Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2019 to March 31, 2019

The following Management's Discussion & Analysis ("MD&A") was prepared as of May 7, 2019, and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three month period ended March 31, 2019, and significant trends that may affect the future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2019, and notes contained therein, and the 2018 annual consolidated financial statements and MD&A. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CERV".

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

Overview of Cervus

Cervus operates under three segments: Agriculture, Transportation, and Industrial, 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.

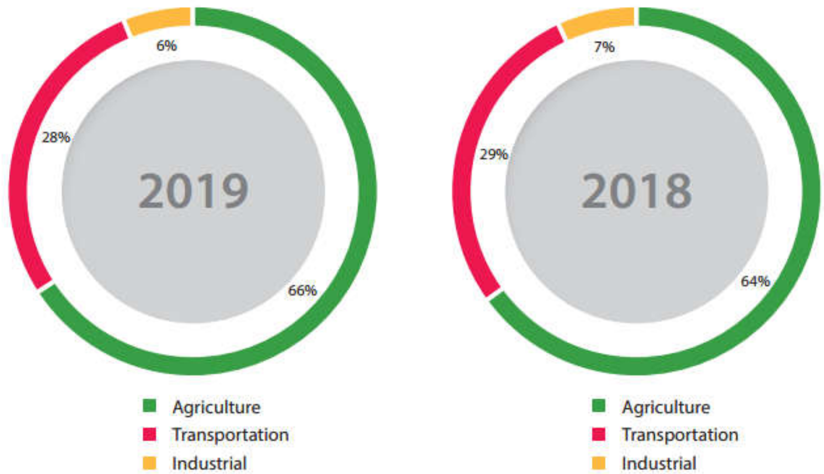
The Agricultural equipment segment consists of interests in 36 John Deere dealership locations with 15 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 6 in Australia.

The Transportation segment consists of 19 dealership locations with 4 Peterbilt truck dealerships and 1 Collision Centre operating in Saskatchewan, 12 Peterbilt truck dealerships operating in Ontario, and 2 parts and service locations operating in Ontario.

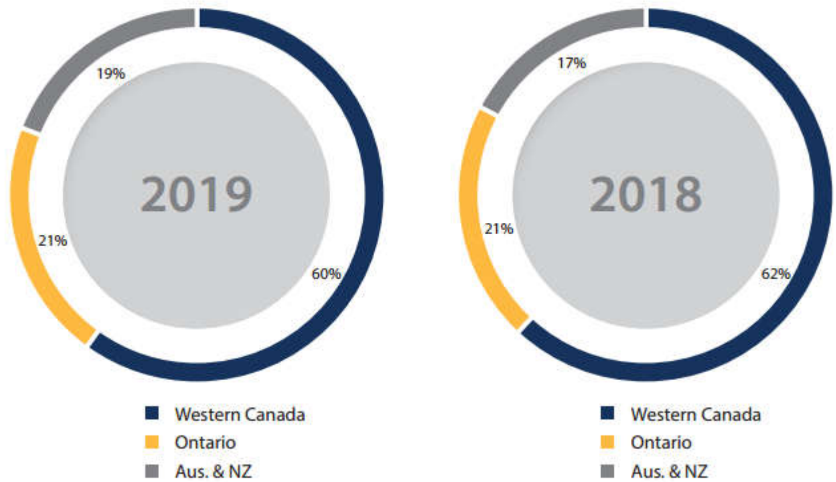
The Industrial equipment segment consists of 8 dealership locations with 5 Clark, Sellick, Doosan, JLG, Baumann material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, Doosan, JLG, Baumann dealerships operating in Saskatchewan and 1 Clark, Sellick, JLG, Baumann dealership in Manitoba.

(1) - Refer to Non-IFRS Measures herein

Revenue by Segment



Revenue by Geography



Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking statements". These forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "may", "objective", "outlook", "plan", "should", "target" and "will". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus 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 Uncertainties" and elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. 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.

The most recent quarterly dividend payment of $0.11 per share was made to the shareholders of record as of March 29, 2019, on April 15, 2019. See "Capital Resources - Cautionary note regarding dividends" for a cautionary note regarding future dividends.

Highlights of the Quarter

- The Company reported a loss of $2.7 million, or $0.17 per basic share, for the three months ended March 31, 2019, compared to a loss of $0.1 million, or $0.01 per basic share, in the same period of 2018. The initial adoption of IFRS 16 increased the net loss by $1.5 million in the first quarter of 2019.
- First quarter adjusted loss before income tax expense(1) was $2.7 million, compared to $0.3 million in the first quarter of 2018. The current period includes a $0.8 million negative impact from the adoption of IFRS 16.
- Used equipment revenue in our Agriculture segment set a record for the first quarter, increasing 21% compared to the first quarter of 2018. The increased Canadian dollar cost of new equipment was a significant factor in the 19% reduction in new equipment sales from record high sales in the first quarter of 2018.
- The Transportation segment achieved a 10% increase in parts revenue and a 1.6% increase in service gross margin percentage, while timing of new equipment deliveries from the factory reduced new sales by 22% quarter over quarter.
- The Industrial segment achieved a $3.3 million, or 102%, increase in same store equipment revenue compared to the first quarter of 2018, in addition to increased same store revenues in the parts, service and rental departments.
- Overall service gross profit increased by 3.7% compared to 2018, due to continued focus and progress in our service optimization initiative.
- Selling, general and administrative expenses increased 3% in the current period compared to the first quarter of 2018, primarily due to the inclusion of the Red Deer dealership in our Agriculture segment, along with an expanded parts sales team in the Transportation segment.
- Cervus' Industrial segment was recognized by Doosan, a key Industrial OEM, who presented Cervus with the Doosan Service Excellence Award, the Diamond Parts Sales Award, and the Diamond New Truck Sales Award, all for 2018 performance achievements.
- A quarterly dividend of $0.11 per share was declared to shareholders of record as at March 31, 2019, a 10% increase from March 31, 2018.

(1) - Refer to Non-IFRS Measures herein

Initial Adoption of IFRS 16 – Leases

The Company adopted IFRS 16 – Leases effective January 1, 2019, and this is the first reporting period under this new standard. The comparative period has not been adjusted, as more fully discussed in Note 3 of the interim financial statements for the three months ended March 31, 2019.

The adoption of IFRS 16 results in an increase in depreciation and interest expense, and a reduction in rent expense. The adoption of IFRS 16 does not alter the cash payments made under rents compared to immediately prior to transition. To aid in comparability to prior periods, the current period impact of adopting IFRS 16 on components of the Statement of Comprehensive Income (Loss) is disclosed below and throughout this Management's Discussion and Analysis as follows:

$ thousands Increase (decrease) in:	**IFRS 16 Impact**
Gross profit	**$ (37)**
Rent expense	(2,983)
Depreciation expense	2,184
Selling, general and administrative expense	**(799)**
Net finance costs	1,604
Loss before income tax expense	**842**
Income tax expense	664
Loss for the period	**$ 1,506**

The income tax expense impact related to the adoption of IFRS 16 in the period is primarily due to the initial recognition of future income tax assets and liabilities associated with the reclassification of certain transportation equipment leases. The impact of income tax as a portion of the overall impact of IFRS 16 adoption is expected to diminish in the remaining quarters of 2019.

First Quarter Consolidated Performance

The Company's results for the quarter ended March 31, 2018, include the financial performance of the four construction dealerships sold during the quarter, up to the transaction closing date of March 16, 2018.

	Three month periods ended March 31		
($ thousands, except per share amounts)	2019	% Change Compared to 2018	2018
Revenue	**234,798**	(6%)	248,706
Cost of sales	**(192,076)**	(7%)	(206,913)
Gross profit	**42,722**	2%	41,793
Other income	**507**	(59%)	1,238
Unrealized foreign exchange gain (loss)	**598**	194%	(635)
Total other income	**1,105**	83%	603
Selling, general and administrative expense	**(43,121)**	3%	(41,687)
Income from operating activities	**706**	(0%)	709
Finance income	**187**	38%	136
Finance costs	**(3,037)**	126%	(1,343)
Loss before income tax expense	**(2,144)**	331%	(498)
Income tax (expense) recovery	**(570)**	(261%)	353
Loss for the period	**(2,714)**		(145)
Loss attributable to shareholders	**(2,714)**		(145)
EBITDA(1)	**6,893**	34%	5,136
EBITDA margin(1)	**2.9%**		2.1%
Ratios as a percentage of revenue:			
Gross profit margin	**18.2%**		16.8%
Selling, general and administrative	**18.4%**		16.8%
Loss per share			
Basic	**(0.17)**		(0.01)
Diluted	**(0.17)**		(0.01)
Basic - adjusted(1)	**(0.20)**		(0.00)
Reconciliation of adjusted loss before income tax expense:			
Loss before income tax expense	**(2,144)**	331%	(498)
Adjustments:			
Unrealized foreign exchange (gain) loss	**(598)**	194%	635
Gain on sale of Commercial operations	**-**	(100%)	(480)
Adjusted loss before income tax expense(1)	**(2,742)**	699%	(343)
Adjusted loss after income tax expense(1)	**(3,151)**		(32)

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended March 31, 2019

Adjusted loss before income tax expense[1] was $2.7 million compared to a $0.3 million loss in 2018. This increased loss was largely the result of the comparative period in 2018 including $0.7 million of adjusted income from the four Construction dealerships, which are not present in 2019, and the $0.8 million impact of adopting IFRS 16 in the current period. Loss before income tax expense increased $1.7 million compared to 2018, principally comprised of a $1.3 million increased loss from our Industrial segment, a $0.7 million increased loss in our Agriculture segment, partially offset by a $0.3 million improvement in our Transportation segment.

In analyzing financial results, Cervus considers adjusted (loss)/income before income tax expense as a relevant supplementary non-IFRS measure of financial performance. For the first quarter of 2019, period to period fluctuations in unrealized foreign exchange gains and losses reduced the loss by $1.2 million compared to the first quarter of 2018. Further, the first quarter of 2018 included a $0.5 million gain on the sale of the four Construction dealerships. Adjusted loss before income tax expense excludes these factors when comparing period to period results. It is our view that this non-IFRS measure is useful for comparing the period to period financial performance of our underlying dealership operations.

Adjusted loss before income tax expense increased by $2.4 million in the first quarter of 2019, comprised of $0.7 million in Agriculture, $0.8 million in Transportation, and $0.9 million in our Industrial segment. Of the total increased loss, $0.8 million related to the adoption of IFRS 16, and $0.7 million is due to the non-continuance of the construction dealerships in the current quarter.

On a segment basis, for the Agriculture segment there was no difference between adjusted net loss before income tax expense and loss before income tax expense in the quarter. The $0.7 million increase in Agriculture loss before income tax expense, was primarily due to the $0.6 million impact of adopting IFRS 16. Operationally, a weaker Canadian dollar has increased the cost of new equipment, reducing first quarter equipment demand following the record sales of 2018. We have been successful in continuing to market the value proposition of well-conditioned used equipment, with sales revenue increasing 21% from the first quarter of 2018. Further, following the difficult Canadian harvest in 2018, parts and service revenue increased 18%, compared to the first quarter of 2018.

In our Transportation segment, the $0.8 million increase in adjusted loss before income tax expense includes $0.2 million related to the adoption of IFRS 16. The remainder related to scheduling of factory deliveries shifting the timing of first quarter equipment sales, partially offset by a 10% increase in parts sales and a 1.6% increase in service gross margin percentage. Loss before income tax expense improved $0.3 million compared to 2018, mainly due to a $1.2 million increase in unrealized foreign exchange gains, partially offset by $0.6 million increased SG&A expenses and the $0.2 million impact of changes to the accounting standards for leases.

Within our Industrial segment, adjusted loss before income tax expense increased $0.9 million, due to the non-continuance of the four Construction dealerships, which had generated $0.7 million of adjusted income in the first quarter of 2018. Net income before income tax expense decreased $1.3 million, of which $1.2 million related to prior year income from the Construction dealerships. On a same store basis, adjusted loss before income tax increased $0.2 million, including the $0.1 million negative impact of IFRS 16. Total sales increased 41%, offset by a $0.9 million increase in SG&A expenses as leadership and infrastructure previously shared between industrial and construction is now fully borne by the Industrial group. Same store income before income tax expense also decreased $0.2 million.

[1] Refer to Non-IFRS measures herein

First Quarter Business Segment Performance

The Company has three reportable segments: Agricultural, Transportation, and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and metrics to estimate use as outlined in Note 13 of the accompanying unaudited condensed interim consolidated financial statements.

Agricultural Segment Results

	Three month periods ended March 31		
($ thousands, except per share amounts)	**2019**	**% Change Compared to 2018**	**2018**
Equipment			
New equipment	**73,446**	(19%)	91,177
Used equipment	**49,708**	21%	40,930
Total equipment revenue	**123,154**	(7%)	132,107
Parts	**20,584**	19%	17,263
Service	**10,236**	17%	8,747
Rental and other	**1,226**	7%	1,143
Total revenue	**155,200**	(3%)	159,260
Cost of sales	**(130,753)**	(5%)	(137,139)
Gross profit	**24,447**	11%	22,121
Other income	**112**	(60%)	278
Selling, general and administrative expense	**(24,752)**	6%	(23,254)
Loss from operating activities	**(193)**	(77%)	(855)
Finance income	**116**	49%	78
Finance costs	**(2,000)**	206%	(653)
Loss before income tax expense	**(2,077)**	45%	(1,430)
EBITDA(1)	**3,263**	202%	1,080
Ratios as a percentage of revenue:			
Gross profit margin	**15.8%**		13.9%
Selling, general and administrative	**15.9%**		14.6%
Reconciliation of adjusted loss before income tax expense:			
Loss before income tax expense	**(2,077)**	45%	(1,430)
Adjusted loss before income tax expense(1)	**(2,077)**	45%	(1,430)

(1) - Refer to Non-IFRS Measures herein

The following table summarizes the impact of the change in accounting standards for leases for the Agricultural segment.

($ thousands) Increase (decrease) in:	IFRS 16 Impact
Rent expense	$ (1,912)
Depreciation expense	1,258
Selling, general and administrative expense	**(654)**
Net finance costs	1,215
Loss before income tax expense	**$ 561**

Operating Summary – Three Months Ended March 31, 2019
Within our Agriculture segment, loss before income tax increased $0.7 million in the quarter, reflecting the $0.6 million impact of IFRS 16. New equipment sales slowed 19% from 2018 record levels as foreign exchange related price increases impacted new equipment demand, while also supporting our focused sales efforts for used equipment which increased 21% in the quarter. Used equipment growth combined with record first quarter parts, service, and rental revenue, increased overall gross profit $2.3 million or 11%, partially offset by a 6% increase in SG&A expenses.

Record used equipment sales reflected the value proposition of used equipment relative to the increased Canadian dollar cost of new equipment due to a weaker Canadian dollar and cost increases in the manufacturing supply chain. A difficult 2018 harvest increased wear on equipment, and our service departments have been focused on repairing and preparing customer equipment for the upcoming growing season. Our success in this area is reflected in the 19% and 17% increase in parts and service in the quarter, respectively, reinforcing the financial benefit of our customer focused service optimization process. On these factors, gross profit increased $2.3 million in the quarter partially offset by $1.5 million of increased SG&A expenses primarily due to the inclusion of the Red Deer dealership in the current period. The $1.3 million increase in finance costs is largely due to the adoption of IFRS 16.

Within our two agriculture geographies, the $0.7 million increase in adjusted loss before income tax expense was comprised of a $0.1 million improvement in our Canadian dealerships, and a $0.8 million decrease to income in our Australia and New Zealand dealerships.

Transportation Segment Results

	Three month periods ended March 31		
($ thousands, except per share amounts)	**2019**	**% Change Compared to 2018**	**2018**
Equipment			
New equipment	**28,835**	(22%)	36,840
Used equipment	**2,749**	55%	1,769
Total equipment revenue	**31,584**	(18%)	38,609
Parts	**25,466**	10%	23,096
Service	**7,894**	(2%)	8,079
Rental and other	**952**	(38%)	1,547
Total revenue	**65,896**	(8%)	71,331
Cost of sales	**(52,049)**	(10%)	(57,514)
Gross profit	**13,847**	0%	13,817
Other income	**196**	10%	178
Unrealized foreign exchange gain (loss)	**564**	192%	(611)
Total other income (loss)	**760**	276%	(433)
Selling, general and administrative expense	**(13,833)**	5%	(13,220)
Income from operating activities	**774**	372%	164
Finance income	**53**	18%	45
Finance costs	**(920)**	42%	(650)
Loss before income tax expense	**(93)**	(79%)	(441)
EBITDA(1)	**2,627**	23%	2,137
Ratios as a percentage of revenue:			
Gross profit margin	**21.0%**		19.4%
Selling, general and administrative	**21.0%**		18.5%
Reconciliation of adjusted (loss) income before income tax expense:			
Loss before income tax expense	**(93)**	(79%)	(441)
Adjustments:			
Unrealized foreign exchange (gain) loss	**(564)**	192%	611
Adjusted (loss) income before income tax expense(1)	**(657)**	(486%)	170

(1) - Refer to Non-IFRS Measures herein

The following table summarizes the impact of the change in accounting standards for leases for the Transportation segment.

($ thousands) Increase (decrease) in:		IFRS 16 Impact
Gross profit	**$**	**(37)**
Rent expense		(672)
Depreciation expense		542
Selling, general and administrative expense		**(130)**
Net finance costs		323
Loss before income tax expense	**$**	**230**

Operating Summary – Three Months Ended March 31, 2019

In our Transportation segment, adjusted loss before income tax expense increased $0.8 million quarter over quarter, including the $0.2 million impact from adoption of IFRS 16. Extended factory order lead times have shifted the timing of factory deliveries out of the first quarter of 2019 compared to the first quarter of 2018, reducing new equipment deliveries in the current period. Loss before income tax expense decreased $0.3 million compared to 2018, which reflects a $1.2 million of additional income from unrealized foreign exchange gains period over period.

Overall revenue was lower by 8% due to the timing of manufacturer deliveries, which reduced new equipment sales 22% in the quarter. Customer solutions growth accelerated in the quarter, with a deliberate increase in our outside parts sales facilitating the $2.4 million increase in parts sales, while continued progress in service optimization increased service gross profit margin by 1.6%, quarter over quarter. The increase in parts sales and service margins offset the timing of new truck deliveries, holding gross profit consistent quarter over quarter.

Within our two transportation geographies, loss before income tax expense improved by $0.3 million, of which $0.3 million related to our Ontario operations, while our Saskatchewan operations remained consistent with 2018 results.

Industrial Segment Results

	Three month periods ended March 31		
($ thousands, except per share amounts)	2019	% Change Compared to 2018	2018
Equipment			
New equipment	**5,325**	(17%)	6,378
Used equipment	**1,178**	(28%)	1,631
Total equipment revenue	**6,503**	(19%)	8,009
Parts	**2,815**	(48%)	5,397
Service	**3,300**	(9%)	3,634
Rental and other	**1,084**	1%	1,075
Total revenue	**13,702**	(24%)	18,115
Cost of sales	**(9,274)**	(24%)	(12,260)
Gross profit	**4,428**	(24%)	5,855
Other income	**199**	(75%)	782
Unrealized foreign exchange gain (loss)	**34**	242%	(24)
Total other income	**233**	(69%)	758
Selling, general and administrative expense	**(4,536)**	(13%)	(5,213)
Income from operating activities	**125**	(91%)	1,400
Finance income	**18**	38%	13
Finance costs	**(117)**	193%	(40)
Income before income tax expense	**26**	(98%)	1,373
EBITDA(1)	**1,003**	(48%)	1,919
Ratios as a percentage of revenue:			
Gross profit margin	**32.3%**		32.3%
Selling, general and administrative	**33.1%**		28.8%
Reconciliation of adjusted (loss) income before income tax expense:			
Income before income tax expense	**26**	(98%)	1,373
Adjustments:			
Unrealized foreign exchange (gain) loss	**(34)**	242%	24
Gain on sale of Commercial operations	**-**	(100%)	(480)
Adjusted (loss) income before income tax expense(1)	**(8)**	(101%)	917

(1) - Refer to Non-IFRS Measures herein

The following table summarizes the impact of the change in accounting standards for leases in our Industrial segment.

($ thousands) Increase (decrease) in:		IFRS 16 Impact
Rent expense	$	(399)
Depreciation expense		384
Selling, general and administrative expense		**(15)**
Net finance costs		66
Loss before income tax expense	**$**	**51**

Operating Summary – Three Months Ended March 31, 2019

On an overall basis, adjusted loss before income tax expense increased $0.9 million, principally due to the non-continuance of the Construction dealerships, which generated $0.7 million of adjusted income before income tax expense in the first quarter of 2018.

Due to the disposition of the four Construction dealerships in the first quarter of 2018, segment results for 2019 are not directly comparable to 2018. To aid in comparability of the ongoing Industrial segment, a same store analysis is presented on the following page.

Industrial Segment Same Store Highlights

($ thousands, except per share amounts)	2019	% Change Compared to 2018	2018 Same Store
Equipment			
New equipment	**5,325**	95%	2,737
Used equipment	**1,178**	146%	478
Total equipment revenue	**6,503**	102%	3,215
Parts	**2,815**	6%	2,649
Service	**3,300**	17%	2,810
Rental and other	**1,084**	1%	1,075
Total revenue	**13,702**	41%	9,749
Cost of sales	**(9,274)**	52%	(6,082)
Gross profit	**4,428**	21%	3,667
Other income	**199**	40%	142
Unrealized foreign exchange gain	**34**	325%	8
Total other income	**233**	55%	150
Selling, general and administrative expense	**(4,536)**	26%	(3,603)
Income from operating activities	**125**	(42%)	214
Finance income	**18**	100%	9
Finance costs	**(117)**	964%	(11)
Income before income tax expense	**26**	(88%)	212
EBITDA(1)	**1,003**	38%	729
Ratios as a percentage of revenue:			
Gross profit margin	**32.3%**		37.6%
Selling, general and administrative	**33.1%**		37.0%
Reconciliation of adjusted (loss) income before income tax expense:			
Income before income tax expense	**26**	(88%)	212
Adjustments:			
Unrealized foreign exchange gain	**(34)**	325%	(8)
Adjusted (loss) income before income tax expense(1)	**(8)**	(104%)	204

(1) - Refer to Non-IFRS Measures herein

On a same store basis, our Industrial segment's adjusted loss before income tax expense increased $0.2 million, while net income before income tax expense decreased $0.2 million. Both values include the $0.1 million impact of IFRS 16 adoption. Equipment sales increased 102%, while parts, service, rental and other increased 10% overall. The revenue increase generated an additional $0.8 million or 21% increase in gross profit in the quarter. The increase in revenue and increase in gross profit is not linear due to the growth in equipment sales skewing the overall sales mix towards lower margin equipment compared to higher margin parts and service sales. SG&A expenses increased 26%, due to administrative expenses incurred to establish the storage and racking solutions business line, and retention of key senior personnel previously shared between the Construction and Industrial dealerships in 2018.

First Quarter Cash Flows

Cash and Cash Equivalents – Three Months Ended March 31, 2019

Cervus' primary sources and uses of cash flow for the three months ended March 31, 2019, are as follows:

Operating Activities

Net cash used in operating activities was $18.2 million for the three months ended March 31, 2019, compared to cash used of $16.7 million for the same period, an increase of $1.5 million. The net change of $1.5 million relates primarily to $2.0 million fewer inventory write-downs in the current quarter, as well as $0.8 million related to changes in accounting standards for leases in the first quarter of 2019. This was partially offset by a $1.3 million decrease in net cash used in working capital items, driven by the decrease in inventory from 2018.

Investing Activities

During the three months ended March 31, 2019, the Company used $3.2 million of cash in investing activities, compared to a source of cash of $13.0 million in 2018, a change of $16.2 million. The increase in cash used in investing activities is mainly due to $14.2 million of proceeds received in the first quarter of 2018 from the sale of the Company's Commercial operations.

Financing Activities

Net cash provided from financing activities for the three months ended March 31, 2019, was $17.6 million, compared to a use of $7.8 million of cash for the same period of 2018. The net change of $25.4 million relates to the $26.2 million decrease in net repayment on the Company's term debt in 2019.

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	March 31, 2019	December 31, 2018
Current assets	**450,902**	408,702
Total assets	**664,205**	540,669
Current liabilities	**283,324**	253,701
Long-term financial liabilities	**129,641**	32,624
Shareholders' equity	**242,548**	245,501
Working capital(1)	**167,578**	155,001
Working capital ratio(1)	**1.59**	1.61

(1) - Refer to Non-IFRS Measures herein

Working Capital

Cervus' working capital increased by $12.6 million to $167.6 million at March 31, 2019, when compared to $155.0 million at December 31, 2018. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at March 31, 2019, the Company had the ability to floor plan an additional $28.6 million of inventory and held $422.8 million of undrawn floor plan capacity.

The Company's ability to maintain sufficient liquidity is driven by revenue, gross profit, and judicious allocation of resources. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based on the use of cash and cash equivalents related to the seasonal nature of our business, and funding potential future business acquisitions. Cash resources can typically be restored by accessing floor plan monies from unencumbered equipment inventories or accessing undrawn credit facilities. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year to fund general operations caused by the seasonal nature of our sales activity.

Inventories

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our Agricultural equipment sales come with a trade-in, a limited portion of our Transportation sales come with a trade-in, and our Industrial equipment sales usually do not have trade-ins. This results in a higher amount of used Agriculture equipment than used Transportation and Industrial equipment. In addition, the majority of our new John Deere equipment is on consignment from John Deere, whereas we purchase the new equipment from our other manufacturers. These factors directly impact the amount of new and used equipment in inventory. The majority of our product lines, in all segments, are manufactured in the US with pricing based in US dollars, but invoiced in Canadian dollars. Inventory by segment for the period ended March 31, 2019, compared to December 31, 2018, is as follows:

($ thousands)	**March 31, 2019**	December 31, 2018
Agricultural	**276,183**	257,698
Transportation	**93,188**	63,459
Industrial	**9,505**	9,470
Total	**378,876**	330,627

As at March 31, 2019, inventories increased by $48.3 million to $378.9 million when compared to $330.6 million at December 31, 2018. Of the $48.3 million increase, $29.6 million relates to new inventory in our Transportation segment due to seasonality, and $10.3 million relates to an increase in new Agriculture equipment. Due to seasonality of sales activity in our operating segments, comparability to inventory levels at December 31, 2018, may be limited. Therefore, we have provided inventory by segment for the period ended March 31, 2019, compared to March 31, 2018. A summary of the movement is as follows:

($ thousands)	**March 31, 2019**	March 31, 2018
Agricultural	**276,183**	265,169
Transportation	**93,188**	103,556
Industrial	**9,505**	11,795
Total	**378,876**	380,520

Inventory has decreased $1.6 million when compared to March 31, 2018. Of the $1.6 million decrease, new inventory decreased $25.6 million, while used and parts inventory increased by $18.4 million and $5.1 million, respectively. Used inventory levels within the Agriculture segment increased $16.7 million from the same period of 2018. The Transportation segment's new inventory decreased $15.8 million, while inventory in the Industrial segment decreased $2.3 million.

At March 31, 2019, the Company believes that the recoverable value of new and used equipment inventories exceeds its respective carrying value. For the three months ended March 31, 2019, the Company recognized inventory valuation adjustments through cost of goods sold of $0.3 million expense (March 31, 2018 - $2.2 million expense).

Accounts Receivable

The calculated rolling twelve-month average time to collect the Company's outstanding accounts receivable was approximately 14 days as of March 31, 2019, compared to 12 days for the same period in 2018. At March 31, 2019, no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on account aging, combined with specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections was $1.0 million at March 31, 2019 (March 31, 2018 - $1.3 million), which represents 2.9% (March 31, 2018 – 4.2%) of outstanding trade accounts receivable and 0.1% (March 31, 2018 - 0.1%) of gross revenue on an annual basis. Bad debt expense for the three months ended March 31, 2019, amounted to a $0.1 million recovery (March 31, 2018 - $0.1 million recovery).

Capital Resources

We use our capital to finance current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at March 31, 2019 are as follows:

	March 31, 2019				December 31, 2018			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**122,838**	**41,516**	**2,400**	**78,922**	122,867	21,071	2,400	99,396
Capital facilities [(a)]		**9,760**				9,942		
Floor plan facilities and rental equipment term loan financing [(b)]		**195,100**				166,219		
Total borrowing		**246,376**				197,232		

(a) For capital facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $9.8 million (December 31, 2018 - $9.9 million) or the available unencumbered assets which is estimated at $2.2 million as at March 31, 2019 (December 31, 2018 - $2.4 million).

(b) For floorplan facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $422.8 million (December 31, 2018 - $418.4 million) or the available unencumbered assets which is estimated at $28.6 million as at March 31, 2019 (December 31, 2018 - $33.5 million).

Operating and Other Bank Credit Facilities

At March 31, 2019, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $120 million. The facility was amended and extended on December 18, 2018. The facility is committed for a four-year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80.0 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at March 31, 2019, there was $40.5 million drawn on the facility and $2.4 million had been utilized for outstanding letters of credit to John Deere.

We believe that the credit facilities available to the Company outlined above are sufficient to meet our sales targets and working capital requirements for 2019.

The Company must meet certain financial covenants as part of its current credit facilities, as at the date of this report, the Company is in compliance with all its covenants as follows:

	March 31, 2019	December 31, 2018
Total liabilities to net worth ratio[(1)] (not exceeding 4.0:1.0)	**2.63**	2.39
Fixed charge coverage ratio[(2)] (greater than or equal to 1.10:1.00)	**2.66**	2.39
Asset coverage ratio[(3)] (greater than 3.0:1.0)	**6.03**	11.82

(1) – Calculated using an adjusted liability value over an adjusted equity value. Full definitions of adjusted liabilities and adjusted equity are defined in the Syndicate Credit Agreement filed as a material document on SEDAR.

(2) – Calculated as an adjusted EBITDA figure over the sum of interest expense, scheduled principal payments, operating lease payments and distributions paid to shareholders in the twelve months prior to the calculation date. Full definitions of this calculation are defined in the Syndicate Credit Agreement filed as a material document on SEDAR.

(3) – Calculated as net tangible total assets less consolidated debt excluding floorplan plan liabilities, plus debt due under the credit facility over the amount due under the credit facility. Full definitions of this calculation are defined in the Syndicate Credit Agreement filed as a material document on SEDAR.

Capital Facilities

Capital facilities consist of capital asset financing primarily through credit facilities with Farm Credit Canada and Affinity Credit Union. The Company's financial covenants under its mortgages with Farm Credit Canada were amended to align with certain of the Company's financial covenants under its committed operating facility, discussed above.

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, Wells Fargo Equipment Finance Company, ECN Capital Corp., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At March 31, 2019, floor plan payables related to inventories were $186.4 million.

Floor plan payables at March 31, 2019 represented approximately 49.2% of our inventories (December 31, 2018 – 47.7%). Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers.

Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest free periods. Total Agricultural segment interest otherwise payable on John Deere floor plans approximates $1.0 million for the three month period ended March 31, 2019 (March 31, 2018 – $0.7 million). This amount was offset by rebates applied during the three month period ended March 31, 2019, of $0.9 million (March 31, 2018 - $0.5 million). At March 31, 2019, approximately 35% (March 31, 2018 – 64%) of the Industrial segment's and 23% (March 31, 2018 – 17%) of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest free periods in place.

Outstanding Share Data

As of the date of this MD&A, there are 15,511 thousand common shares and 952 thousand deferred share units outstanding.

On September 10, 2018, the Company announced a Normal Course Issuer Bid (the "Bid"), which commenced on September 13, 2018, to purchase up to a maximum of 1,031 thousand common shares (the "Shares") for cancellation before September 12, 2019. Cervus appointed Raymond James Ltd. as its broker, who will conduct the Bid on behalf of the Company. All purchases are to be made in accordance with the September 2018 Bid at the prevailing market price of the Shares at the time of purchase. For the three months ended March 31, 2019, the Company had repurchased 53 thousand common shares at a weighted average price of $13.06 per share under the Bid.

Subsequent to March 31, 2019, and prior to May 7, 2019, the Company repurchased 88 thousand common shares under the Bid, with a weighted average price of $13.22 per share.

As at March 31, 2019 and 2018, the Company had the following weighted average shares outstanding:

(thousands)	March 31, 2019	March 31, 2018
Basic weighted average number of shares outstanding	**15,546**	15,686
Dilutive impact of deferred share plan	**-**	-
Diluted weighted average number of shares outstanding	**15,546**	15,686

The above table excludes all deferred share units for the period ended March 31, 2019 (960 thousand) and for the period ended March 31, 2018 (809 thousand), as they are considered anti-dilutive.

Dividends Paid and Declared to Shareholders

The Company, at the discretion of the Board of Directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the period ended March 31, 2019:

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 29, 2019	0.1100	1,709	230	1,479
Total	**0.1100**	**1,709**	**230**	**1,479**

As of the date of this MD&A, all dividends as described above were paid (see "Capital Resources – Cautionary note regarding dividends").

Dividend Reinvestment Plan ("DRIP")

The DRIP was implemented to allow shareholders to reinvest quarterly dividends and receive Cervus shares. For shareholders who elect to participate, their periodic cash dividends are automatically reinvested in Cervus shares at a price equal to 95% of the volume-weighted average price of all shares for the ten trading days preceding the applicable record date. Eligible shareholders can participate in the DRIP by directing their broker, dealer, or investment advisor holding their shares to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Clearing and Depository Services Inc. ("CDS"), or directly where they hold the certificates personally.

During the three month period ended March 31, 2019, 19 thousand (March 31, 2018 – 11 thousand) common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' 2019 dividends declared and paid through March 31, 2019, are considered to be eligible dividends for tax purposes on the date paid.

Cautionary Note Regarding Dividends (see "Note Regarding Forward-Looking Statements")

The payment of future dividends is not assured and may be reduced or suspended. Our ability to continue to declare and pay dividends will depend on our financial performance, debt covenant obligations, and our ability to meet our debt obligations and capital requirements. In addition, the market value of the Company's common shares may decline if we are unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

Summary of Quarterly Results

($ thousands, except per share amounts)	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revenues	**234,798**	300,248	392,499	408,584
(Loss) income attributable to the shareholders	**(2,714)**	5,031	12,180	9,514
Gross profit	**42,722**	51,999	59,882	57,846
Gross profit margin	**18.2%**	17.3%	15.3%	14.2%
EBITDA(1)	**6,893**	13,367	21,285	19,383
(Loss) income per share:				
Basic	**(0.17)**	0.32	0.78	0.61
Diluted	**(0.17)**	0.31	0.74	0.58
Adjusted (loss) income per share(1)				
Basic	**(0.20)**	0.35	0.74	0.61
Diluted	**(0.20)**	0.33	0.71	0.58
Weighted average shares outstanding				
Basic	**15,546**	15,593	15,679	15,672
Diluted	**15,546**	16,393	16,498	16,483

($ thousands, except per share amounts)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenues	248,706	272,726	360,087	357,361
(Loss) income attributable to the shareholders	(145)	3,727	9,453	8,365
Gross profit	41,793	53,730	58,552	56,759
Gross profit margin	16.8%	19.7%	16.3%	15.9%
EBITDA(1)	5,136	13,622	18,688	17,478
(Loss) income per share:				
Basic	(0.01)	0.24	0.60	0.53
Diluted	(0.01)	0.23	0.57	0.50
Adjusted (loss) income per share(1)				
Basic	(0.00)	0.25	0.58	0.46
Diluted	(0.00)	0.24	0.55	0.44
Weighted average shares outstanding				
Basic	15,686	15,638	15,792	15,792
Diluted	15,686	16,335	16,614	16,619

(1) - Refer to Non-IFRS Measures herein

Sales activity for the Agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand and Australia has not materially impacted the above results. Activity in the Transportation sector generally increases in winter months, while the Commercial and Industrial sector generally slows in the winter months. As a result, income or losses may not accrue uniformly from quarter to quarter.

MARKET OUTLOOK (see "Note Regarding Forward-Looking Statements")

The Company's three operational segments are subject to broad market forces in addition to the underlying economic factors specific to the industries they serve. Further, the geographical diversity of the Company's operations may temper or accelerate broader market forces in their significance region to region. The following provides an overview of Management's market outlook as it relates to the Company's operations at time of writing.

Alberta & Saskatchewan

Agriculture remains the driving variable in the Company's Western Canadian operations. Canadian producers manage complex, capital intensive businesses, and yet remain heavily influenced by seasonal weather conditions. In this environment, the availability of capital is critical for producers to invest in the equipment, systems, and capacity to optimize yields while minimizing costs. In turn, capital availability is generally determined by cumulative annual farm profitability. Final calculations for 2018 Canadian net cash farm income showed a slight decrease compared to prior years, with net cash farm income expected to plateau in 2019.[2] This could result in a decline or delay in farmer purchasing decisions for new equipment. However, Agriculture and Agri-Food Canada ("AAFC") forecasts continued growth for the Canadian agriculture sector in the medium term.[3] In this respect, Canadian agriculture is still well positioned to invest and maintain capital equipment.

Against this back drop of historically strong balance sheets and cumulative record farm profitability, Canadian farmers are attentive in 2019 towards rising operating costs, interest rates, and the canola trade dispute with China. Farm Credit Canada forecasts Canadian producers will experience compressed crop margins in 2019 due to rising farm input costs, including forecasted increases for both fertilizer and fuel.[4] Higher interest rates could also play a role in 2019 farmer sentiment. International trade tensions continue to persist, including China's recent suspension of trade licenses for Canadian canola exports, a major cash crop for farmers in the country. The finalization of the United-States-Mexico-Canada Agreement (USMCA) however has helped provide a sense of confidence to the agriculture sector.[5] We have seen these factors translate into farmers exercising more caution purchasing new equipment following record new equipment sales in 2018. With new equipment price levels rising, farmers' focus could shift towards after-market solutions including servicing, and purchasing parts for, pre-existing equipment in the field, as well as increased demand for more attractively-priced late model used equipment. In this market, Cervus continues to focus on delivering our OEM's market leading equipment, while also providing compelling used equipment and after-market solutions in order to enhance our customers' equipment uptime through the 2019 production window.

The Saskatchewan component of our Transportation segment continues its stable performance into 2019, despite persistent uncertainty in the resource sector. Turning to our industrial segment, our current dealerships offer a wide range of value-added services to customers, from initial equipment sales through to operator and safety training. We have also established and began operating our new storage and racking solutions. This is a complimentary business line to our Industrial and Transportation divisions, which leverages our existing customer base while expanding our breadth of service to new customer markets, providing storage, shelving and warehouse organization solutions. We look for long term opportunities to leverage the high customer interaction of the material handling markets, while focusing on maintaining internal efficiencies in the near term.

Ontario

The North American trucking market ended 2018 with total class 8 truck sales of 285,000 units, a 30% increase compared to the 218,000 class 8 trucks sold in 2017. For 2019, PACCAR's fourth quarter outlook is anticipating North American class 8 truck demand to range between 285,000 and 310,000 units sold.[6] Due to a high volume of customer orders placed in late 2018 for early 2019 delivery, the timing of delivery for first quarter orders has been delayed, but we expect this timing issue to alleviate over the year. Our focus remains on continuing to implement the internal efficiencies and discipline that translates sales activity into efficient and mutually beneficial

[2] Farm Credit Canada, FCC Watching five top economic trends in 2019, January 2019, www.fcc-fac.ca
[3] Agriculture and Agri-Food Canada, Medium Term Outlook for Canadian Agriculture 2018, September 2018, www.agr.gc.ca
[4] Farm Credit Canada, FCC Ag Economics 2019 Outlook - Canada's agribusiness sector, January 2019, www.fcc-fac.ca
[5] BMO Harris Bank, 2019 Canadian Agriculture Industry Outlook, January 2019, https://commercial.bmo.com/en/
[6] PACCAR, PACCAR Achieves Record Annual Revenues and Net Income, January 2019, www.paccar.com

long-term customer relationships. The continued profitable growth of our Ontario dealership group is our primary short-term objective, building on the accomplishments of 2018.

New Zealand & Australia

In New Zealand, agriculture outlook remains stable. Favorable dairy prices for producers are expected to persist through the second quarter of 2019.[7] Global demand and prices for key export markets of New Zealand beef and sheep meat remains strong, while kiwifruit has experienced significant growth in demand from China.[7] Temperature, rainfall, and soil moisture conditions are all forecast to be at normal or near-normal levels through to June 2019[7]; a positive trend for producers as they continue to plan their underlying capital equipment and maintenance requirements through this upcoming window.

In Australia, commodity prices for dairy remain elevated, due to a decline in both national and global production.[8] Margins in this sector have been squeezed by increased operating costs[8], but dairy pricing remains profitable for our customers. Australian farmers have also experienced positive growth in demand from China for horticulture, including fruit and nuts.[8] The return of rainfall to drought-affected areas of the country has allowed farmers to hold livestock longer before sending them to market, resulting in a lift to both cattle and beef prices.[8] These factors continue to drive our customer demand for equipment solutions to support their businesses, and we see continued opportunity to grow and deliver on these solutions.

(7) Rabobank, Agribusiness Monthly April 2019 New Zealand, April 2019, www.rabobank.co.nz
(8) Rabobank, Agribusiness Monthly April 2019 Australia, April 2019, www.rabobank.co.au

Off-Balance Sheet Arrangements

In the normal course of business, we enter 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 directors, officers, and employees and those of our subsidiaries, in accordance with our governing legislation, our constating documents and other agreements. Certain agreements do not contain any limits on our liability and, therefore, it is not possible to estimate our potential liability under these indemnities. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we also maintain insurance policies that may provide coverage against certain claims under these indemnities.

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At March 31, 2019, payments in arrears by such customers aggregated $947 thousand (March 31, 2018 - $542 thousand). In addition, the Company is responsible for assuming the net residual value of all customer lease obligations held with Deere Credit, at the maturity of the contract, should the customer not elect to buy out the equipment at maturity. At March 31, 2019, the net residual value of such leases aggregated $318.1 million (March 31, 2018 - $269.6 million) of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company may owe Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $2.4 million at March 31, 2019 (March 31, 2018 - $2.1 million). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to Deere Credit and another supplier in the aggregate amount of $2.4 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations.

Transactions with Related Parties

Key Management Personnel Compensation

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers. The Company contributes to the deferred share plan on behalf of directors and executive officers, and to the employee share purchase plan on behalf of executive officers, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers, aside from permitting unvested deferred share units earned during employment to continue vesting upon retirement.

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.8 million (March 31, 2018 - $5.4 million). During the three month period ended March 31, 2019, the Company paid those individuals $51.0 thousand (March 31, 2018 - $36.8 thousand), for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

Critical Accounting Estimates and Judgments

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. 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. Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2018, as filed on SEDAR at www.sedar.com.

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, 2018.

Business Risks and Uncertainties

The Company's business risks and uncertainties remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2018, as filed on SEDAR at www.sedar.com

Changes in Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the audited annual consolidated financial statements prepared for the year ended December 31, 2018 and as described in Note 3 of those financial statements.

IFRS 16 Leases
The Company adopted IFRS 16 *Leases* effective January 1, 2019. IFRS 16 replaces existing lease guidance, including IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company has adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying this standard recognized in retained earnings on the date of initial application (i.e., January 1, 2019). Accordingly, the comparative information has not been restated, and continues to be reported under IAS 17 and IFRIC 4. The details of the changes in accounting policies are described below.

(a) Definition of a Lease
Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease under this standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) Leases in which the Company is Lessee
As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e., these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of buildings, and leases of low-value office equipment. For leases of all other assets, which were classified as operating under IAS 17, the Company recognized right-of-use assets and lease liabilities.

i. Leases classified as Operating Leases under IAS 17
At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(b) Leases in which the Company is Lessee (continued)

ii. Leases previously classified as Finance Leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) Leases in which the Company is Lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of its sub-lease contracts previously classified as operating leases under IAS 17. The Company concluded that certain sub-leases are finance leases under IFRS 16.

(d) Impacts on Financial Statements

On transition to IFRS 16, the Company recognized an additional $84.2 million of right-of-use assets and $84.2 million of lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate applicable to the lease assets at January 1, 2019. The weighted average rate applied is 7.8%.

$ thousands		**January 1, 2019**
Operating lease commitment at December 31, 2018 as disclosed in the Company's consolidated financial statements	$	130,584
Discounted using the incremental borrowing rate at January 1, 2019		(57,446)
Finance lease liabilities recognized as at January 1, 2019	**$**	73,138
Recognition exemption for:		
Leases of low-value assets		(25)
Extension options reasonably certain to be exercised		11,116
Lease liabilities recognized as at January 1, 2019	**$**	84,229

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018. There were no onerous contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

$ thousands		**March 31, 2019**		**January 1, 2019**
Buildings	**$**	**80,551**	$	82,748
Motor vehicles		**1,365**		1,341
Office equipment		**126**		140
Total right-of-use assets	**$**	**82,042**	$	84,229

(d) Impacts on Financial Statements (continued)

The change in accounting policy affected the following items in the statement of financial position as at March 31, 2019:

($ thousands) Increase (decrease) in:		**IFRS 16 Impact**
Current assets		
Trade and other receivables	$	1,442
Non-current assets		
Other long-term assets		4,473
Property, plant and equipment		(5,262)
Right-of-use assets		82,042
Total assets	**$**	**82,695**
Current liabilities		
Current portion of finance lease obligation	$	5,913
Non-current liabilities		
Finance lease obligation		76,934
Deferred income tax liability		664
Total liabilities		**83,511**
Equity		
Retained earnings		(816)
Total equity	**$**	**(816)**

The change in accounting policy affected the following items in the statement of comprehensive (loss) income for the three months ended March 31, 2019:

($ thousands) Increase (decrease) in:		**IFRS 16 Impact**
Gross profit	**$**	**(37)**
Selling, general and administrative expense		(799)
Income from operating activities		**762**
Net finance costs		1,604
Loss before income tax expense		**842**
Income tax expense		664
Loss for the period	**$**	**1,506**

Responsibility of Management and Board

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P"). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. There have been no significant changes in the design of our DC&P during the three month period ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect the Company's DC&P.

Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Cervus are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and the CFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no significant changes in the design of our ICFR during the three month period ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

The control framework utilized to design the Company's ICFR is the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013).

It should be noted a control system, including the Company's DC&P and ICFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met, and it should not be expected that DC&P and ICFR will prevent all errors or fraud.

Additional IFRS Financial Measures

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. These measures are identified and defined below:

Gross Profit

Gross profit refers to the Company's total revenue less costs directly attributed to generating the related sales revenue. This additional IFRS measure is identified in our Audited Consolidated Financial Statements on the statement of comprehensive income. Gross profit provides a measure to assess the Company's profitability and efficiency of revenue generated, prior to considering selling, general and administrative expenses.

Gross profit margin is the percentage resulting from dividing Gross Profit from a transaction by the revenue generated by the same transaction.

Income (Loss) from Operating Activities

Income from operating activities refers to income (loss) excluding: general interest expense recognized outside of cost of goods sold, interest income, share of profit (loss) from equity investees, and income tax. This additional IFRS measure is identified in our unaudited interim consolidated financial statements on the statement of comprehensive income. Income from operating activities 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 the effects of earnings from equity investees.

Non-IFRS Financial Measures

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. 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 profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability to generate profit 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:

Adjusted Income (Loss)

Adjusted income (loss) is provided to aid in the comparison of the Company's results from one period, to the Company's results from another period. The Company calculates adjusted income (loss) as follows:

Adjusted (Loss) Attributed to Shareholders

	Three month periods ended March 31	
($ thousands, except per share amounts)	**2019**	**2018**
Loss attributed to shareholders	**(2,714)**	(145)
Adjustments:		
Unrealized foreign exchange (gain) loss (1)	**(598)**	635
Gain on sale of Commercial operations	**-**	(480)
Tax impact of adjustments	**161**	(42)
Adjusted loss attributed to shareholders	**(3,151)**	(32)
Adjusted loss per share:		
Basic	**(0.20)**	(0.00)
Diluted	**(0.20)**	(0.00)

Adjusted (Loss) Income Before Income Tax Expense

Three Months Ended March 31, 2019

Reconciliation of Adjusted Loss Before Income Tax Expense ($ thousands)				
Three months ended March 31, 2019	Total	Agricultural	Transportation	Industrial
(Loss) income before income tax expense	**(2,144)**	(2,077)	(93)	26
Adjustments:				
Unrealized foreign exchange gain(1)	**(598)**	-	(564)	(34)
Adjusted (loss) before income tax expense	**(2,742)**	(2,077)	(657)	(8)

Three Months Ended March 31, 2018

Reconciliation of Adjusted (Loss) Income Before Income Tax Expense ($ thousands)				
Three months ended March 31, 2018	Total	Agricultural	Transportation	Industrial
(Loss) income before income tax expense	**(498)**	(1,430)	(441)	1,373
Adjustments:				
Unrealized foreign exchange loss (1)	**635**	-	611	24
(Gain) on sale of Commercial operations	**(480)**	-	-	(480)
Adjusted (loss) income before income tax expense	**(343)**	(1,430)	170	917

(1) – Unrealized foreign exchange gains and losses are 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. The unrealized foreign currency gains and losses are treated as an adjustment to the Company's adjusted income calculation as these foreign currency gains and losses are not realized until settlement. Until settlement occurs, there may be large fluctuations period to period on movement of the foreign exchange rate, making comparison of operating performance period over period difficult.

EBITDA

Throughout the MD&A, reference is made to EBITDA, which Cervus' management defines as earnings before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and is important in enhancing investors' understanding of the Company's operating performance. As EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to similar measures presented by other companies. As a result, we have reconciled profit as determined in accordance with IFRS to EBITDA, as follows:

Three Months Ended March 31, 2019

EBITDA ($ thousands) **Three months ended March 31, 2019**	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net (loss) income attributable to shareholders	**(2,714)**	(2,630)	(117)	33
Add:				
Interest	**3,294**	2,081	1,072	141
Income taxes	**570**	553	24	(7)
Depreciation and Amortization	**5,743**	3,259	1,648	836
EBITDA(1)	**6,893**	3,263	2,627	1,003
Reconciliation of adjusted EBITDA(1):				
EBITDA(1)	**6,893**	3,263	2,627	1,003
Adjustments:				
Unrealized foreign exchange gain	**(598)**	-	(564)	(34)
Adjusted EBITDA(1)	**6,295**	3,263	2,063	969

Three Months Ended March 31, 2018

EBITDA ($ thousands) **Three months ended March 31, 2018**	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net (loss) income attributable to shareholders	**(145)**	(413)	(130)	398
Add:				
Interest	**1,688**	728	896	64
Income taxes	**(353)**	(1,017)	(311)	975
Depreciation and Amortization	**3,946**	1,782	1,682	482
EBITDA(1)	**5,136**	1,080	2,137	1,919
Reconciliation of adjusted EBITDA(1):				
EBITDA(1)	**5,136**	1,080	2,137	1,919
Adjustments:				
Unrealized foreign exchange loss	**635**	-	611	24
(Gain) on sale of Commercial operations	**(480)**	-	-	(480)
Adjusted EBITDA(1)	**5,291**	1,080	2,748	1,463

(1) – EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to income (loss), 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.

Adjusted EBITDA is defined as profit before interest, taxes, depreciation, and amortization, adjusted for unrealized (gains) losses from foreign currency, (gains) losses from sale of minority interests and real estate, and insurance proceeds received in excess of building cost.

EBITDA Margin

EBITDA margin is calculated as EBITDA divided by gross revenue.

Working Capital

Working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities.