carrying amount
Balance at January 1, 2015	15,325	\$ 83,814
Issued under the DRIP plan	15	288
Issued under the deferred share plan	43	406
Issued under the share option plan	19	361
Issued from reserve	22	508
Balance at March 31, 2015	15,424	85,377
Issued under the DRIP plan	56	845
Issued under the deferred share plan	70	820
Issued under the share option plan	11	212
Issued from reserve	45	1,016
Balance at December 31, 2015	15,606	88,270
Issued under the DRIP plan	18	230
Issued under the deferred share plan	2	20
Balance at March 31, 2016	15,626	\$ 88,520

10. Other income

Other income for the three periods ended March 31, 2016 and 2015 are comprised of the following:

(\$ thousands)	Three month periods ended March 31	
	2016	2015
Net gain on sale of property and equipment	\$ 1,584	\$ 102
Unrealized foreign exchange gain (loss) (a)	2,707	(1,326)
Other (loss) income	(100)	51
	\$ 4,191	\$ (1,173)

(a) – Unrealized foreign exchange loss is due to changes in fair value of our derivative financial asset and from period close translation of floorplan payables and cash denominated in US dollars.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

11. Finance income and finance costs

	Three month periods ended March 31	
	2016	2015
(\$ thousands)		
Finance Income	\$ 29	\$ 57
Interest expense on convertible debenture	(749)	(729)
Interest expense on mortgage and term debt obligations	(927)	(876)
Interest expense on financial liabilities	(1,187)	(1,038)
Finance Costs	\$ (2,863)	\$ (2,643)
Net finance costs recognized separately	(2,834)	(2,586)
Net finance costs recognized in cost of sales	(534)	(192)
Total Net Finance Costs	\$ (3,368)	\$ (2,778)

12. Income taxes

Tax expense recognized in statement of comprehensive income

	Three month periods ended March 31	
	2016	2015
(\$ thousands)		
Current income tax recovery	\$ 216	\$ 55
Deferred income tax (expense) recovery	(586)	367
Income tax (expense) recovery	\$ (370)	\$ 422

The expense for the three months ended March 31, 2016 and 2015 can be reconciled to the accounting profit (loss) based on using federal and provisional statutory rates of 26.4% (2015 – 25.9%) as follows:

	Three month periods ended March 31	
	2016	2015
(\$ thousands)		
Profit (loss) before income tax expense	\$ 2,103	\$ (3,397)
Expected income tax (expense) recovery	(555)	880
Non-deductible costs and other	185	(458)
Income tax (expense) recovery	\$ (370)	\$ 422

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

13. Earnings per share

Per share amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of the Company as the numerator. No adjustments to net earnings were necessary for the three month periods ended March 31, 2016 and 2015. The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of basic shares as follows:

(\$ thousands)	Three month periods ended March 31	
	2016	2015
Issued common shares opening	15,606	15,325
Effect of shares issued under the DRIP plan	15	13
Effect of shares issued under the deferred share plan	1	40
Effect of shares issued under the share option plan	-	2
Effect of shares issued through reserve	-	2
Weighted average number of common shares	15,622	15,382

Diluted earnings per share

The calculation of diluted earnings per share at March 31, 2016 and 2015 was based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of dilutive potential common shares which consist of the following:

(\$ thousands)	Three month periods ended March 31	
	2016	2015
Weighted average number of common shares (basic)	15,622	15,382
Effect of dilutive securities:		
Deferred share plan	811	-
Weighted average number of shares (diluted)	16,433	15,382

The above tables excludes all deferred share units and options for the three months ended March 31, 2015 (716 thousand) as they are considered anti-dilutive.

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

14. Segment information

The Company operates under three segments: Agriculture, Commercial and Industrial, and Transportation based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results. These three business segments are considered to be the Company's three strategic business units. The three business segments offer different products and services and are managed separately as they operate in different markets and require separate strategies. For each of the strategic business units, the Company's key decision makers review internal management reports on a monthly basis.

Each of these business segment operations are supported by a single shared corporate head office. Certain corporate head office expenses are allocated to the business segments under either specific identification approach or a usage based metric. The corporate head office also incurs certain costs which are considered as public company costs, which are allocated to the segments based on the gross margin of the Canadian operations. Total corporate related expenditures, excluding income taxes, that have been allocated for the three month periods ended March 31, 2016 are \$1,753 thousand (2015 - \$1,755 thousand).

The following is a summary of financial information for each of the reportable segments.

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Three months ended March 31, 2016				
Revenue	\$ 131,354	\$ 56,329	\$ 20,859	\$ 208,542
Income (loss) for the period attributable to shareholders	(399)	2,060	72	1,733
Share of loss of equity accounted investees	(249)	-	-	(249)
Depreciation and amortization	2,324	1,399	816	4,539
Finance income	29	-	-	29
Finance expense including amounts in costs of sales	(1,716)	(1,363)	(318)	(3,397)
Capital additions, including finance leases	419	150	87	656
Segmented assets as at March 31, 2016				
Reportable segment assets	\$ 387,038	\$ 167,089	\$ 69,634	\$ 623,761
Reportable segment liabilities	261,565	121,212	46,795	429,572
Investment in associates	5,512	-	-	5,512
Intangible assets	28,299	14,595	7,139	50,033
Goodwill	15,765	2,547	2,193	20,505

CERVUS EQUIPMENT CORPORATION
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2016 and 2015

14. Segment information (continued)

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Three months ended March 31, 2015				
Revenue	\$ 140,082	\$ 67,795	\$ 30,545	\$ 238,422
Income (loss) for the period attributable to shareholders	(118)	(2,338)	(440)	(2,896)
Share of profit of equity accounted investees	321	-	-	321
Depreciation and amortization	2,219	1,410	982	4,611
Finance income	48	9	-	57
Finance expense including amounts in costs of sales	(1,501)	(886)	(448)	(2,835)
Capital additions, including finance leases	3,228	4,118	421	7,767
Segmented assets as at March 31, 2015				
Reportable segment assets	\$ 397,696	\$ 211,649	\$ 114,680	\$ 724,025
Reportable segment liabilities	258,994	158,995	81,158	499,147
Investment in associates	5,581	-	-	5,581
Intangible assets	29,153	16,103	7,558	52,814
Goodwill	15,248	2,547	2,193	19,988

The Company primarily operates in Canada but includes subsidiaries in Australia (Cervus Australia PTY Ltd.) and, in New Zealand (Cervus NZ Equipment Ltd.) which operate 15 agricultural equipment dealerships. Gross revenues for the three month periods ended March 31, 2016 for the New Zealand and Australian territories were \$32,144 thousand (2015 - \$27,464 thousand). Non-current assets for the geographic territories of New Zealand and Australia as at March 31, 2016 were \$28,061 thousand (2015 - \$27,117 thousand).

15. Commitments and contingencies

Financing Arrangements

John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At March 31, 2016 payments in arrears by such customers aggregated \$257 thousand (2015 - \$473 thousand). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At March 31, 2016, the net residual value of such leases aggregated \$196,445 thousand (2015 - \$170,716 thousand). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.