

Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2017 to June 30, 2017

The following Management's Discussion & Analysis ("MD&A") was prepared as of August 9, 2017, and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and six month periods ended June 30, 2017 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2017 and notes contained therein and the 2016 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

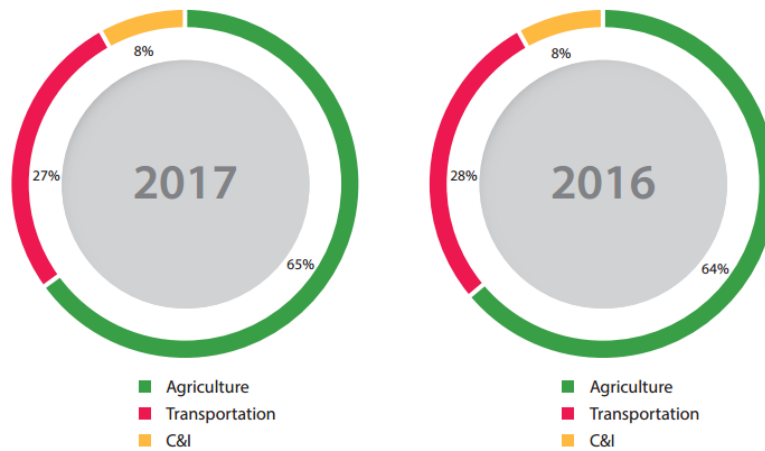
Cervus operates under three segments: Agriculture, Transportation and Commercial and Industrial, based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results.

The Agricultural equipment segment consists of interests in 35 John Deere dealership locations with 14 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 6 in Australia.

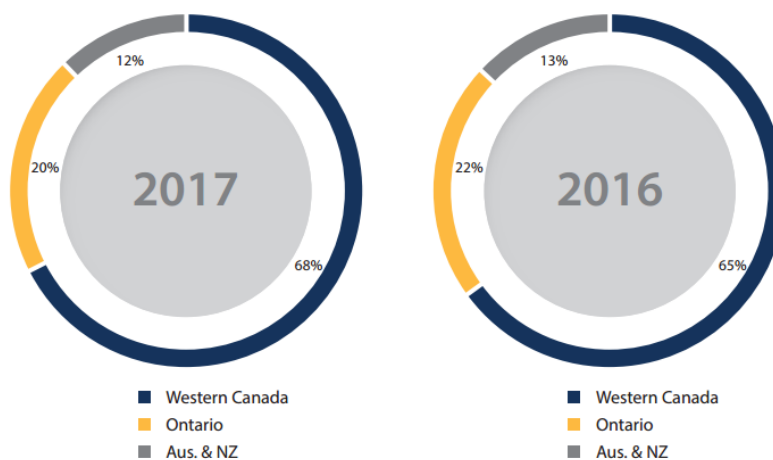
The Transportation segment consists of 18 dealership locations with 4 Peterbilt truck dealerships and 1 Collision Centre operating in Saskatchewan, 12 Peterbilt truck dealerships operating in Ontario, and 1 parts and service location operating in Ontario.

The Commercial and Industrial ("C&I") equipment segment consists of 11 dealership locations with 8 Bobcat/ JCB, Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba.

Year to date revenue by segment



Year to date 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 \$0.07 per share was made to the shareholders of record as of June 30, 2017 on July 14, 2017. See “Capital Resources - Cautionary note regarding dividends” for a cautionary note regarding future dividends.

Highlights of the Quarter

- Revenue increased \$62.6 million and 21% in the second quarter ended June 30, 2017, compared to the same period of 2016.
- Income for the quarter increased \$5.9 million or 237% to \$8.4 million, compared to \$2.5 million of income for the comparable period in 2016.
- Adjusted income¹ and adjusted basic income per share¹ improved to \$7.3 million and \$0.46 per share respectively, compared to adjusted income of \$2.3 million and adjusted income per share of \$0.15 in the second quarter of 2016.
- Earnings before interest, taxes, depreciation, and amortization (“EBITDA1”) was \$17.5 million for the three months ended June 30, 2017, compared to \$11.0 million in 2016, an increase of 59% quarter over quarter.
- Service department process improvement initiatives contributed to an increase in overall service gross profit margin of 1.8% quarter over quarter.
- All divisions generated increased parts and service revenue in the three month period ended June 30, 2017 compared to the same period in 2016.
- The Agriculture Segment achieved record second quarter equipment sales of \$200 million.
- Dividends of \$0.07 per share were declared to shareholders of record as at June 30, 2017.

¹ Refer to Non-IFRS Measures herein

Second Quarter Consolidated Performance

For the second quarter of 2017 and the comparative period of 2016, overall results are equivalent to same store results, as all stores owned in second quarter 2017 were also owned for the duration of the second quarter in 2016.

(\$ thousands, except per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2017	% Change Compared to 2016	2016	2017	% Change Compared to 2016	2016
Revenue	357,361	21%	294,772	588,471	17%	503,314
Cost of sales	(300,602)	22%	(246,984)	(491,325)	18%	(416,308)
Gross profit	56,759	19%	47,788	97,146	12%	87,006
Other income	504	17%	432	1,043	(46%)	1,916
Unrealized foreign exchange gain	633	311%	154	823	(71%)	2,861
Total other income	1,137	94%	586	1,866	(61%)	4,777
Selling, general and administrative expense	(44,856)	7%	(41,758)	(86,033)	8%	(79,981)
Income from operating activities	13,040	97%	6,616	12,979	10%	11,802
Finance income	137	496%	23	231	344%	52
Finance costs	(1,680)	(39%)	(2,749)	(3,329)	(41%)	(5,612)
Share of loss of equity accounted investees, net of tax	-	(100%)	(252)	-	(100%)	(501)
Income before income tax expense	11,497	216%	3,638	9,881	72%	5,741
Income tax expense	(3,132)	172%	(1,153)	(3,149)	107%	(1,523)
Income for the period	8,365	237%	2,485	6,732	60%	4,218
Income attributable to shareholders	8,365	237%	2,485	6,737	60%	4,218
EBITDA¹	17,478	59%	10,997	21,530	2%	21,036
EBITDA margin¹	4.9%		3.7%	3.7%		4.2%
Ratios as a percentage of revenue:						
Gross profit margin	15.9%		16.2%	16.5%		17.3%
Selling, general and administrative	12.6%		14.2%	14.6%		15.9%
Income per share						
Adjusted - Basic ¹	0.46		0.15	0.35		(0.01)
Basic	0.53		0.16	0.43		0.27
Diluted	0.50		0.15	0.41		0.26

[1] - Refer to Non-IFRS Measures herein

Operating Summary – Three months ended June 30, 2017

Income before tax for the three months ended June 30, 2017 increased \$7.9 million while EBITDA increased \$6.5 million compared to the second quarter of 2016. This change in income before tax and EBITDA includes a \$0.5 million increase in unrealized foreign exchange gains, and a \$0.4 million gain on sale of real estate related to a sale and leaseback in our Australian operations. Excluding unrealized foreign exchange gains and gains on sale of property, income before tax increased \$6.7 million and EBITDA increased \$5.3 million.

For the three months ended June 30, 2017, income from operating activities increased \$6.4 million compared to the second quarter of 2016, including a \$0.5 million increase in unrealized foreign exchange gains and a \$0.4 million gain on sale and leaseback of real estate. The largest component of the \$6.4 million increased income from operating activities was the Agricultural segment's \$3.5 million increase on record second quarter equipment sales. Within our C&I segment, income from operating activities increased \$1.9 million as equipment demand accelerated while selling, general and administrative expenses ("SG&A") efficiencies were retained. Our Transportation segment contributed a \$1.1 million increase in income from operating activities lead by increased equipment sales in our Saskatchewan dealerships, offset by margin pressures and SG&A increases in our Ontario dealerships.

For the six months ended June 30, 2017, income from operating activities increased \$1.2 million compared to the same period in 2016. Excluding unrealized foreign exchange and gains on sale of real estate year to date and in the comparative period, income from operating activities increased \$4.3 million. As the increased performance primarily related to the second quarter of 2017, the underlying factors are consistent with those discussed above for the three months ended June 30, 2017.

Post Implementation Financial Impact of Sale and Leaseback

Late in the fourth quarter of 2016, Cervus entered a sale and leaseback for the physical premises of 11 dealership locations. For the six months ended June 30, 2017, SG&A include \$2.2 million of third-party rents related to the sale and leaseback, compared to \$nil for the six months ended June 30, 2016. Partially offsetting this increased SG&A, was the elimination of depreciation related to the land and buildings previously incurred when the properties were owned by Cervus. For the six months ended June 30, 2016, depreciation expense of \$0.6 million was included in SG&A related to the properties, while for the same period in 2017, depreciation was \$nil under the sale and leaseback.

Proceeds generated from the sale and leaseback were used to reduce the Company's outstanding debt in December of 2016. The reduction in interest bearing debt was the primary factor in the \$2.2 million reduction in finance costs in the six months ended June 30, 2017, compared to the same period in 2016. The net result of the sale and leaseback in 2017 year to date, is \$0.6 million positive to income compared to the same period in 2016, as interest savings and reduced depreciation more than offset increased third party lease costs.

Second Quarter Business Segment Performance

The Company has three reportable segments: Agricultural, Transportation, and Commercial 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 allocation metrics as outlined in Note 13 of the accompanying unaudited condensed interim consolidated financial statements.

Agricultural Segment Results

(\$ thousands, except per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2017	% Change Compared to 2016	2016	2017	% Change Compared to 2016	2016
Equipment						
New equipment	130,384	37%	95,199	201,509	25%	161,735
Used equipment	69,630	15%	60,637	115,100	17%	98,237
Total equipment revenue	200,014	28%	155,836	316,609	22%	259,972
Parts	22,914	4%	22,058	42,315	7%	39,550
Service	10,407	11%	9,401	19,377	7%	18,099
Rental and other	1,232	41%	873	2,445	29%	1,901
Total revenue	234,567	25%	188,168	380,746	19%	319,522
Cost of sales	(199,919)	25%	(159,906)	(324,066)	20%	(270,238)
Gross profit	34,648	23%	28,262	56,680	15%	49,284
Total other income	322	(5%)	340	278	(59%)	676
Selling, general and administrative expense	(25,777)	13%	(22,864)	(47,902)	12%	(42,884)
Income from operating activities	9,193	60%	5,738	9,056	28%	7,076
Income before income tax expense	8,380	113%	3,939	7,432	115%	3,454
EBITDA	11,218	45%	7,718	12,907	14%	11,273
Ratios as a percentage of revenue:						
Gross profit margin	14.8%		15.0%	14.9%		15.4%
Selling, general and administrative	11.0%		12.2%	12.6%		13.4%

Operating Summary – Three months ended June 30, 2017

Agriculture income before tax increased \$4.4 million for the three-month period ended June 30, 2017, while EBITDA increased \$3.5 million compared to the second quarter of 2016. A 25% increase in revenue generated a 23% increase in gross profit dollars, partially offset by a 13% increase in SG&A primarily related to increased commissions on record second quarter sales.

Income from operating activities for the quarter increased by \$3.5 million, as the \$6.4 million increase in gross profit more than offset the \$2.9 million increase in SG&A. Revenue increased \$46.4 million as equipment deliveries from the factory have been weighted towards the second quarter. Increased parts and service revenues absent in the first quarter materialized in the second, as the seeding window and related activity was shifted into the second quarter of 2017. The \$2.9 million increase in SG&A was primarily comprised of a \$0.9 million increase in commissions related to additional equipment sales along with a \$1.2 million increase in occupancy expense related to the third-party sale and leaseback. Offsetting the increased third party rents is a \$0.4 million reduction of depreciation included in SG&A, along with a \$0.7 million reduction of interest expense which is included below income from operating activities.

For the six months ended June 30, 2017, income from operating activities increased \$2.0 million, attributed to a 19% increase in year to date revenue driving a 15% increase in gross profit, partially offset by a 12% increase in SG&A. Producers' financial health has supported demand for used equipment which increased 17% over the prior period, while our continued discipline around used inventory has facilitated the growth in new sales without accelerating inventory levels. Factory deliveries in the year to date period have been more heavily weighted to the second quarter compared to 2016, resulting in the majority of increased year over year income from operating activities accruing to the second quarter.

Transportation Segment Results

(\$ thousands, except per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2017	% Change Compared to 2016	2016	2017	% Change Compared to 2016	2016
Equipment						
New equipment	58,044	14%	51,014	86,840	17%	73,970
Used equipment	2,466	21%	2,045	4,848	48%	3,280
Total equipment revenue	60,510	14%	53,059	91,688	19%	77,250
Parts	25,021	9%	22,859	48,914	9%	44,867
Service	7,610	(2%)	7,801	14,935	(2%)	15,260
Rental and other	1,994	(35%)	3,088	4,003	(30%)	5,759
Total revenue	95,135	10%	86,807	159,540	11%	143,136
Cost of sales	(80,298)	11%	(72,455)	(132,657)	14%	(115,893)
Gross profit	14,837	3%	14,352	26,883	(1%)	27,243
Other (loss) income	(22)	(76%)	(92)	251	145%	(563)
Unrealized foreign exchange gain	633	311%	154	823	(71%)	2,861
Total other income	611	885%	62	1,074	(53%)	2,298
Selling, general and administrative expense	(12,751)	(0%)	(12,797)	(25,956)	6%	(24,425)
Income from operating activities	2,697	67%	1,617	2,001	(61%)	5,116
Income before income tax expense	2,088	198%	701	820	(74%)	3,202
EBITDA	4,415	35%	3,264	5,285	(38%)	8,527
Ratios as a percentage of revenue:						
Gross profit margin	15.6%		16.5%	16.9%		19.0%
Selling, general and administrative	13.4%		14.7%	16.3%		17.1%

Operating Summary – Three months ended June 30, 2017

Transportation income before tax increased by \$1.4 million in the second quarter, while EBITDA increased by \$1.2 million compared to the three-month period ended June 30, 2016. Excluding the fluctuation in unrealized foreign exchange, income before tax increased \$0.9 million and EBITDA increased \$0.7 million quarter over quarter. The improvements in the quarter are due to accelerated performance in our Saskatchewan dealerships, partly offset by reduced profitability in our Ontario dealerships.

Income from operating activities increased \$1.1 million compared to the three months ended June 30, 2016. Excluding unrealized foreign exchange, income from operating activities increased \$0.6 million in the quarter, comprised of a \$1.0 million increase in our Saskatchewan dealerships and \$0.4 million decrease in our Ontario dealerships. In Saskatchewan, accelerated equipment sales increased revenue 23% and gross profit by \$0.6 million, while the shift in sales mix towards new equipment reduced overall gross profit margin by 2%. Saskatchewan SG&A remained unchanged quarter over quarter.

In Ontario, second quarter revenue increased 7%, while reduced gross profit percentage in new equipment and service resulted in consistent gross margin dollars. Ontario SG&A increased by \$0.4 million due to personnel cost increases quarter over quarter. Actions in Ontario are focused on streamlining the customer order to delivery process, and alignment of SG&A costs.

For the six months ended June 30, 2017, income from operating activities decreased \$3.1 million. Excluding unrealized foreign exchange gains, income from operating activities decreased by \$1.1 million on a \$0.9 million increase generated by our Saskatchewan dealerships, offset by a \$2.0 million decrease in our Ontario dealerships. Improving market activity in Saskatchewan was most evident in the second quarter of the year to date period as described above, while sales delivery efficiency and SG&A reductions initiated in Ontario in the first quarter remain an operational focus for the year.

Commercial and Industrial Segment Results

(\$ thousands, except per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2017	% Change Compared to 2016	2016	2017	% Change Compared to 2016	2016
Equipment						
New equipment	13,503	54%	8,742	22,967	26%	18,248
Used equipment	2,709	61%	1,686	4,124	18%	3,481
Total equipment revenue	16,212	55%	10,428	27,091	25%	21,729
Parts	6,147	15%	5,336	12,006	10%	10,933
Service	4,142	36%	3,049	7,088	16%	6,091
Rental and other	1,158	18%	984	2,000	5%	1,903
Total revenue	27,659	40%	19,797	48,185	19%	40,656
Cost of sales	(20,385)	39%	(14,623)	(34,602)	15%	(30,177)
Gross profit	7,274	41%	5,174	13,583	30%	10,479
Total other income	204	11%	184	514	(71%)	1,803
Selling, general and administrative expense	(6,328)	4%	(6,097)	(12,175)	(4%)	(12,672)
Income (loss) from operating activities	1,150	256%	(739)	1,922	593%	(390)
Income (loss) before income tax	1,029	203%	(1,002)	1,629	278%	(915)
EBITDA	1,845	12200%	15	3,338	170%	1,236
Ratios as a percentage of revenue:						
Gross profit margin	26.3%		26.1%	28.2%		25.8%
Selling, general and administrative	22.9%		30.8%	25.3%		31.2%

Operating Summary – Three months ended June 30, 2017

Income before tax in our C&I segment improved by \$2.0 million compared to the three-month period ended June 30, 2016, as sentiment is improving in the sector. The additional sales generated were achieved on a stable expense base, reducing SG&A to 22.9% as a percent of revenue, while EBITDA increased by \$1.8 million quarter over quarter.

For the three months ended June 30, 2017, income from operating activities increased \$1.9 million to \$1.2 million. This was achieved through increased equipment sales at favorable gross profit margin, while maintaining the expense structure shifts implemented during 2015 and 2016. While market activity has improved quarter over quarter, the sector remains fragile with continued potential for variability. We remain diligent in maintaining cost structure efficiencies, while focused sales efforts gather traction.

For the six-month period ended June 30, 2017, income from operating activities increased \$2.3 million, including a \$0.4 million first quarter recovery of previously recognized inventory impairment. Excluding a \$1.5 million gain on sale of real estate in the comparative period, income from operating activities increased \$3.9 million in the six months ended June 30, 2016. This increase is attributable to the \$0.5 million reduction in SG&A period over period, combined with a 19% increase in revenue. Of this increase in revenue, substantially all occurred in the second quarter of 2017, as discussed above.

Second Quarter Cash Flows

Cash and Cash Equivalents – Three Months Ended June 30, 2017

Cervus' primary sources and uses of cash flow for the six months ended June 30, 2017 are as follows:

Operating Activities

Cash provided by operating activities was \$11.1 million for the six months ended June 30, 2017, compared to cash provided of \$1.5 million for the same period of 2016, a net increase of \$9.6 million. The primary reasons for this increase was increased income of \$2.5 million and \$2.5 million of net cash used for working capital items in the current period, compared to \$10.5 million used in the comparable period in 2016.

Investing Activities

During the six months ended June 30, 2017, the Company generated \$4.0 million of net cash from investing activities compared to cash provided of \$5.1 million from investing activity for the same period in 2016.

Financing Activities

During the six months ended June 30, 2017, the Company's financing activities used \$17.6 million of cash, compared to \$10.7 million in 2016, for a net use of cash of \$6.9 million. For the year to date period ending June 30, 2017 additional cash from operating activities along with proceeds on the sale of Maple Farm Equipment have been applied against interest bearing debt, resulting in a \$14.4 million use of cash to repay term debt in 2017, compared to \$2.3 million in 2016.

Consolidated Financial Position & Liquidity

(\$ thousands, except ratio amounts)	June 30, 2017	December 31, 2016
Current assets	377,709	324,759
Total assets	520,151	476,852
Current liabilities	269,858	220,050
Long-term financial liabilities	20,490	32,355
Shareholders' equity	219,331	213,839
Working capital ¹	107,851	104,709
Working capital ratio ¹	1.40	1.48

[1] - Refer to Non-IFRS Measures herein

Working Capital

Cervus' working capital increased by \$3.1 million to \$107.9 million at June 30, 2017 compared to December 31, 2016 as the seasonal nature of equipment demand generally results in increased inventory in the first two quarters, followed by a reduction in inventory in the last two quarters of the year.

Based on inventory levels at June 30, 2017, the Company had the ability to floor plan an additional \$49.4 million of inventory, and held \$238.1 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 C&I equipment sales usually do not have trade-ins. This results in a higher amount of used Agriculture equipment than used Transportation and C&I 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 June 30, 2017 compared to December 31, 2016 is as follows:

(\$ thousands)	June 30, 2017	December 31, 2016
Agricultural	210,752	176,719
Transportation	62,316	50,256
Commercial & Industrial	24,356	28,256
Total	297,424	255,231

As at June 30, 2017, inventories had increased by \$42.2 million to \$297.4 million when compared to \$255.2 million at December 31, 2016. Of the \$42.2 million increase, \$23.2 million relates to new equipment primarily in our Transportation segment with a \$13.7 million increase in used equipment on timing of used agricultural sales. Due to seasonality of sales activity in our operating segments, comparison to inventory levels at December 31, 2016 may be limited. Therefore, we have provided inventory by segment for the period ended June 30, 2017 compared to June 30, 2016. A summary of the movement is as follows:

(\$ thousands)	June 30, 2017	June 30, 2016
Agricultural	210,752	204,359
Transportation	62,316	68,544
Commercial & Industrial	24,356	35,648
Total	297,424	308,551

Inventory has decreased \$11.1 million when compared to June 30, 2016. Of the \$11.1 million decrease, \$18.6 million relates to new equipment partly offset by a \$6.0 million increase in used. Inventory levels within the Agriculture segment increased over Q2 2016, as increased used inventory within our Canadian operations were partly offset by a decrease in new inventory on the timing of new equipment sales and an increase in trade-in's on sale. The decrease in inventory in Transportation and C&I segments is due to continued focus on reducing stock inventory and managing inventory levels to the current Western Canadian equipment demand in these sectors, partly offset by an increase in new equipment within our Ontario dealerships.

At June 30, 2017, the Company believes that the recoverable value of new and used equipment inventories exceeds its respective carrying value. During the three and six months ended June 30, 2017, the company recognized inventory valuation adjustments through cost of goods sold of \$2.1 million and \$1.9 million, respectively (2016 - \$2.6 million and \$4.3 million).

Accounts Receivable

The calculated rolling twelve month average time to collect the Company's outstanding accounts receivables was approximately 17 days as at June 30, 2017 compared to 20 days for the same period in 2016. At June 30, 2017, 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 \$1.7 million at June 30, 2017 (June 30, 2016 - \$1.6 million), which represents 3.7% (June 30, 2016 - 2.1%) of outstanding trade accounts receivable and 0.1% (June 30, 2016- 0.1%) of gross revenue on an annual

basis. Bad debt expense for the six months ended June 30, 2017 amounted to a \$0.3 million expense (June 30, 2016 - \$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 June 30, 2017 are as follows:

(\$ thousands)	Total Amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	100,000	-	2,556	-	97,444
Floor plan facilities and rental equipment floor plan facilities	464,488	126,593	-	99,843	238,052
Capital facilities	58,648	15,138	-	-	43,510
Total	623,136	141,731	2,556	99,843	379,006

Operating and Other Bank Credit Facilities

At June 30, 2017, the Company has a committed revolving credit facility with a syndicate of lenders, with a principal amount of \$100.0 million. The facility is committed for a three-year term beginning December 19, 2016, 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 June 30, 2017 the Company had no outstanding balance on the syndicated loan.

We believe that the credit facilities available to the Company outlined above are sufficient to meet our sales targets and working capital requirements for 2017.

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:

	June 30, 2017	December 31, 2016
Total liabilities to net worth ratio ¹ (not exceeding 4.0:1.0)	2.76	1.99
Fixed charge coverage ratio ² (greater than or equal to 1.00:1 on December 31, 2016, greater than or equal to 1.10:1.00 on June 30, 2017)	1.88	1.43
Asset coverage ratio ³ (greater than 3.0:1.0)	N/A	21.03

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.

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 June 30, 2017, floor plan payables related to inventories were \$118.1 million.

Floor plan payables at June 30, 2017 represented approximately 39.7% of our inventories (December 31, 2016 – 33.7%). 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 \$0.4 million and \$0.8 million for the three and six month periods ended June 30, 2017 (2016 – \$0.4 million and \$0.8 million). This amount was offset by rebates applied during the three and six month periods ended June 30, 2017 of \$0.1 million and \$0.4 million (2016 - \$0.2 million and \$0.4 million). At June 30, 2017, approximately 69% (June 30, 2016 – 24%) of the C&I segment's and 14% (June 30, 2016 – 14%) of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest free periods in place.

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.

Outstanding Share Data

As of the date of this MD&A, there are 15,822 thousand common shares and 832 thousand deferred shares outstanding. The Company also had convertible debentures with a face value of \$34.5 million, convertible into common shares at the holder's option prior to the maturity date (July 31, 2017) at a conversion price of \$26.15 per common share (see "Contractual Obligations"). Further, at the maturity date, the Company may repay the debentures in cash or shares, at the Company's discretion. As described in Note 15 of the accompanying unaudited condensed interim consolidated financial statements, the Company repaid these debentures as of July 31, 2017, utilizing cash drawn from its committed syndicated credit facility.

As at June 30, 2017 and 2016, the Company had the following weighted average shares outstanding:

(thousands)	June 30, 2017	June 30, 2016
Basic weighted average number of shares outstanding	15,776	15,641
Dilutive impact of deferred share plan	827	791
Diluted weighted average number of shares outstanding	16,603	16,432

The above table includes all deferred share units for the six months ended June 30, 2017 (827 thousand) as they are considered dilutive. However, shares issuable on the convertible debenture are anti-dilutive in 2017 and 2016.

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 June 30, 2017:

(\$ thousands, except per share amounts)			Dividends Reinvested	Net Dividend Paid
Record Date	Dividend per Share	Dividend Payable		
March 31, 2017	0.0700	1,104	195	909
June 30, 2017	0.0700	1,106	204	902
Total	0.1400	2,210	399	1,811

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 and six month period ended June 30, 2017, 17 thousand and 30 thousand common shares were issued through the Company’s dividend reinvestment plan.

Taxation

Cervus’ 2017 dividends declared and paid through June 30, 2017 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)	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Revenues	357,361	231,110	271,943	334,682
Income (loss) attributable to the shareholders	8,365	(1,628)	8,753	10,741
Gross profit	56,759	40,387	46,488	57,571
Gross profit margin	15.9%	17.5%	17.1%	17.2%
EBITDA	17,478	4,052	18,008	21,981
Income (loss) per share:				
Basic	0.53	(0.10)	0.55	0.67
Diluted	0.50	(0.10)	0.52	0.64
Adjusted income (loss) per share ¹				
Basic	0.46	(0.12)	0.03	0.66
Diluted	0.44	(0.12)	0.02	0.63
Weighted average shares outstanding				
Basic	15,792	15,762	15,996	15,991
Diluted	16,619	15,762	16,740	16,761

(\$ thousands, except per share amounts)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Revenues	294,772	208,542	257,726	334,742
Income attributable to the shareholders	2,485	1,733	3,768	3,910
Gross profit	47,788	39,218	52,095	55,278
Gross profit margin	16.2%	18.8%	20.2%	16.5%
EBITDA	10,997	10,039	15,034	14,863
Income per share:				
Basic	0.16	0.11	0.24	0.25
Diluted	0.15	0.11	0.23	0.24
Adjusted income (loss) per share				
Basic	0.15	(0.16)	0.32	0.43
Diluted	0.14	(0.16)	0.31	0.41
Weighted average shares outstanding				
Basic	15,994	15,622	15,578	15,519
Diluted	16,785	16,433	16,255	16,222

[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 in the first and second calendar quarters, 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 largest factor in the Company’s Western Canadian operations. Farmers entered the year with near record farm net cash income,² and despite some seeding delays due to wet weather and residual standing 2016 crops, western Canadian seeding was completed successfully with expectations of an average crop year.³ Despite a late start to seeding, hot weather received across much of our geography to date indicates an earlier and easier harvest in 2017 compared to 2016. If this trend persists, we expect a busier third quarter and slower fourth quarter compared to 2016, as the harvest window moves earlier. Further, much of the equipment receipts from our OEM and therefore our equipment deliveries to customers occurred in the second quarter of 2017. While a significant amount of equipment remains to be delivered after June 30, 2017, we expect timing differences to generally reduce equipment deliveries and sales in the third quarter of 2017 compared to the third quarter of 2016. Our focus in the second half of the year will be delivering remaining new equipment to customers, moving used equipment taken on trade in season, and supporting our customers through harvest in our parts and service departments.

In our Western Canadian C&I segment, sales accelerated significantly in the second quarter of 2017, particularly equipment sales which has been the revenue stream most negatively impacted by economic pressures. We view this as an encouraging but fragile trend, and remain focused on capturing increased demand while maintaining hard earned cost structure efficiencies. In our Saskatchewan Transportation dealerships, our equipment sales have increased quarter over quarter for five consecutive quarters. Our focus in Saskatchewan is capturing oilfield and ancillary demand growth, while also maintaining both our cost structure efficiencies along with expanding the footholds we gained in non-resource equipment markets in the past two years.

Ontario

For our Ontario transportation dealerships, overall North American year to date shipping volumes have increased significantly over 2016 levels.⁴ This overall activity has accelerated truck orders and factory lead-times have increased, however this has not directly translated into increased retail sales. This delay between ordering date and requested delivery date is reflected by PACCAR’s high-end estimate for 2017 North American Truck sales at 220,000 units remaining unchanged since December of 2016.⁵ Increased factory orders are a positive bellwether for industry sentiment, and the 44% increase in Class 8 Truck orders experienced by PACCAR in the first six months of 2017 is a positive indicator for the market’s view of the PACCAR product.

While market order activity continues to bode well for the transportation market in the near term and our Ontario dealerships have experienced increased sales volumes, our focus remains on accelerated profitability in Ontario. We see the path forward in process efficiency. We are accelerating efforts to implement our service optimization program which has proven highly effective in other areas of the business. Initiatives to streamline our equipment delivery process and rationalize expenses are underway.

New Zealand & Australia

In our New Zealand geography, a wet fall has continued through winter providing a strong base for spring 2017, after a dry spring and summer in 2016. Increases in farmgate dairy prices continue to benefit producers, however the sector is demonstrating caution with capital expenditure as farmers rebuild equity eroded in the previous two years. Conditions are generally positive moving towards spring.

In our Australian geography, producers have enjoyed a good start to the growing season, and seeding is complete. Livestock pricings have remained steady and are providing good returns for beef and sheep farmers, supporting

² Agriculture and Agri-Food Canada, 2017 Canadian Agriculture Outlook, February 17, 2017, www.agr.gc.ca

³ Agriculture and Agri-Food Canada, 2017 Canadian Agriculture Outlook, July 18, 2017, www.agr.gc.ca

⁴ ACT Research, ACT For-Hire Trucking Index: Volumes January 2010 – June 2017, July 21, 2017, www.actresearch.net

⁵ PACCAR Q2 2017 Quarterly Press Release, April 25, 2017, www.PACCAR.com

capital maintenance and replacement. Dairy prices increased nominally over 2016 levels, and dairy farms are exercising spending restraint, although well positioned for fodder supplies after a strong hay crop. Based on these factors, we anticipate positive equipment demand leading into the growing season.

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 June 30, 2017, payments in arrears by such customers aggregated \$827 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 June 30, 2017, the net residual value of such leases aggregated \$251.0 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 \$2.2 million at June 30, 2017. 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 \$2.6 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. In addition, no directors or executive officers are part of the share option plan.

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating \$6.4 million. The guarantees are kept in place until released by John Deere. During the three and six month periods ended June 30, 2017 and 2016, the Company paid those individuals \$40 thousand and \$79 thousand (2016 - \$49 thousand and \$98 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, 2016 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, 2016.

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, 2016 as filed on SEDAR at www.sedar.com

Changes in Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2016 and as described in Note 3 in those financial statements.

Responsibility of Management and Board

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 six month period ended June 30, 2017 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).

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 six month period ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect the Company’s DC&P.

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 interim 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 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

Adjusted income 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 as follows:

(\$ thousands, except per share amounts)	Three month periods ended June 30		Six month periods ended June 30	
	2017	2016	2017	2016
Income attributed to shareholders	8,365	2,485	6,737	4,218
Adjustments:				
Unrealized foreign currency gain ¹	(633)	(154)	(823)	(2,861)
Gain on sale of land and building	(423)	-	(423)	(1,464)
Adjusted income (loss) attributed to shareholders	7,309	2,331	5,491	(107)
Adjusted income (loss) per share:				
Basic	0.46	0.15	0.35	(0.01)
Diluted	0.44	0.14	0.33	(0.01)

[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 June 30, 2017

EBITDA (\$ thousands)				
Three months ended June 30, 2017	Total	Agricultural	Transportation	Commercial & Industrial
Net income	8,365	6,023	1,840	502
Add:				
Interest	2,079	1,048	873	158
Income taxes	3,132	2,357	248	527
Depreciation and Amortization	3,902	1,790	1,454	658
EBITDA	17,478	11,218	4,415	1,845

Six months ended June 30, 2017

EBITDA (\$ thousands)				
Six months ended June 30, 2017	Total	Agricultural	Transportation	Commercial & Industrial
Net income	6,737	5,070	559	1,108
Add:				
Interest	4,131	1,994	1,752	385
Income taxes	3,149	2,367	261	521
Depreciation and Amortization	7,513	3,476	2,713	1,324
EBITDA	21,530	12,907	5,285	3,338

Three months ended June 30, 2016

EBITDA (\$ thousands)				
Three months ended June 30, 2016	Total	Agricultural	Transportation	Commercial & Industrial
Net income (loss)	2,485	2,937	292	(744)
Add:				
Interest	3,182	1,670	1,195	317
Income taxes	1,153	1,002	409	(258)
Depreciation and Amortization	4,177	2,109	1,368	700
EBITDA	10,997	7,718	3,264	15

Six months ended June 30, 2016

EBITDA (\$ thousands)				
Six months ended June 30, 2016	Total	Agricultural	Transportation	Commercial & Industrial
Net income (loss)	4,218	2,538	2,352	(672)
Add:				
Interest	6,579	3,386	2,558	635
Income taxes	1,523	916	850	(243)
Depreciation and Amortization	8,716	4,433	2,767	1,516
EBITDA	21,036	11,273	8,527	1,236

EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to net 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.

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.