Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2018 to March 31, 2018

The following Management's Discussion & Analysis ("MD&A") was prepared as of May 8, 2018 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, 2018, 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, 2018 and notes contained therein, and the 2017 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

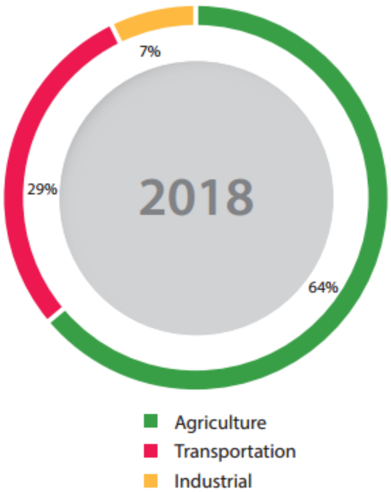
Cervus operates under three segments: Agriculture, Transportation, and Industrial, based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results. On February 26, 2018, the Company announced it had entered into a definitive agreement to sell its Commercial operations, composed of four dealership locations in Calgary, Red Deer, Edmonton and Fort McMurray, Alberta. The dealerships represent the construction brands Bobcat, CMI and JCB.

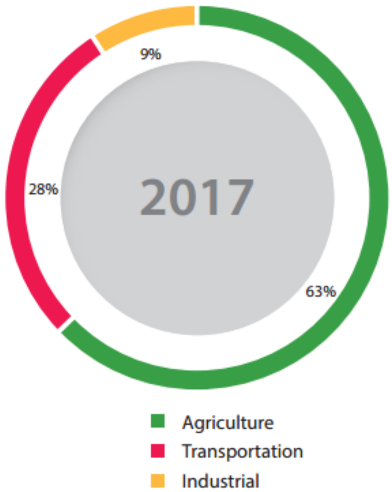
The Agricultural segment consists of interests in 35 John Deere dealership locations with 14 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 6 in Australia.

The Transportation segment consists of 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.

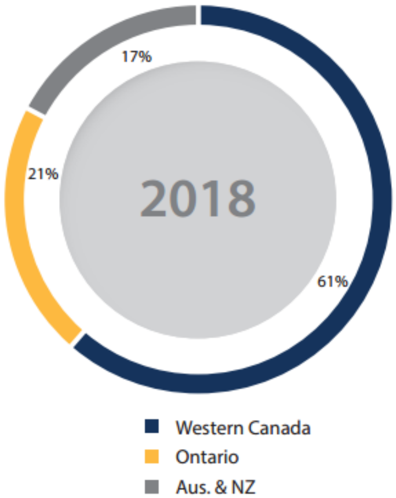
On February 26, 2018, the Company announced its intention to dispose of its four light construction dealerships, and the transaction subsequently closed on March 16, 2018. Following closing, the Company's Industrial segment operates 8 Clark, Sellick, and Doosan material handling and forklift equipment dealerships, 5 in Alberta, 2 in Saskatchewan and 1 in Manitoba.

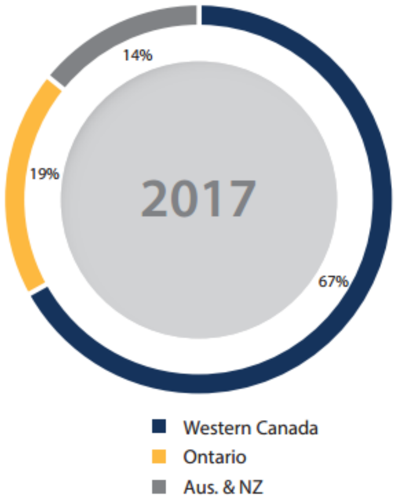
Revenue by Segment





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 $0.10 per share was made to the shareholders of record as of March 30, 2018, on April 16, 2018. See “Capital Resources - Cautionary Note Regarding Dividends” for a cautionary note regarding future dividends.

Highlights of the Quarter

- The Company generated $0.3 million in adjusted loss before income tax expense,[1] a $1.5 million improvement compared to $1.8 million of adjusted loss before income tax expense in the first quarter of 2017.

- The Company generated a loss of $0.1 million in the first quarter of 2018, an $1.5 million improvement compared to a loss of $1.6 million for the same period of 2017.

- The Company reported a loss per basic share of $(0.01) in the first quarter of 2018, a $0.09 per share improvement compared to a loss of $(0.10) per basic share in the first quarter of 2017.

- The Transportation segment achieved a $1.6 million improvement in adjusted income before income tax expense,[1] due to a $1.6 million improvement in the Ontario Transportation dealerships.

- The Company achieved record first quarter new equipment sales in our Agriculture segment, increasing 28% compared to the first quarter of 2017.

- The Company successfully completed the sale of its four Alberta-based construction dealerships, increasing alignment with scalable dealership operations.

- Selling, general, and administrative ("SG&A") as a percentage of revenue improved to 16.8% in the current quarter, compared to 17.8% in the first quarter of 2017.

- Dividends of $0.10 per share were declared to shareholders of record as of March 30, 2018.

[1] Refer to Non-IFRS Measures herein

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)	2018	% Change Compared to 2017	2017
Revenue	**248,706**	8%	231,110
Cost of sales	**(206,913)**	8%	(190,723)
Gross profit	**41,793**	3%	40,387
Other income	**1,238**	130%	539
Unrealized foreign exchange (loss) gain	**(635)**	(434%)	190
Total other income	**603**	(17%)	729
Selling, general and administrative expense	**(41,687)**	1%	(41,177)
Income (loss) from operating activities	**709**	1262%	(61)
Finance income	**136**	45%	94
Finance costs	**(1,343)**	(19%)	(1,649)
Loss before income tax expense	**(498)**	(69%)	(1,616)
Income tax recovery (expense)	**353**	2176%	(17)
Loss for the year	**(145)**	(91%)	(1,633)
Loss attributable to shareholders	**(145)**	(91%)	(1,628)
EBITDA(1)	**5,136**	27%	4,052
EBITDA margin(1)	**2.1%**		1.8%
Ratios as a percentage of revenue:			
Gross profit margin	**16.8%**		17.5%
Selling, general and administrative	**16.8%**		17.8%
Loss per share			
Basic - adjusted(1)	**(0.00)**	(100%)	(0.11)
Basic	**(0.01)**	(90%)	(0.10)
Diluted	**(0.01)**	(90%)	(0.10)
Reconciliation of adjusted loss before income tax expense:			
Loss before income tax expense	**(498)**	(69%)	(1,616)
Adjustments:			
Unrealized foreign currency loss (gain)	**635**	(434%)	(190)
(Gain) on sale of Commercial operations	**(480)**	100%	-
Adjusted loss before income tax expense(1)	**(343)**	(81%)	(1,806)

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended March 31, 2018
Adjusted loss before income tax expense[1] improved $1.5 million in the first quarter of 2018 compared to 2017. This was comprised of a $1.6 million increase in our Transportation segment, a $0.3 million increase in the Industrial segment, and a $0.5 million decrease in the Agricultural segment.[2] Loss before income tax expense improved $1.1 million in the first quarter of 2018 compared to the same period in 2017.

Our Ontario transportation dealerships generated a $1.6 million improvement in adjusted loss before income tax expense in the quarter, the principal factor in Cervus' first quarter 2018 performance. Internal efficiency improvements combined with positive market demand facilitated the increase in segment performance quarter over quarter. The first quarter results for 2018 are positive, including increased gross profit percentage across all revenue streams in the Transportation segment, along with unchanged SG&A expenses despite a 11% increase in revenue.

In our Agriculture segment, record farm profitability combined with focused sales efforts resulted in record high first quarter equipment sales for Cervus, and is a positive indicator for the year. Weather conditions have shifted seeding activity into the second quarter of 2018, compared to 2017 when seeding was well underway within the first quarter. The shift in seeding activity has also shifted the revenue associated with parts and service support into the second quarter, with a corresponding impact on revenue and gross profit margin in the first quarter of 2018. At the time of writing, adequate seeding time remains in our geography, and the moisture which delayed seeding may ultimately be positive for producers.

Within our Industrial segment, service department revenue growth along with divisional expense control were the principal drivers of improved profitability, increasing adjusted income before income tax expense $0.3 million for the first quarter of 2018, compared to 2017. Reduced equipment sales in the quarter reflected the continued caution of customers, while efficiently maintaining and extending the service life of existing equipment contributed to the 23% increase in service revenue.

Sale of Construction Dealership Group
On March 16, 2018, the Company completed its previously announced agreement to sell the construction dealership group, composed of four dealership locations in Calgary, Red Deer, Edmonton, and Fort McMurray, Alberta. The sale of these dealerships generated gross proceeds of $14.2 million, resulting in a gain on sale of $0.5 million, pending finalization of post closing adjustments.

---

(1) Refer to Non-IFRS measures herein. Adjusted income before income tax expense excludes gains and losses from the sale of real estate and minority interests, as well as unrealized gains and losses on foreign exchange. Management believes this non-IFRS measure is useful for comparing the period to period financial performance of our underlying dealership operations.

(2) Difference is due to rounding

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 15 of the accompanying unaudited condensed interim consolidated financial statements.

Agricultural Segment Results

	Three month periods ended March 31		
($ thousands, except per share amounts)	**2018**	**% Change Compared to 2017**	**2017**
Equipment			
New equipment	**91,177**	28%	71,125
Used equipment	**40,930**	(10%)	45,470
Total equipment revenue	**132,107**	13%	116,595
Parts	**17,263**	(11%)	19,401
Service	**8,747**	(2%)	8,970
Rental and other	**1,143**	(6%)	1,213
Total revenue	**159,260**	9%	146,179
Cost of sales	**(137,139)**	10%	(124,147)
Gross profit	**22,121**	0%	22,032
Other income (loss)	**278**	732%	(44)
Selling, general and administrative expense	**(23,254)**	5%	(22,125)
Loss from operating activities	**(855)**	524%	(137)
Loss before income tax expense	**(1,430)**	51%	(948)
EBITDA(1)	**1,080**	(36%)	1,689
Ratios as a percentage of revenue:			
Gross profit margin	**13.9%**		15.1%
Selling, general and administrative	**14.6%**		15.1%
Reconciliation of adjusted loss before income tax expense:			
Loss before income tax expense	**(1,430)**	51%	(948)
Adjusted loss before income tax expense(1)	**(1,430)**	51%	(948)

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended March 31, 2018
Within our Agriculture segment, loss before income tax expense increased $0.5 million compared to 2017. The Company achieved record high first quarter equipment sales supported by positive farm fundamentals, while we expect parts and service revenue associated with seeding activity to shift into the second quarter of 2018.

First quarter new agricultural equipment sales growth of 28% was influenced by a successful 2017 growing season, along with windows of favorable exchange rates in 2017 during pre-order windows for 2018 delivery. The increase in new equipment sales, as these orders are delivered to customers, is a positive start to 2018. Used equipment and parts sales decreased 10% and 11%, respectively, as weather factors shifted the 2018 seeding season and related revenue into the second quarter of 2018, compared to 2017 when seeding was in advanced stages by March 31, 2017.

Transportation Segment Results

($ thousands, except per share amounts)	Three month periods ended March 31 2018	% Change Compared to 2017	2017
Equipment			
New equipment	**36,840**	28%	28,796
Used equipment	**1,769**	(26%)	2,382
Total equipment revenue	**38,609**	24%	31,178
Parts	**23,096**	(3%)	23,893
Service	**8,079**	10%	7,325
Rental and other	**1,547**	(23%)	2,009
Total revenue	**71,331**	11%	64,405
Cost of sales	**(57,514)**	10%	(52,359)
Gross profit	**13,817**	15%	12,046
Other income	**178**	(35%)	273
Unrealized foreign exchange (loss) gain	**(611)**	(422%)	190
Total other (loss) income	**(433)**	(194%)	463
Selling, general and administrative expense	**(13,220)**	0%	(13,205)
Income (loss) from operating activities	**164**	124%	(696)
Loss before income tax expense	**(441)**	(65%)	(1,268)
EBITDA[1]	**2,137**	146%	870
Ratios as a percentage of revenue:			
Gross profit margin	**19.4%**		18.7%
Selling, general and administrative	**18.5%**		20.5%
Reconciliation of adjusted income (loss) before income tax expense:			
Loss before income tax expense	**(441)**	(65%)	(1,268)
Adjustments:			
Unrealized foreign currency loss (gain)	**611**	(422%)	(190)
Adjusted income (loss) before income tax expense[1]	**170**	112%	(1,458)

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended March 31, 2018
Within our Transportation segment, adjusted income before income tax expense increased $1.6 million, due to improved performance in our Ontario dealerships and consistent quarter over quarter results in our Saskatchewan locations. Loss before income tax expense improved by $0.8 million, which also includes a $0.8 million reduction of foreign exchange gains in the period.

The impact of our Ontario reorganization efforts initiated in 2017 are evident in the additional gross profit and expense control in the quarter, while a positive Ontario market has enhanced our sales efforts. Gross profit margin increased across all revenue streams, along with a 28% increase in new truck sales compared to the first quarter of 2017. Further, SG&A expenses remained consistent with 2017 levels, and decreased as a percentage of revenue in 2018. Within our two transportation geographies, adjusted income before income tax expense in the first quarter of 2018 was $0.1 million in each of Saskatchewan and Ontario, compared to $0.1 million of income in Saskatchewan and a $1.6 million loss in Ontario in Q1 2017.

Industrial Segment Results

($ thousands, except per share amounts)	Three month periods ended March 31 2018	% Change Compared to 2017	2017
Equipment			
New equipment	**6,378**	(33%)	9,464
Used equipment	**1,631**	15%	1,415
Total equipment revenue	**8,009**	(26%)	10,879
Parts	**5,397**	(8%)	5,859
Service	**3,634**	23%	2,946
Rental and other	**1,075**	28%	842
Total revenue	**18,115**	(12%)	20,526
Cost of sales	**(12,260)**	(14%)	(14,217)
Gross profit	**5,855**	(7%)	6,309
Other income	**782**	152%	310
Unrealized foreign exchange (loss)	**(24)**	100%	-
Total other income	**758**	145%	310
Selling, general and administrative expense	**(5,213)**	(11%)	(5,847)
Income from operating activities	**1,400**	81%	772
Income before income tax expense	**1,373**	129%	600
EBITDA(1)	**1,919**	29%	1,493
Ratios as a percentage of revenue:			
Gross profit margin	**32.3%**		30.7%
Selling, general and administrative	**28.8%**		28.5%
Reconciliation of adjusted income before income tax expense:			
Income before income tax expense	**1,373**	129%	600
Adjustments:			
Unrealized foreign currency loss	**24**	100%	-
(Gain) on sale of Commercial operations	**(480)**	100%	-
Adjusted income before income tax expense(1)	**917**	53%	600

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended March 31, 2018
Adjusted income before income tax expense for the Industrial segment increased $0.3 million on continued expense discipline and service revenue growth, reflecting customers' focus on extending the life of existing fleets. Income before income tax expense increased $0.8 million compared to the first quarter of 2017, mainly due to the gain on the sale of the four construction dealerships.

The results of the eight industrial dealerships (which continue as the Industrial segment) were positive, with a 7% increase in revenue, a 13% increase in gross profit margin, and unchanged SG&A expenses, as detailed in the following table. These factors generated a $0.6 million increase in income before income tax expense for the Industrial dealerships. Customers remain cautious towards new equipment commitments, although growth in service revenue reflects the high customer interaction and support opportunities through the equipment lifecycle, particularly in our Industrial dealerships. The results of the quarter were influenced by the significant, and at times conflicting, objectives of leading the Industrial segment while preparing and facilitating the sale of the construction dealerships. As the Company moves forward with the Industrial segment, we are focused on leveraging relationships and opportunities to accelerate our full suite of equipment, parts, service, rentals, and training solutions.

Cervus completed the sale of its four construction dealerships on March 16, 2018. As such, these four construction stores will no longer be included within, or contribute to, the results of the Industrial segment beyond March 16, 2018, as they are no longer owned by Cervus. The following chart is the composition of the Industrial segment for the first quarter of 2018 and 2017. The chart is separated into the portion of overall segment results contributed by the eight industrial dealerships, which continue to be owned by Cervus, and the contribution of the four construction dealerships for the period prior to their disposition on March 16, 2018.

	Industrial			Commercial		
	Three month periods ended March 31			Three month periods ended March 31		
($ thousands, except per share amounts)	2018	% Change Compared to 2017	2017	2018	% Change Compared to 2017	2017
Revenue						
Equipment	**3,215**	(7%)	3,471	**4,794**	(35%)	7,408
Parts	**2,649**	(6%)	2,804	**2,748**	(10%)	3,055
Service	**2,810**	41%	1,997	**824**	(13%)	949
Rental and other	**1,075**	28%	842	**-**	0%	-
Total revenue	**9,749**	7%	9,114	**8,366**	(27%)	11,412
Gross profit	**3,667**	13%	3,232	**2,188**	(29%)	3,077
Total other income	**150**	19%	126	**608**	230%	184
Selling, general and administrative expense	**(3,603)**	(2%)	(3,658)	**(1,610)**	(26%)	(2,189)
Income (loss) before income tax expense	**212**	157%	(371)	**1,161**	20%	971
EBITDA(1)	**729**	183%	258	**1,190**	(4%)	1,235
Reconciliation of adjusted income (loss) before income tax expense:						
Income (loss) before income tax expense	**212**	157%	(371)	**1,161**	20%	971
Adjustments:						
Unrealized foreign currency (gain) loss	**(8)**	100%	-	**32**	100%	-
(Gain) on sale of Commercial operations	**-**	0%	-	**(480)**	100%	-
Adjusted income (loss) before income tax expense(1)	**204**	155%	(371)	**713**	(27%)	971

(1) - Refer to Non-IFRS Measures herein

First Quarter Cash Flows

Cash and Cash Equivalents – Three Months Ended March 31, 2018

Cervus' primary sources and uses of cash flow for the three months ended March 31, 2018, are as follows:

Operating Activities

Net cash used in operating activities was $16.7 million for the three months ended March 31, 2018, compared to cash used of $1.0 million for the same period of 2017, an increase of $15.7 million. The increase in net cash used in operating activities primarily resulted from a $18.5 million increase in net cash used in working capital items, related to the timing of seasonal inventory receipt from the original equipment manufacturer ("OEM") in our Agriculture segment.

Investing Activities

During the three months ended March 31, 2018, the Company's net cash from investing activities was a source of cash of $13.1 million, compared to a use of cash of $0.6 million for the same period in 2017. The source of this variance is mainly due to the sale of the Commercial operations in the quarter, which generated proceeds of $14.2 million.

Financing Activities

During the three months ended March 31, 2018, the Company used $7.8 million of cash related to financing activities, compared to $8.5 million for the same period in 2017, a net reduction in use of cash for financing activities of $0.7 million.

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	March 31, 2018	December 31, 2017
Current assets	**443,921**	384,835
Total assets	**570,885**	514,055
Current liabilities	**298,973**	236,262
Long-term financial liabilities	**37,154**	42,586
Shareholders' equity	**225,607**	225,253
Working capital(1)	**144,948**	148,573
Working capital ratio(1)	**1.48**	1.63

(1) - Refer to Non-IFRS Measures herein

Working Capital

Cervus' working capital decreased by $3.6 million to $145.0 million at March 31, 2018, primarily due to inventory seasonality compared to December 31, 2017. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at March 31, 2018, the Company had the ability to floor plan an additional $36.4 million of inventory and held $429.6 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, 2018 compared to December 31, 2017 is as follows:

($ thousands)	**March 31, 2018**	December 31, 2017
Agricultural	**265,169**	226,664
Transportation	**103,556**	56,211
Industrial	**11,795**	7,649
Total	**380,520**	290,524

As at March 31, 2018, inventories increased by $90.0 million to $380.5 million when compared to $290.5 million at December 31, 2017. Of the $90.0 million increase, $64.4 million relates to new equipment primarily in our Transportation segment due to increased customer orders, and a $22.0 million increase in used equipment primarily on timing of used agricultural sales. Due to seasonality of sales activity in our operating segments, comparability to inventory levels at December 31, 2017 may be limited. Therefore, we have provided inventory by segment for the period ended March 31, 2018 compared to March 31, 2017. A summary of the movement is as follows:

($ thousands)	**March 31, 2018**	March 31, 2017
Agricultural	**265,169**	192,261
Transportation	**103,556**	73,158
Industrial	**11,795**	27,841
Total	**380,520**	293,260

Inventory has increased $87.3 million when compared to March 31, 2017. Of the $87.3 million increase, new and used inventory increased by $48.7 million and $39.6 million, respectively. Inventory levels within the Agricultural segment increased by $72.9 million over Q1 2017, mainly on new and used inventory, given the timing of new equipment sales and an increase in trade-in's on sale. Transportation segment's new inventory increased by $30.9 million, while inventory in the Industrial segment decreased by $16.1 million, mainly due to the sale of the Commercial operations.

At March 31, 2018, 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, 2018, the Company recognized inventory valuation adjustments through cost of goods sold of $2.2 million expense (March 31, 2017 - $0.2 million recovery).

Accounts Receivable

The calculated rolling twelve month average time to collect the Company's outstanding accounts receivables was approximately 12 days as at March 31, 2018, compared to 15 days for the same period in 2017. At March 31, 2018, 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 $1.3 million at March 31, 2018 (March 31, 2017 - $1.5 million), which represents 4.2% (March 31, 2017– 4.5%) of outstanding trade accounts receivable and 0.1% (March 31, 2017 – 0.6%) of gross revenue on an annual basis. Bad debt expense for the three months ended March 31, 2018 amounted to a $0.1 million recovery (March 31, 2017 - $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, 2018 are as follows:

	March 31, 2018				December 31, 2017			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**101,994**	**20,088**	**2,400**	**79,506**	101,925	25,589	2,400	73,936
Capital facilities [(a)]		**10,471**				12,082		
Floor plan facilities and rental equipment term loan financing [(b)]		**212,228**				133,119		
Total borrowing		**242,787**				170,790		

(a) For capital facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $55.8 million (December 31, 2017 - $55.8 million) or the available unencumbered assets which is estimated at $2.7 million as at March 31, 2018 (December 31, 2017 - $1.5 million).

(b) For floorplan facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $429.6 million (December 31, 2017 - $453.0 million) or the available unencumbered assets which is estimated at $36.4 million as at March 31, 2018 (December 31, 2017 - $28.9 million).

Operating and Other Bank Credit Facilities

At March 31, 2018, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $100 million. The facility was amended and extended on December 19, 2016. The facility is committed for a three-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, 2018, there was $20 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 2018.

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, 2018	December 31, 2017
Total liabilities to net worth ratio[1] (not exceeding 4.0:1.0)	**2.85**	2.55
Fixed charge coverage ratio[2] (greater than or equal to 1.10:1.00)	**1.65**	1.69
Asset coverage ratio[3] (greater than 3.0:1.0)	**11.55**	10.01

(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, 2018, floor plan payables related to inventories were $204.6 million (December 31, 2017 – $125.6 million).

Floor plan payables at March 31, 2018 represented approximately 53.8% of our inventories (December 31, 2017 – 43.2%). 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 $0.7 million for the three month period ended March 31, 2018 (March 31, 2017 - $0.4 million). This amount was offset by rebates applied during the three month period ended March 31, 2018, of $0.5 million (March 31, 2017 - $0.3 million). At March 31, 2018, approximately 64% (March 31, 2017 – 61%) of the Industrial segment's and 17% (March 31, 2017 – 23%) 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 15,666 thousand common shares and 808 thousand deferred shares outstanding.

On August 21, 2017, the Company announced a Normal Course Issuer Bid (the "Bid"), which commenced on August 23, 2017, to purchase up to a maximum of 806 thousand common shares (the "Shares") for cancellation before August 22, 2018. All purchases are made in accordance with the Bid at the prevailing market price of the Shares at the time of purchase. There were no common shares repurchased during the three months ended March 31, 2018.

Subsequent to March 31, 2018 and prior to May 8, 2018, the Company repurchased 51 thousand common shares under the Normal Course Issuer Bid, with a weighted average price per share of $13.49.

As at March 31, 2018 and 2017, the Company had the following weighted average shares outstanding:

(thousands)	March 31, 2018	March 31, 2017
Basic weighted average number of shares outstanding	**15,686**	15,762
Dilutive impact of deferred share plan	**-**	-
Diluted weighted average number of shares outstanding	**15,686**	15,762

The above table excludes all deferred share units for the period ended March 31, 2018 (809 thousand) and for the period ended March 31, 2017 (852 thousand), as they are considered anti-dilutive. In 2017, the above per share amounts do not include amounts associated with the Company's convertible debenture, 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, 2018:

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 30, 2018	0.1000	1,570	217	1,353
Total	**0.1000**	**1,570**	**217**	**1,353**

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, 2018, 11 thousand (March 31, 2017 – 13 thousand) common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' 2018 dividends declared and paid through March 31, 2018 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, 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	**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

($ thousands, except per share amounts)	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**
Revenues	231,110	271,943	334,682	294,772
(Loss) income attributable to the shareholders	(1,628)	8,753	10,741	2,485
Gross profit	40,387	46,488	57,571	47,788
Gross profit margin	17.5%	17.1%	17.2%	16.2%
EBITDA	4,052	18,008	21,981	10,997
(Loss) income per share:				
Basic	(0.10)	0.55	0.67	0.16
Diluted	(0.10)	0.52	0.64	0.15
Adjusted (loss) income per share(1)				
Basic	(0.11)	0.03	0.66	0.15
Diluted	(0.11)	0.02	0.63	0.14
Weighted average shares outstanding				
Basic	15,762	15,996	15,991	15,994
Diluted	15,762	16,740	16,761	16,785

(1) - Refer to Non-IFRS Measures herein

Sales activity for the Agricultural sector 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 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. In this respect, Canadian agriculture is well positioned. Agriculture and Agri-Food Canada ("AAFC") is anticipating record Canadian net cash farm income for the 2017 growing year, while forecasting second highest net cash farm income for 2018.[3] Prior to 2017, the record Canadian net cash farm income occurred in 2016. Therefore, based on AAFC forecasts, the three highest years of Canadian net cash farm income will have been achieved in the three years ended 2016 -2018 inclusive.

The cumulative recent profitability of Canadian producers is reflected in current record Canadian farm net worth. These factors are positive for Canadian farmers, providing the capital to re-invest in the equipment, systems, and maintenance required. For the 2018 crop year, weather conditions have been less favorable compared to the spring of 2017, although the delayed 2018 snowpack melt should ultimately provide much needed moisture through the 2018 seeding window. In this environment, Cervus continues to focus on equipment solutions which enhance our customers' available equipment hours in production windows, accompanied by service support offerings which deliver equipment uptime.

The Saskatchewan component of our Transportation segment continues to perform profitably, despite persistent uncertainty in the resource sector. In this market, we are focused on expanding Peterbilt's presence in on highway markets, while leveraging our standing as a trusted provider of equipment and solutions for the Saskatchewan transportation market. Turning to our Industrial segment, our current dealerships offer a wide breadth of value added services to customers, from initial equipment sales through to operator and safety training. We anticipate 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 2017 with total class 8 truck sales of 218,000 units, a small increase compared to the 216,000 class 8 trucks sold in 2016. For 2018, PACCAR's first quarter outlook is anticipating North American class 8 truck demand to range between 265,000 and 285,000 trucks,[4] which equates to a 26% increase over 2017 actual results. This is consistent with the 28% increase in new truck sales within our Transportation segment in the first quarter of 2018, compared to 2017. Broader market strength is a favorable tailwind for our transportation dealerships. Our focus remains on implementing the internal efficiencies and discipline to translate sales activity into efficient and mutually beneficial long-term customer relationships, regardless of market trends. The profitability of our Ontario dealership group for 2018 is our primary short-term objective in this regard, and sustainable profitability with growth remains a critical objective of the Company for Ontario in 2018.

---

[3] Agriculture and Agri-Food Canada, Canadian Agricultural Outlook, March, 2018, www.agr.gc.ca

[4] PACCAR, PACCAR Achieves Record Quarterly Revenue and Excellent Profits, April 24, 2018, www.paccar.com

New Zealand & Australia

The New Zealand outlook continues to remain firm although is tempered by uncertainty in global markets, particularly any significant escalation of trade disputes between the United States and China. The national forecaster is predicting an above normal to near normal rainfall, which has been tempered by the New Zealand government announcing an end to government funding for large irrigation programs. However, the dairy price forecast remains positive for the balance of 2018. Harvest is well underway in corn, apples, kiwifruit and grapes with all areas experiencing good conditions for harvest. Positive national economics have increased demand for labor, which has reduced harvest labour availability for producers, while also impacting competition for skilled trades. In this environment, we continue to see opportunities to provide equipment and support solutions for our customers, particularly through this harvest window.

In our Australian geography, farmers are waiting for the autumn break to bring much needed rain. Dry conditions are impacting both livestock and grain farmers in the area. The three month outlook remains moderate, with most of Australia anticipating average rainfall between April and June.[5] Dry conditions have increased demand for supplement feed, and demand for hay is positive entering the haying season.[6] The dairy sector is benefitting from increased competition among milk processors, with a notable event being the recent acquisition of Murray Goulburn by Saputo. Saputo will be Australia's largest milk processor and certainty around the future direction of the co-operative is largely seen as positive for the industry.

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, 2018, payments in arrears by such customers aggregated $542 thousand (March 31, 2017 - $495 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, 2018, the net residual value of such leases aggregated $269.6 million (March 31, 2017 - $239.5 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 $2.1 million at March 31, 2018 (March 31, 2017 - $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.

---

[5] Rabobank. Agribusiness Monthly, April 2018. Australia: https://www.rabobank.com.au/knowledge/agribusiness-monthly/
[6] The Weekly Times, Colin Peace, *Hay Market: Demand Ramps up Again.* April 25, 2018, https://www.weeklytimesnow.com.au/agribusiness

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 $5.4 million (March 31, 2017 - $6.4 million). During the three month periods ended March 31, 2018, the Company paid those individuals $36.8 thousand (March 31, 2017 - $56.3 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, 2017 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, 2017.

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, 2017 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 annual financial statements prepared for the year ended December 31, 2017 and as described in Note 3 in those financial statements.

Business Segments

On February 26, 2018, the Company announced it had entered into a definitive agreement to sell its Commercial operations, composed of four dealership locations in Calgary, Red Deer, Edmonton and Fort McMurray, Alberta. The dealerships represent the construction brands Bobcat, CMI and JCB. The sale of the Company's Commercial operations closed on March 16, 2018. The Company continues to report under three operating segments: Agriculture, Transportation, and Industrial.

IFRS 15 Revenue from Contracts with Customers, and IFRS 9 Financial Instruments

During the quarter, IFRS 15 and IFRS 9 were adopted by the Company and there was no material impact as a result of the adoption, as detailed in Note 3 of the accompanying unaudited condensed interim consolidated financial statements.

Future Accounting Standards

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the future periods. The new standards and amendments to existing standards, which have not been applied in preparing the unaudited condensed interim consolidated financial statements as at March 31, 2018 are:

Revised Standard	Description	Impact of Application	Effective Date
IFRS 16 - Leases	On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. There is minimal impact for lessor accounting.	The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019 and is completing an assessment documenting the potential impact on its consolidated financial statements. Under the application of this standard, the operating lease commitments are expected to be the primary source of changes to the consolidated statements of financial position and the timing of expenses in the consolidated statements of comprehensive income.	Annual periods beginning on or after January 1, 2019.

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, 2018 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, 2018 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 unaudited 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 (loss) 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)	**2018**	**2017**
(Loss) attributed to shareholders	**(145)**	(1,628)
Adjustments:		
Unrealized foreign currency loss (gain)[1]	**635**	(190)
(Gain) on sale of Commercial operations	**(480)**	-
Tax impact of adjustments	**(42)**	51
Adjusted (loss) attributed to shareholders	**(32)**	(1,767)
Adjusted (loss) per share:		
Basic	**(0.00)**	(0.11)
Diluted	**(0.00)**	(0.11)

Adjusted (Loss) Income Before Income Tax Expense

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 currency 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

Three Months Ended March 31, 2017

Reconciliation of Adjusted (Loss) Income Before Income Tax Expense ($ thousands)				
Three months ended March 31, 2017	**Total**	**Agricultural**	**Transportation**	**Industrial**
(Loss) income before income tax expense	**(1,616)**	(948)	(1,268)	600
Adjustments:				
Unrealized foreign currency (gain) [1]	**(190)**	-	(190)	-
Adjusted (loss) income before income tax expense	**(1,806)**	(948)	(1,458)	600

(1) –Unrealized foreign exchange gains and losses are due to period close translation of floorplan payables and cash denominated in US dollars, and changes in fair value in our derivative financial asset. 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, 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	**5,136**	1,080	2,137	1,919
Reconciliation of adjusted EBITDA:				
EBITDA	**5,136**	1,080	2,137	1,919
Adjustments:				
Unrealized foreign currency loss	**635**	-	611	24
(Gain) on sale of Commercial operations	**(480)**	-	-	(480)
Adjusted EBITDA	**5,291**	1,080	2,748	1,463

Three Months Ended March 31, 2017

EBITDA ($ thousands) **Three months ended March 31, 2017**	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net (loss) income attributable to shareholders	**(1,628)**	(953)	(1,281)	606
Add:				
Interest	**2,052**	946	879	227
Income taxes	**17**	10	13	(6)
Depreciation and Amortization	**3,611**	1,686	1,259	666
EBITDA	**4,052**	1,689	870	1,493
Reconciliation of adjusted EBITDA:				
EBITDA	**4,052**	1,689	870	1,493
Adjustments:				
Unrealized foreign currency (gain)	**(190)**	-	(190)	-
Adjusted EBITDA	**3,862**	1,689	680	1,493

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, and (gains) losses from sale of minority interests and real estate.

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.