



FIRST QUARTER REPORT 2010





MANAGEMENT'S DISCUSSION AND ANALYSIS

Cervus Equipment Corporation

For the period from
January 1, 2010 to March 31, 2010

The following Management's Discussion & Analysis ("MD&A") was prepared as of May 12, 2010 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or "Company") financial performance for the three month period ended March 31, 2010 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying interim unaudited consolidated financial statements for the period ended March 31, 2010 and the notes contained therein. The accompanying interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and Cervus' reporting currency is the Canadian dollar. Cervus' shares trade on the TSX Venture Exchange under the symbol "CVL".

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

Overview of Cervus

Cervus is a diversified corporation and has historically operated in two separate business segments, an agricultural equipment segment and a construction equipment segment. As a result of the purchase of A.R. Williams Materials Handling Ltd. (“ARW”) on January 4, 2010, the Company now operates industrial equipment dealerships. The industrial equipment dealerships have been combined with our construction equipment dealerships to form an operating business segment, construction and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of 15 John Deere dealerships in Alberta and Saskatchewan and the construction and industrial equipment segment consists primarily of 15 dealerships, 5 Bobcat and JCB dealerships operating in Alberta and 10 Clark, Sellick, Nissan and Doosan forklift dealerships in Alberta, Saskatchewan and Manitoba. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP and Cervus Construction Equipment LP, together with 100% of the outstanding and issued shares of their respective general partners, Cervus GP Ltd., Cervus AG Equipment Ltd. and Cervus Construction Equipment Ltd. The cash flow of Cervus is solely dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of the LP’s to Cervus by means of partnership allocations.

Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute “forward-looking statements”. 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 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.

In our December 31, 2009 MD&A we discussed that Cervus expects to make quarterly dividend payments to its shareholders of \$0.18 per common share. On April 15, 2010, a dividend payment was made to the shareholders of record as of March 31, 2010. At this time, there is no reason to believe that the quarterly dividend will be changed for the remainder of 2010, however the payments of dividends is always subject to certain risk (see “cautionary note regarding dividends”).

In the Market Outlook section of our December 31, 2009 MD&A, we discussed that the Association of Equipment Manufacturers (“AEM”) is expecting to see a 4.9% decrease in agricultural equipment sales. Based on AEM’s March 2010 Flash Report Canada Unit Retail Sales, unit sales have decreased 9.3% year to date.

We also discussed that AEM was estimating that sales for the construction and industrial equipment segment would increase by 6.5% in 2010 and that Canada Mortgage and Housing Corporation (“CMHC”) was estimating growth of 22% for new construction starts in 2010. Based on AEM’s year-to-date March statistics for construction equipment unit sales of our related products, the industry has experienced a decline of 47% when compared to 2009. CMHC’s Housing Market Outlook for the first quarter of 2010 indicates that total housing starts will remain positive in Alberta with an expected increase of 20.7% for 2010 over 2009 starts.

Market Outlook

(see “Note Regarding Forward-Looking Statements”).

Agricultural equipment

The decrease reported by AEM for the first three months of 2010 is consistent with the seasonality of the agricultural equipment operations. Our first quarter 2010 results are not an indicative of the segment's expected results for the remainder of the year as the results have been primarily based on new equipment deliveries which are expected to land later in 2010 than they did in 2009. Management believes that the decrease in the first quarter equipment sales will be realized in the second and third quarters of 2010 and that overall equipment sales through the second and third quarters of 2010 will be similar to those reported in 2009. In addition, our customers have entered the 2010 year with a more conservative view of farm operations which resulted from drought and severe hail storms in certain of our market areas of Alberta in 2009 as well as some late harvest issues experienced in certain parts of our Saskatchewan markets. These factors may have an impact on our reported results for 2010.

Construction and industrial equipment

In their first quarter 2010 Housing Outlook, CMHC has reported that Alberta's economic expansion in 2010 and 2011, combined with the expected turnaround in oil sands investment and oil prices has been sufficient to restart many of the halted oil sands projects. There is significant upside for energy investment as these projects become viable. As a result, the Government of Alberta is predicting a 3% real gross domestic product growth for 2010 based on Alberta's Finance and Enterprise economic review.

Though the economic indicators suggest that the Canadian economy is rebounding from the lows experienced in 2009, there appears to be reluctance on the part of customers to purchase equipment as sales are not increasing to the expected levels indicated by AEM as described above. We believe that there will be a recovery from historically low sales reported in 2009 in the latter part of 2010 and into 2011.

Overall

As described above, though market indicators suggest a decrease in unit sales, management continues to believe that the agricultural equipment segment will remain strong through 2010. We also expect the 2010 construction and industrial equipment segment results will gradually improve based on AEM's estimate of construction equipment growth and CMHC's estimate for new housing growth in 2010. Our success will continue to be measured by the growth of our current business through improving our overall market share, satisfying our customer's needs, controlling expenditures and the pursuit of acquisitions that are accretive to our shareholders.

Also, based on the business acquisitions and transactions completed to March 31, 2010, including the ARW and Maple Farm Equipment Partnership (“Maple”), as well as the investment advances to Agriturf Limited (“Agriturf”), a New Zealand private company which has been formed to consolidate and operate John Deere dealerships on the North Island of New Zealand, we believe we will be successful in growing our business through 2010.

Highlights of the Quarter

- The Company has completed its acquisition of ARW for a purchase price of \$20.1 million.
- Cervus completed the sale of its business and net assets of two John Deere dealerships located in Russell, Manitoba and Moosomin, Saskatchewan to Maple. In exchange for \$3.0 million of net assets, Cervus acquired a 20% interest in Maple.
- Cervus advanced a further \$1.1 million (NZ\$1.5 million) to Agriturf to advance the consolidation of John Deere dealerships in New Zealand.
- Gross revenues have increased \$860 thousand or 1.3% for the first three months of 2010 when compared to the same period of 2009.
- Cervus was the winner of the 13th annual IR Magazine “Best investor relations by a TSX Venture Exchange company” which is based on independent surveys of the investment community.

Overall Performance

During the first three months of 2010, revenue grew by \$860 thousand to \$67.2 million compared to \$66.3 million in 2009, an increase of 1.3%. Same store agricultural equipment segment sales decreased by \$6.3 million and same store construction and industrial equipment segment sales decreased \$1.6 million. Total same store sales were \$53.0 million for the first three months of 2010 compared to \$60.8 million for the same period of 2009, a reduction of \$7.8 million or 12.9%.

Cervus reported a net loss of \$827 thousand in the first three months of 2010 when compared to net earnings of \$1.7 million for the same period of 2009, a decrease of \$2.5 million. The agricultural equipment segment accounted for \$706 thousand of the net loss (a decrease of \$3.0 million over net earnings of \$2.3 million reported in 2009) and the construction and industrial equipment segment accounted for \$120 thousand of the net loss (an increase in earnings of \$471 thousand from a net loss of \$592 thousand reported in 2009). The decrease in net earnings experienced in the agricultural equipment segment was primarily due to the reduction in gross revenues which decreased \$8.2 million for the first three months of 2010 when compared to the same period of 2009. The decrease in the net loss for the construction and industrial equipment segment was primarily due to earnings from the acquisition of ARW at the beginning of 2010.

As a result of our reported net loss of \$827 thousand, adjustments for items not affecting cash of \$1.6 million and our non-cash working capital adjustments of \$3.5 million, cash flows used in operating activities decreased to \$2.6 million or \$0.18 per basic share from \$10.6 million or \$0.73 per basic share for the same period of 2009. Earnings before interest, income taxes, depreciation and amortization (“EBITDA”), see Non-GAAP Financial Measures, decreased to \$1.3 million or \$0.09 per basic share for the three month period ended March 31, 2010 from \$3.1 million or \$0.22 per basic share for the same period of 2009.

Total assets increased by \$96.6 million and total debt increased by \$84.8 million at March 31, 2010 when compared to March 31, 2009 and total assets increased \$26.5 million and total debt increased by \$24.2 million at March 31, 2010 when compared to December 31, 2009. The most significant contributing factor to the increase in total assets and total debt at March 31, 2010 when compared to March 31, 2009 is a result of future tax assets of \$70.1 million and deferred credit of \$64.4 million recorded on the transaction with Vasogen in the fourth quarter of 2009. Other factors affecting total assets and total debt for the aforementioned periods include the purchase of A.R. Williams Materials Handling Ltd. and the sale of assets to Maple Farm Equipment Partnership in January 2010 and the purchase of Ranchers Supply Inc. in September 2009.

Our successful growth depends on our ability to provide accretive cash flow and earnings growth to our shareholders on a per share basis. Given the recent economic downturn and the global recession during 2009, we believe we can be successful in achieving these goals for 2010 though our earnings were lower for the first three months of 2010 when compared to 2009 (see “Note Regarding Forward-Looking Statements”).

Selected Quarterly Information

\$ thousands, except per share amounts	March 31, 2010	March 31, 2009	% change
Revenues	67,201	66,340	1.3
Gross profit	15,272	13,130	16.3
Gross margin	22.7%	19.8%	14.6
Net earnings (loss)	(827)	1,675	n/a
Per share - Basic and diluted	(0.06)	0.12	n/a
Cash used in operating activities	(2,585)	(10,571)	75.5
Per share - Basic	(0.18)	(0.73)	(75.3)
EBITDA ¹	1,266	3,071	(58.8)
EBITDA margin ¹	1.9%	4.6%	(58.7)
Per share - basic	0.09	0.22	(59.1)
Dividends to preferred shareholders	78	-	100.0
Dividends declared to common shareholders	2,547	2,529	0.7
Per share	0.18	0.18	-
Weighted average shares outstanding			
Basic	14,140	14,039	0.7
Diluted	14,473	14,189	2.0
Actual common shares outstanding	14,151	14,065	0.6
Closing market price per share	13.40	7.28	84.1
Total assets	252,338	155,750	62.0
Long-term liabilities	68,739	3,213	2039.4
Total debt	150,945	66,109	128.3
Shareholders' equity	101,392	89,641	13.1
Net book value per share - diluted	7.01	6.32	10.9

Notes:

(1) These financial measures are identified and defined under the section "Non-GAAP Financial Measures".

Results of Operations

Revenues

\$ thousands	March 31, 2010	March 31, 2009	% change
Revenues by segment:			
Equipment:	33,918	43,012	(21.1)
New	20,889	28,718	(27.2)
Used	13,029	14,294	(8.8)
Parts	6,305	5,737	9.9
Service	4,029	3,699	8.9
Rental and other	60	16	275.0
Agricultural equipment	44,312	52,464	(15.5)
Equipment	12,176	8,216	48.2
New	9,868	6,519	51.4
Used	2,308	1,697	36.0
Parts	5,209	3,062	70.1
Service	3,858	1,683	129.2
Rental and other	1,646	915	79.9
Construction and industrial equipment	22,889	13,876	65.0
Total	67,201	66,340	1.3

Agricultural equipment

Revenue for our agricultural equipment segment decreased by \$8.2 million for the three month period ended March 31, 2010 when compared to the same period of 2009. Same store sales exclude the three dealerships purchased in September 2009 and the two dealerships which were disposed of to Maple effective January 1, 2010.

New equipment sales decreased by \$7.8 million (same store \$7.0 million or 26.5%) during the first three months of 2010 when compared to the same period of 2009. Used equipment sales also decreased by \$1.3 million (same store increased \$339 thousand or 2.9%) for the first three months of 2010 when compared to the same period of 2009. The decrease in our new equipment sales is primarily related to the timing of the arrival of the new equipment and eventual delivery to our customer which is occurring later than 2009. Used equipment sales are fairly consistent with the prior year with a slight increase experienced in the first three months of 2010 when compared to 2009.

Our parts revenue has increased \$568 thousand (same store \$167 thousand) during the three month period ended March 31, 2010 when compared to the same period of 2009. Service revenue has also increased \$330 thousand (same store \$187 thousand or 5.6% internal growth) for the first three months of 2010 when compared to the same period of 2009. The increase in parts and service revenue is primarily related to the increase in our machine population due to increased machine population combined with work required to be performed to prepare used equipment for sale.

Construction and industrial equipment

Revenue from our construction and industrial equipment segment increased by \$9.0 million (same store decreased \$1.6 million or 11.3%) for the three month period ended March 31, 2010 when compared to the same period of 2009. The increase in overall revenue is directly related to the acquisition of ARW in January 2010. AEM reported a 47% reduction in year over year new equipment sales for directly related equipment categories for 2010 when compared to 2009 in its March market share information statistics whereas our reduction in new equipment sales was 3.4%.

Parts revenues have increased \$2.1 million (same store decreased \$328 thousand or 10.7%) and service revenue has increased by \$2.2 million (same store decreased \$386 thousand or 22.9%) during the first three months of 2010 when compared to the same period of 2009. The overall parts and service revenue increase is directly related to the purchase of ARW and the decrease in same store sales is a result of our customers hesitation in completing service and repair work until the economy shows a longer period of positive turnaround.

Rental income has increased \$731 thousand (same store decreased \$229 thousand or 25.0%) for the three month period ended March 31, 2010 when compared to the same period of 2009. The overall increase in rental income is directly attributed to the acquisition of ARW and the same store decrease in rental income is attributed to the reduced need for our customers to utilize additional resources to complete current contracts due to excess construction equipment that is currently not being utilized.

Gross Profit

	March 31, 2010	March 31, 2009	% change
Gross profit margin by segment:			
Agricultural equipment	18.8%	19.2%	(2.1)
Construction and industrial equipment	30.3%	22.0%	37.7
Total	22.7%	19.8%	5.8

Agricultural equipment

Gross profit dollars decreased \$1.7 million (same store \$1.6 million) during the first three months of 2010 when compared to the first three months of 2009. Gross profit margin also decreased 0.4% overall from 19.2% in 2009 to 18.8% in 2010.

Equipment margins have slightly decreased due to strong competition being experienced for new and used equipment sales causing downward pressure on gross margin.

The strengthening Canadian dollar is affecting parts margins as higher cost inventory items are being replaced with lower cost inventory items. This has put pressure on the gross selling prices due to the lower cost of our current inventories being purchased which has reduced the selling price of our inventories, causing a decrease in our gross margin dollars realized.

Our service department gross profit margin has increased slightly due to a continued effort by management to focus on labour efficiencies.

Construction and industrial equipment

Gross profit dollars have increased by \$5.1 million (same store \$73 thousand) during the three month period ended March 31, 2010 when compared to the same period of 2009. The overall increase in gross margin dollars is directly related to the acquisition of ARW. There has also been a significant change in the sales mix and weighted average contribution of our products and services from the acquisition of ARW which has caused higher gross margins. Overall contribution margins have increased 7.8% in our equipment sales due to higher margins experienced primarily by ARW.

Margins have decreased in our parts department slightly due to the strengthening Canadian dollar which has put downward pressure on parts margins due to higher priced inventory purchased when the Canadian dollar was weaker as well as competitor pricing pressure due to declines in overall revenues experienced during 2009 and through the first quarter of 2010.

The service department has experienced an increase in gross margin compared to 2009 as a result of prior year reductions in workforce to increase efficiencies that did not take effect until the second quarter of 2009.

Rental department margins have increased as a direct result of the acquisition of ARW which is experiencing higher gross margins than our previous construction rental equipment.

Selling, General and Administrative Expenses

\$ thousands	March 31, 2010	March 31, 2009	% change
Selling, general and administrative expenses by segment:			
Agricultural equipment	8,547	7,855	8.8
Construction and industrial equipment	6,373	3,541	80.0
Total	14,920	11,396	30.9
% of revenue			
Agricultural equipment	19.3	15.0	28.7
Construction and industrial equipment	27.8	25.6	8.6
Total	22.2	17.2	29.1

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of \$692 thousand (same store \$114 thousand) for the three month period ended March 31, 2010 when compared to the same period of 2009. The increase in same store selling, general and administrative expenses during the period was due to personnel costs which increased \$164 thousand, marketing costs which increased \$70 thousand, general operating expenses which increased \$40 thousand, occupancy costs which decreased \$32 thousand and bad debts which reduced \$127 thousand. Same store personnel costs increased due primarily to general increases in wages and benefits of approximately 2% due to annual review increases and increased training costs for our technicians and sales people which accounted for \$34 thousand of the increase. Same store marketing costs increased primarily to encourage the increase in gross revenue from our used equipment sales and general operating expenses increased due to the timing of some of our expenses. The decrease in same store occupancy costs was primarily related to a reduction in building related expenses other than lease costs and the decrease in same store bad debt expense was primarily related to the collection of some older term receivables that were previously allowed for as a doubtful account.

Construction and industrial equipment

The construction and industrial equipment segment's selling, general and administrative expenses increased \$2.8 million (same store decreased \$405 thousand) for the three month period ended March 31, 2010 when compared to the same period of 2009. The primary reason for the overall increase in general and administrative expenses was due to the acquisition of ARW. The decrease in same store selling general and administrative expenses during the period was due to a reduction in personnel costs of \$37 thousand, marketing costs of \$95 thousand, general operating expenses of \$228 thousand and bad debt expense of \$51 thousand. The reduction in same store personnel costs is a combination of a reduction in staff from the previous year and a reduction in commission expenses due to the reduced equipment sales revenue. The reduction in same store marketing and general operating expenses was caused by a concerted effort to reduce discretionary spending and advertising and promotion expenses. Bad debt expenses on a same store basis reduced due to the collection of older accounts receivable that were previously allowed for as a doubtful account.

Depreciation and amortization

\$ thousands	March 31, 2010	March 31, 2009	\$ change
Depreciation and amortization by segment:			
Agricultural equipment:			
Depreciation on equipment	296	235	61
Amortization of intangible assets	202	196	6
	498	431	67
Construction and industrial equipment:			
Depreciation on equipment	732	541	191
Amortization of intangible assets	477	165	312
	1,209	706	503
Total	1,707	1,137	570

Agricultural equipment

The agricultural equipment segment depreciation and amortization increased by \$67 thousand (same store decreased \$23 thousand) during the three month period ended March 31, 2010 when compared to the same period of 2009. The business acquisition made in the third quarter of 2009 accounted for a \$68 thousand increase.

Construction and industrial equipment

The construction and industrial equipment segment reported an increase of \$503 thousand (same store decreased \$120 thousand) for the first three months of 2010 compared to the first three months of 2009. The decrease in same store depreciation is primarily related to the reduction in depreciation included in cost of sales for our rental equipment fleet which decreased \$124 thousand during the first three months of 2010 when compared to the same period of 2009. The increase in overall depreciation and amortization expense is a direct related to the acquisition of ARW in January 2010 which is comprised of \$312 thousand of amortization expense related to other intangible assets and \$36 thousand of equipment depreciation and \$282 thousand of depreciation included in cost of sales related to ARW's rental equipment fleet.

Interest

\$ thousands	March 31, 2010	March 31, 2009	\$ change
Interest by segment:			
Agricultural equipment	111	131	(20)
Construction and industrial equipment	274	127	147
Total	386	259	127
% of revenue	0.5	0.4	

Interest expense is comprised primarily of the Company's financing of its short-term debt for floor-plan financing arrangements and long-term debt related to certain equipment financing arrangements, primarily rental equipment. Due to excess cash and cash equivalents on hand at the beginning of 2009, primarily from the \$25 million equity offering in 2008, management utilized excess cash to reduce floor plan financing of inventories. Floor plan liabilities as a percentage of inventories at March 31, 2010 were 51% and 45% at December 31, 2009 compared to 49% at March 31, 2009 and 53% of inventories at December 31, 2008. Rental equipment financing is 35% of rental equipment cost at March 31, 2010 and 34% at December 31, 2009 compared to 41% at March 31, 2009 and 45% at December 31, 2008.

The increase in our construction and industrial equipment segment of \$147 thousand (same store decreased \$38 thousand) is directly related to the January 2010 acquisition of ARW.

Income Taxes

As discussed in our 2009 annual MD&A, on October 22, 2009, Cervus LP (the "LP") converted to Cervus Equipment Corporation which resulted in Cervus becoming a taxable publicly traded corporation. Cervus' calculation of current and future income taxes for the three month period ended March 31, 2010 are based on the corporate structure whereas the March 31, 2009 current and future income taxes for the period are based on the LP being a publicly traded limited partnership. As such, no future income tax assets or liabilities have been recognized in prior periods as previously reported taxable income was allocated to the limited partners.

As a result of the conversion to a corporation, Cervus recorded a future tax asset of \$79.4 million and a deferred credit of \$71.9 million. The net amount of \$7.5 million reflects the amount paid in connection with the conversion and will be amortized to income tax expense in proration to the net reduction in the future income tax asset that gave rise to the deferred credit. During the three month period ended March 31, 2010, no future income tax expense has been recorded as the net loss was offset by the add back of permanent non-deductible expenses for tax purposes and a reduction in tax pool claims such as capital cost allowance.

As a result of the purchase of ARW, future tax assets were increased by \$1.8 million being the future tax liability accounted for on the acquisition of ARW.

As at March 31, 2010, Cervus has the following tax pools available to be used in future periods:

	(\$ thousands)	
Carrying values in excess of tax values	\$	(3,054)
Non-capital losses carry-forward		58,584
Federal investment tax credits		12,910
Capital losses carried forward		19,353
Total estimated future tax asset		87,793
Less: valuation allowance for non-capital and capital losses carried forward		(19,549)
Balance, March 31, 2010	\$	68,244

Net Earnings and comprehensive income

The Company has no changes in net assets or equity from non-owner sources that would be considered as comprehensive income and therefore, net earnings and comprehensive income are the same results.

	March 31, 2010	March 31, 2009	% change
Net earnings (\$ thousands):			
Agricultural equipment	(706)	2,267	n/a
Construction and industrial equipment	(121)	(592)	79.6
Total	(827)	1,675	n/a
% of revenue			
Agricultural equipment	(1.6)	4.3	n/a
Construction and industrial equipment	(0.5)	(4.3)	88.4
Total	(1.2)	2.5	
Net Earnings Per Share:			
Shares outstanding - basic (\$ thousands)	14,140	14,039	0.7
Agricultural equipment	(0.05)	0.16	n/a
Construction and industrial equipment	(0.01)	(0.04)	75.0
Total	(0.06)	0.12	n/a

The most significant contributing factor to our \$2.5 million decrease in earnings during the three month period ended March 31, 2010 when compared to the three month period ended March 31, 2009 was the reduction in gross revenue from our agriculture equipment segment which reduced by \$8.1 million. As discussed above, this reduction in revenue is believed to be a timing issue and should reverse in the second and third quarters of 2010. The decrease in the net loss experienced by the construction and industrial equipment segment is a combination of the additional earnings from the purchase of ARW in January 2010, offset by decreased revenue from same stores and the reduction in expenditures that were commenced in the second quarter of 2009.

EBITDA

(See Non-GAAP Financial Measures)

\$ thousands	March 31, 2010	March 31, 2009	\$ change
EBITDA by segment:			
Agricultural equipment			
Net earnings (loss) and comprehensive income (loss)	(706)	2,267	(2,973)
Add:			
Interest	112	132	(20)
Depreciation and amortization	498	431	67
EBITDA, Agricultural Equipment	(96)	2,830	(2,926)
Construction and industrial equipment			
Net earnings (loss) and comprehensive income (loss)	(121)	(592)	471
Add:			
Interest	274	127	147
Depreciation and amortization	1,209	706	503
EBITDA, Construction and Industrial Equipment	1,362	241	1,121
Total EBITDA	1,266	3,071	(1,805)
% of revenue	1.9	4.6	

EBITDA is used by management to monitor its results and compare its profitability between itself and other entities in its industries. It is primarily used to evaluate potential business acquisitions.

For the three month period ended March 31, 2010, EBITDA decreased by \$1.8 million or 2.7% of gross revenue reported for the period when compared to the three month period ended March 31, 2009. Total same store EBITDA decreased by \$2.2 million (\$2.4 million decrease in the agriculture equipment segment and a \$192 thousand increase in the construction and industrial equipment segment). The most contributing factor to the reduction in EBITDA during the three month period ended March 31, 2010 when compared to the same period of 2009 was the \$2.5 million reduction in net earnings (\$3.0 million decrease in our agricultural equipment segment and \$471 thousand increase in our construction and industrial equipment segment). This was offset by an increase in interest and amortization primarily related to the acquisition of ARW in January 2010 as explained above.

Summary of Quarterly Results

\$ thousands, except per share amounts	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Revenues	67,201	84,239	121,195	105,701
Net earnings (loss)	(827)	(573)	8,745	7,330
Basic earnings (loss) per share	(0.06)	(0.04)	0.61	0.52
Diluted earnings (loss) per share	(0.06)	(0.04)	0.61	0.51
Weighted average shares outstanding -				
Basic	14,140	14,138	14,117	14,087
Fully diluted	14,473	14,449	14,361	14,258

\$ thousands, except per share amounts	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Revenues	66,340	69,790	107,595	112,626
Net earnings	1,675	2,635	8,888	8,444
Basic earnings per share	0.12	0.19	0.64	0.70
Diluted earnings per share	0.12	0.19	0.63	0.68
Weighted average shares outstanding -				
Basic	14,040	14,086	13,883	12,102
Fully diluted	14,189	14,147	14,003	12,335

The financial data shown above has been prepared in accordance with Canadian Generally Accepted Accounting Principles.

Sales activity for the agricultural segment is normally highest between April and September during growing seasons in Canada. The construction and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. During the two quarters commencing April through September 2009 and 2008 and on a rolling 12 month basis, the Company reported 60% respectively of its revenues and recognized 110% and 80% respectively of its net earnings for the rolling 12 month period. Excluding income taxes which were reported in the fourth quarter of 2009, the period April through September 2009 reported 98% of the earnings on a rolling 12 month basis.

Liquidity

\$ thousands, except ratio amounts	March 31, 2010	December 31, 2009
Current assets	139,967	134,249
Total assets	252,338	225,845
Current liabilities	82,207	67,160
Long-term liabilities	68,738	59,591
Shareholders' equity	101,392	99,094
Working capital (see "Non-GAAP Financial Measures")	57,760	67,089
Working capital ratio (see "Non-GAAP Financial Measures")	1.7	2.0

Working capital

Our working capital decreased by \$9.3 million to \$57.7 million at March 31, 2010 when compared to \$67.1 million at December 31, 2009. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1.

The Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and controlling its costs. 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 primarily on the use of cash and cash equivalents to fund future business acquisitions as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered used equipment inventories. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year as explained above to fund general operations caused by a reduction in sales activity.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. The Company's contractual obligations at March 31, 2010 are described below. At March 31, 2010, the Company had an operating bank line of credit available to a maximum amount of \$15 million. The operating line of credit bears interest at rates ranging from prime plus 1.25% to prime plus 2.0% based on certain financial covenants and is secured by a general security agreement, a priority agreement, trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries and the general partner. At March 31, 2010, the Company had not drawn on this operating line. In addition, the Company has a committed reducing term facility in the amount of \$1.5 million to finance capital asset additions of which no amounts have been advanced.

As part of the Ranchers asset purchase in the third quarter of 2009, the Company issued an irrevocable letter of credit to John Deere Limited ("JDL") in the amount of \$1.5 million. The letter of credit was provided to JDL in an effort to reduce personal guarantees required of our senior management.

As part of the operating bank line of credit, committed reducing term facility and uncommitted non-reducing term facility with the Company's lender, the Company is to maintain certain financial and negative covenants. As at March 31, 2010, the Company was in compliance with all its covenants. In addition, in order for the Company to maintain its facilities at prime plus 1.25%, the Company must maintain a senior debt to EBITDA ratio of less than 1.25 to 1 (see Non-GAAP Financial Measures). As at March 31, 2010, the Company's senior debt to EBITDA ratio was 0.82 to 1.

The Company has approximately \$7.5 million in cash and cash equivalents on hand at March 31, 2010 which consists of \$5.3 million of cash on hand and in bank and \$2.2 million in money market funds. The money market funds are invested through the Company's primary financial institution and the funds are available immediately upon request.

As at March 31, 2010, inventories had increased by \$11.8 million to \$101.0 million (includes a net \$370 thousand reduction in inventory from the purchase of ARW and the sale of the Moosomin Saskatchewan and Russell Manitoba John Deere stores). Used equipment represents \$44.9 million (December 31, 2009 - \$42.1 million) of the equipment inventories and is represented by \$40.3 million of used agricultural equipment and \$4.6 million of used construction and industrial equipment.

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 while our construction and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used construction 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 used and new equipment carried on our books. A majority of our product lines in both segments are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

The market value of used equipment primarily in the agricultural equipment segment has been affected by the strengthening Canadian dollar throughout the 2009 fiscal period and for the first three months of 2010. This provides for less expensive new equipment during the primary selling season of the second and third quarters of 2010, causing downward pressure on used equipment pricing. This, combined with an increase in strength of the Canadian dollar in the latter part of 2009 and through the first quarter of 2010 may impact our used equipment margins into 2010 (see “note regarding forward looking statements”). As at March 31, 2010, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve is required.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and is comprised of currency risk, interest rate risk and other price risks.

Foreign currency exposure

The Company is exposed to foreign currency fluctuations on its New Zealand dollar loan to Agriturf. The Company is not exposed to fluctuations in foreign currency in its sales and expenditures as they are incurred in Canadian dollars. Many of our products, including equipment and parts are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers but are settled in Canadian dollars as they are received. However, this may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases.

Interest rate risk

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate as a result of changes in market interest rates. Based on the Company's outstanding long-term debt and obligations under capital lease at March 31, 2010, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately \$580 thousand. The Company's other financial instruments are not exposed to interest rate risk.

Other price risks

The Company does not currently have any financial instruments directly affected by changes in commodity prices or other price risks

Credit risk

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the Company's revenue is generated from customers in the farming and construction industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable and deposits with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. The average time to collect the Company's outstanding accounts receivable was approximately 16 days for the rolling 12 month period ended March 31, 2010 (13 days for the year ended December 31, 2009) and no single outstanding customer balance, excluding sales contract financing receivables represented more than 10% of total accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the three month periods ended March 31, 2010 and 2009, all customer balances provided as bad debts were calculated based on 25% of accounts between 90 to 120 days outstanding and 85% on amounts over 120 days outstanding unless allowance for certain specified accounts requires a greater amount to be allowed for. Of the \$19.2 million of trade accounts receivable outstanding, \$5.3 million is represented by sales contract financing receivables in transit and \$13.9 million is represented by customer accounts receivable and other accounts receivable.

The Company recorded the following activity in its allowance for doubtful accounts during the three month period ended March 31, 2010:

	In \$ thousands	
Balance, December 31, 2009	\$	519
Bad debts additions		75
Amounts written-off as uncollectible		(140)
Balance, March 31, 2010	\$	454

Cash and cash equivalents

Cervus' primary sources and uses of cash flows are as follows:

Summary of Cash Flows¹

\$ thousands	March 31,	
	2010	2009
Net cash used in operating activities	\$ (2,585)	\$ (10,571)
Financing activities:		
Issuance of shares from subscriptions and warrants, net of shares purchased	139	286
Repayment of term debt and notes payable	(878)	(1,269)
Dividends/Distributions	(2,545)	(2,589)
Decrease (increase) in deposits with manufacturers	162	(37)
Cash flows used in financing activities	(3,123)	(3,609)
Investing activities:		
Business acquisitions and deposits recovered	1,680	-
Advances from short-term loans, related parties and share purchase	(299)	1,206
Proceeds from (purchase) of equipment, net	(596)	(53)
Proceeds from (increase in) investments	(1,074)	-
Cash flows provided by (used in) investing activities	(289)	1,153
Decrease in cash	(5,997)	(13,027)
Cash and cash equivalents, beginning of period	13,453	35,252
Cash and cash equivalents, end of period	\$ 7,456	\$ 22,225

(1) See the Interim Unaudited Consolidated Statements of Cash Flows for additional details.

Net cash used in operating activities decreased by \$8.0 million to \$2.6 million for the three month period ended March 31, 2010 when compared to the same period of 2009. The primary reason for the decrease in cash flows from operating activities was due to both a reduction in net earnings of \$2.5 million and the net change in non-cash working capital of \$9.4 million. The net change in non-cash working capital related to operations of \$9.4 million was primarily related to the difference in inventories purchased and floor plan financing incurred between the two periods. Management uses its discretion to either pre-pay or buy down certain floor plans and thereby reduce the related interest costs associated with the debt. As the facilities are available at any time, management is prepared to increase its floor plan payables if it is deemed necessary.

During the three month period ended March 31, 2010, financing activities used \$3.1 million of cash flows compared to \$3.6 million of cash flows for the same period in 2009. The primary difference between the two periods is the additional repayment of term debt and notes payable in the three month period ended March 31, 2009 of \$391 thousand.

During the three month period ended March 31, 2010, the Company used \$289 thousand of cash flows for investing activities. The acquisition of ARW provided \$1.7 million in cash which represented the difference between the cash cost of the acquisition when completed in January and the cash on hand when the Company purchased ARW. In addition, the Company made an additional advance of \$1.1 million (NZ \$1.5 million) to Agriturf.

Contractual obligations

The Company has certain contractual obligations including payments under long-term debt agreements and operating lease commitments. A summary of the Company's obligations is as follows:

\$ in thousands	Total	Due 2011	Due 2012 through 2014	Due 2015 through 2016	Due thereafter
Long-term debt	8,267	4,626	3,543	98	-
Notes payable	10,368	2,531	7,837	-	-
Operating leases	21,572	4,973	9,908	3,651	3,040
Total contractual obligations	40,207	12,130	21,288	3,749	3,040

Capital Resources

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our 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, 2010 is as follows:

In \$ thousands	Total amount	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	15,000	-	1,500	13,500
Term loans	4,875	1,563	-	3,312
Floor plan facilities and rental equipment term loan financing	129,553	50,199	-	85,207
Total	149,428	51,762	1,500	100,207

We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets for 2010.

Operating and other bank credit facilities

At March 31, 2010 and 2009, the Company had a non-committed operating bank line of credit to a maximum amount of \$15.0 million. The operating line of credit bears interest at rates ranging from bank prime plus 1.25% to prime plus 2.0% based on certain financial covenants and is secured by a general security agreement representing a first charge on all of the Company's assets and undertakings, priority agreements between the bank, the Company and the inventory floor plan facilities providers, postponement and subordination of security interest between the bank, the Company, Cervus Corporation and Farm Credit Canada, and unlimited guarantee of advances from the Company. As at March 31, 2010 and December 31, 2009, the Company had not drawn on this operating line. The bank indebtedness is also subject to certain financial and negative covenants in which we are in compliance as at March 31, 2010 and as at the date of this report.

As part of the purchase of Ranchers, the Company issued an irrevocable standby letter of credit to John Deere in the amount of \$1.5 million. The letter of credit agreement allows for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations of the Company to John Deere. This letter of credit was issued under our current operating bank line of credit and therefore the amount available for borrowing under this facility is reduced to \$13.5 million.

Term loans

The Company also has two term loans with the bank, a committed reducing term facility and an uncommitted term facility. The committed reducing term facility was provided to the Company in 2005 as part of a business acquisition in the original amount of \$5.0 million. The facility requires principal repayments of \$104 thousand per month plus interest and its balance at March 31, 2010 is \$1.6 million. The uncommitted term facility amounts to \$1.5 million and is provided for the purchase of capital assets. As at March 31, 2010, no amounts had been drawn on this facility.

Floor plan facilities and rental equipment term loan financing

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Limited, John Deere Credit, GE Canada Equipment Financing G.P. and General Electric Canada Equipment Financing G.P., Textron Financial, US Bank, Royal Bank, and De Lage Landen.. At March 31, 2010, floor plan payables were \$50.2 million (December 31, 2009 - \$40.4 million) and rental equipment term loan financing was \$5.7 million (December 31, 2009 - \$2.8 million). Floor plan payables at March 31, 2010 represented approximately 45% (December 31, 2009 - 45%) of our inventories. 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.

Outstanding Share Data

As of the date of this report, there are 14,163,861 common shares, 33,090 share options, 315,839 deferred shares outstanding. As at March 31, 2010 and 2009, the Company had the following weighted average shares outstanding:

In thousands	March 31, 2010	March 31, 2009
Basic weighted average number of shares outstanding	14,140	14,039
Dilutive impact of deferred share plan	315	150
Dilutive impact of share options	18	-
Diluted weighted average number of shares outstanding	14,473	14,189

Also, as at March 31, 2010 and as part of the ARW acquisition, the Company has 425 thousand series 1 preferred shares with a 7% cumulative dividend rate, redeemable and retractable when certain conditions are met.

Dividends paid 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 and/or payable for the three month period ended March 31, 2010 (\$ thousands, except per share amounts):

Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2010	0.18	2,547	162	2,385
Preferred shares		78	-	78
Total dividends/distributions		2,625	162	2,463

Cash dividends are paid quarterly and are paid on or about the 15th day of the month following the record date. As of the date of this report, all dividends as described above have been paid.

Dividend reinvestment plan (“DRIP”)

The DRIP was implemented to allow shareholders to reinvest dividends into additional Cervus shares. Shareholders who elect to participate will see their periodic cash dividends automatically reinvested in Cervus shares at a price equal to 95% of the volume-weighted average price of all shares traded on the TSX Venture Exchange for the ten trading days preceding the applicable record date. Eligible shareholders may 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.

Taxation

Cervus’ dividends to March 31, 2010 will be considered to be eligible dividends for tax purposes on the date paid.

Cautionary note regarding dividends

The payment of future dividends are not assured and may be reduced or suspended. Our ability to continue making cash dividend payments and the actual amount paid 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 common shares may decline if we were 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.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into 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 general partner’s directors, officers, and employees in accordance with our limited partnership agreement 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, 2010, payments in arrears by such customers aggregated \$486 thousand (December 31, 2009 - \$588 thousand). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit, Agrifinance and Roynat Lease Finance for the net residual value of the lease outstanding at the maturity of the contract. At March 31, 2010, the net residual value of such leases aggregated \$52.5 million (December 31, 2009 - \$58.7 million).

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 owes 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 may arise related to these arrangements is limited to the deposits of \$1.2 million at March 31, 2010. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

As part of the business acquisition in 2009 of Ranchers, the Company issued an irrevocable standby Letter of Credit to John Deere Limited (“JDL”) in the amount of \$1.5 million. The Letter of Credit was issued in accordance with the dealership arrangement that would allow JDL to draw upon the letter of credit if the Company was in default of any of its obligations to JDL.

Transactions with Related Parties

The Chief Executive Officer (“CEO”) of the Company is the CEO of Proventure Income Fund (“Fund”). In addition, the CEO is the single largest equity holder of the Company and the Fund and the Company and the Fund share common directors. The Fund is a public income trust that was originally formed in 2003 by transferring into a separate entity, the real property interests of John Deere dealerships operating at the time. Since that date, the Fund has continued to purchase the real property interests of the Company’s John Deere dealerships and two of the Company’s Bobcat/JCB dealerships. The Company had the following transactions with the Fund:

In \$ thousands	March 31, 2010	March 31, 2009
Expenses:		
Real estate leases	\$ 657	\$ 628
Guarantee fees	\$ 21	\$ 21
Revenue:		
Management fees for administration	\$ 8	\$ 8
Interest on advances	\$ 17	\$ 19

The Company receives \$2.5 thousand per month to carry out all administrative and management tasks related to Proventure’s operations. The amount charged is the amount agreed to between the related parties.

The Company pays a guarantee fee to Proventure equal to 3% of the guaranteed amounts that Proventure has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of Proventure and for which John Deere has not yet released Proventure from the contractual obligation. At March 31, 2010, December 31, 2009 and March 31 2009, the Fund had outstanding guarantees with John Deere aggregating \$2.75 million.

During 2008, the Company provided a \$2.75 million revolving credit facility to the Fund expiring on November 30, 2013. The facility is due on demand and bears interest at the rate of prime plus 0.25%. The facility can be used for operations, capital acquisitions, and investments and is secured by a general security agreement. Interest recorded during the three month period ended March 31, 2010 was \$17 thousand (2009 - \$19 thousand).

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating \$6.4 million (2009 - \$6.4 million). During the three month period ended March 31, 2010 and 2009, the Company paid these individuals \$48 thousand for providing these guarantees. These transactions were recorded at the amount agreed to by the parties. These guarantees are required by the Company’s most significant dealership arrangement with John Deere Limited (“JDL”) and the Company believes that the 3% per annum charge provided to the guarantors is a reasonable expense to providing these guarantees.

During the three month period ended March 31, 2010, the Company transacted in the normal course of business, \$16 thousand (2009 - \$2 thousand) of parts and service sales with companies in which the board of directors are directors of or control those companies.

Critical Accounting Estimates

Preparation of audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the audited consolidated financial statements. Our significant accounting estimates include estimating bad debts on accounts receivable; amortization of intangible assets and property, plant, and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; the fair value of share-based awards; the fair value of reporting units for goodwill impairment testing purposes; and estimates of various taxation matters. 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.

Provision for doubtful accounts receivable

We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Our history of bad debt losses has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the agricultural business in which many of our customers operate, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Depreciation and amortization of intangible assets and property and equipment

Our intangible assets and property, plant, and equipment are depreciated and amortized based upon estimated useful lives and salvage values. We review our historical experience with similar assets to ensure that these amortization rates are appropriate. However, the actual useful life of the assets may differ from our original estimate due to factors such as technological obsolescence and maintenance activity.

Fair value of inventories

Inventories are recorded at the lower of cost and net realizable value. The most significant area of accounting estimate involves our evaluation of used equipment inventory net realizable value. We perform ongoing quarterly reviews of our used equipment inventories based upon local market conditions and the changes in the U.S. exchange to determine whether any adjustments are required to our carrying cost of inventory balances to ensure they are properly stated.

Fair value of assets and liabilities acquired in business combinations

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant, and equipment and intangible assets acquired, we rely on independent third party valuations.

Asset Impairment

We assess the carrying value of long-lived assets, which include property, plant, and equipment and intangible assets, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the reporting unit to the estimated fair value to ensure that the fair value is greater than the carrying value. We arrive at the estimated fair value of a reporting unit using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including future revenue growth, expected earnings, and earnings multiples. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

Taxation matters

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for the Company's income taxes is adequate.

Fair value of share-based awards

The fair value of share options granted is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility. Because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our share options granted.

Recent Accounting Pronouncements

The CICA has issued new accounting standards, "Section 1582, Business Combinations", "Section 1601 Consolidated Financial Statements" and "Section 1602, Non-Controlling Interests".

Section 1582, Business Combinations establishes how an entity is to account for business combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011, however earlier adoption is permitted. The Company is adopting changes to Section 1582, effective January 1, 2010 to more properly align accounting for business combinations with International Financial Reporting Standards ("IFRS").

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interest establishes standards for the preparation of consolidated financial statements and for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section applies to interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, however earlier adoption is permitted as of the beginning of a fiscal year. The Company is adopting changes to Section 1601 and 1602, effective January 1, 2010.

Future Accounting Changes

Conversion to IFRS in Fiscal 2011

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt IFRS for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2011 starting January 1, 2011. The Company's transition from Canadian GAAP to IFRS will commence in the first quarter of 2011 at which time the Company will report both the current and comparative information using IFRS.

The Company has developed and established an IFRS transition project which has taken into consideration both the internal and external resources required to implement IFRS and has completed a preliminary assessment of the impact the change to IFRS will have on the Company's financial statements. A detailed assessment has been completed for presentation to the audit committee and board of directors for approval.

The IFRS transition project consists of three main phases:

Phase One: Impact Assessment

This phase consisted of a high-level impact assessment that identified the key areas of accounting differences between Canadian GAAP and IFRS that are likely to impact the Company as well as other areas that may not necessarily impact the Company at this time. The impact assessment was completed in the third quarter of 2009 and has been provided to the audit committee and board of directors for review.

Phase Two: Detailed Assessment

This phase will involve a more comprehensive assessment of the differences between IFRS and the Company's current accounting policies and account balances and will be reviewed by outside consultants. This will include a detailed assessment of the potential financial impact at the date of conversion as well as potential changes that may be required to current accounting policies, information systems and processes. This detailed assessment has been completed and potential changes to existing accounting policies, business process and information systems that were identified have been presented to the audit committee and board of directors for their review.

Phase Three: Implementation

This implementation phase involves an analysis of the alternatives allowed under IFRS, including the current mandatory and elective exemptions that exist. During this phase, we will present to the audit committee and board of directors, management's recommendations for these exemptions and request final approval of changes in accounting policies and IFRS transition adjustments.

Through the completion of phases 1 and 2 of this process, the Company has identified the following potential areas of difference between Canadian GAAP and IFRS that could impact our financial position and operating results upon conversion to IFRS:

- (a) IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement of full retrospective application of IFRS. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings in the first comparative balance sheet.
- (b) Due to the recent withdrawal of the exposure draft on IAS 12 Income Taxes in November 2009 and the issuance of the exposure draft on IAS 37 Provisions, Contingent Liabilities and Contingent Assets in January 2010, management is still determining the impact of these revised standards on its IFRS transition.
- (c) Income taxes: IAS 12, Income Taxes, prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside the statement of earnings.

The most significant impact of IAS 12 on Cervus will be derived directly from the accounting policy decisions made under other standards.

- (d) Share-based payments: Under IFRS 2, Share-Based Payment, awards will continue to be measured at fair value, with compensation expense under our plans recognized over the service period. For our equity-settled plans, we will continue to recognize a corresponding increase in equity. Unlike Canadian GAAP, the service period under IFRS may commence prior to the date of grant and end on the vesting date. This represents a difference in timing and ultimately does not impact the overall expense. It is estimated that the impact on transition will not be material.

The transition from Canadian GAAP to IFRS is a significant undertaking that may materially affect our reported financial position and results of operations. We continue to monitor standards development as issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators (CSA), which may affect the timing, nature or disclosure of our adoption of IFRS.

Business Risks and Uncertainties

Reliance on our key manufacturers and dealership arrangements

Cervus' primary source of income is from the sale of farm and construction equipment and products and services pursuant to agreements to act as an authorized dealer. The agreement with JDL provides a framework under which JDL can terminate a John Deere dealership if such dealership fails to maintain certain performance and equity covenants. Each contract also provides a one-year remedy period whereby the Company has one year to restore any deficiencies.

The Company also has dealership agreements in place with Bobcat, JCB, Clark, Sellick, Nissan, and Doosan. These agreements are one or two year agreements and are normally renewed annually, except for unusual situations such as bankruptcy or fraud.

The success of our dealership depends on the timely supply of equipment and parts from our manufacturers to ensure the timely delivery of products and services to our customers. We also depend on our suppliers to provide competitive prices and quality products. Currently all of our dealership contracts are in good standing with our suppliers. There can be no guarantee that circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements.

Dependence on Industry Sectors

Authorized John Deere agricultural dealerships sell John Deere agricultural and lawn and garden products and equipment. The majority of sales are derived from the agricultural sector. Consequently, grain and livestock prices, weather conditions, Canadian vs. U.S. currency exchange rates, interest rates, disease, Canadian and U.S. government trade policies and customer confidence have an impact on demand for equipment, parts and service.

The retail farm equipment industry is very competitive. The Company faces a number of competitors, including other "in-line" John Deere dealerships and other competitors including authorized Agco, Case, Kubota and New Holland dealerships that may be located in and around communities that the Company's dealerships are located. Presently, Deere & Company has a reputation for the manufacture and delivery of high quality, competitively priced products. John Deere has the largest market share of manufacturing and sales of farm equipment in North America. There can be no assurance that John Deere will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

We have mitigated these risks by geographical diversification in Western Canada within the agricultural sector and industry diversification into the construction sector in Alberta.

The construction equipment group sells light and medium construction equipment and is comprised of several lines of equipment from two major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction equipment market is very much dependent upon residential construction of new housing. Over the past few years the residential construction markets in Alberta have been very strong, however we have seen reductions in this market beginning in 2008 and carrying through 2009. However based on CMHC's first quarter housing report, the 2010 market appears to be somewhat improving and we expect this to have a positive impact on our 2010 operating results for our construction equipment segment.

The industrial equipment group sells material handling equipment from several manufacturers, Clark, Sellick, Nissan, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, and Caterpillar. The materials handling equipment is primarily sold to oilfield supply companies, building supply companies, warehousing, food processors, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments. However, this group has been impacted negatively by the general slowdown in the oil and gas and building sectors.

Presently the majority of the construction and industrial equipment division's revenue is derived from the sale of Bobcat, JCB, Doosan, Nissan, Clark and Sellick equipment and products. All these equipment manufacturers have established themselves as industry leaders in the Western Canada market for the manufacture and delivery of light construction and industrial equipment. There can be no assurance however that these suppliers will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

Other risks

Although the Company has conducted investigations of, and engaged legal counsel to review, the corporate, legal, financial and business records of Vasogen, there may be liabilities and risks that the Company did not uncover in its due diligence investigation and that these liabilities and risks could have individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of Cervus.

The steps under the plan of arrangement, pursuant to which the corporate conversion was completed, were structured to be tax-deferred to the Company and the Company's shareholders based on certain rules under the Income Tax Act (Canada). There is a risk that the tax consequences contemplated by the Company or the tax consequences of the plan of arrangement to the Company and the shareholders may be materially different from the tax consequences anticipated by the Company in undertaking the conversion. While the Company is confident in its current position, there is a risk that the Canada Revenue Agency could successfully challenge the tax consequences of the plan of arrangement or prior transactions of Vasogen. Such a challenge could potentially affect the availability or amount of the tax basis or other tax accounts of Cervus.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Disclosure Controls and Procedures

Cervus has designed disclosure controls and procedures for the Company to ensure that information to be disclosed by the Company is communicated to the Company's management on a timely basis to allow for appropriate decisions regarding required disclosures. The Company's CEO and Chief Financial Officer (CFO), under the supervision of the Disclosure Committee, have concluded, based on their evaluation as of March 31, 2010 that the Company's disclosure controls and procedures are effectively designed. The Company is relying on those disclosure controls and procedures.

Internal Controls over Financial Reporting

In fulfilling its responsibilities, management has designed a system of internal controls based on the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with Canadian GAAP. These controls include policies and procedures that:

- Provide reasonable assurance that transactions are recorded to be able to prepare financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with authorizations of management and the Board of directors;
- Pertain to the maintenance of records that accurately reflect the transactions affecting the disposition of assets; and,
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets, which could have a material impact on financial statements.

Management has used a risk-based approach in the design of internal controls over financial reporting and engaged an outside accounting firm in the fourth quarter of 2008 and in 2009 to assist in conducting an evaluation of the operating effectiveness of these controls. Design and operating effectiveness issues noted during this evaluation have been reported to management as well as the Audit Committee. Management has implemented the necessary remediation actions to further enhance the company's control environment.

Limitation on the Effectiveness of Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

Notwithstanding the foregoing, we do not expect our disclosure controls and procedures, and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Note that there have been no material changes in the Company's disclosure controls and procedures.

Voluntary Disclosure

It should be noted that although Cervus, as a "venture issuer" under applicable Canadian securities legislation, is not required to discuss in this MD&A the design or operating effectiveness of disclosure controls and procedures or internal controls over financial reporting, we have nevertheless chosen to comment on the abovementioned components of such controls. Notwithstanding such voluntary disclosure, we are not required to certify the design and evaluation of disclosure controls and procedures and internal controls over financial reporting and have not done so. Further, it should be noted that inherent limitations on the ability of our CEO and CFO to design and implement on a cost effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Non-GAAP Financial Measures

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

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

The following is a summary of EBITDA and EBITDA margin for each of our previous eight quarters ending March 31, 2010:

\$ thousands, except margin and per share amounts	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Net earnings (loss)	(827)	(573)	8,745	7,330
Interest	386	261	219	213
Future income taxes	-	1,692	-	-
Depreciation and amortization	1,707	1,156	1,113	1,159
EBITDA	1,266	2,536	10,077	8,702
EBITDA margin	1.9%	3.0%	8.3%	8.2%
EBITDA per share - diluted	0.09	0.18	0.70	0.61

\$ thousands, except margin and per share amounts	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Net earnings	1,675	2,635	8,888	8,444
Interest	259	192	176	510
Future income taxes	-	-	-	-
Depreciation and amortization	1,137	1,194	1,150	995
EBITDA	3,071	4,021	10,214	9,949
EBITDA margin	4.6%	5.8%	9.5%	8.8%
EBITDA per share - diluted	0.22	0.30	0.73	0.81

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

Senior debt to EBITDA; senior debt to EBITDA ratio is defined as all interest bearing indebtedness for borrowed money, interest bearing liabilities, capital lease obligations, vendor take back agreements but excluding accounts payable, floor plan financing arrangements, subordinated related debt and other short-term non-interest bearing liabilities and future income taxes divided by EBITDA.



**INTERIM UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS OF**

Cervus Equipment Corporation

For the three month period ended March 31, 2010

(These interim consolidated financial statements have
not been reviewed by Cervus Equipment Corporation's auditors)

Interim Unaudited Consolidated Balance Sheets

March 31, 2010 and December 31, 2009

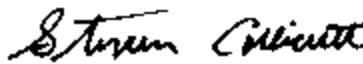
	2010		2009	
Assets				
Current assets:				
Cash and cash equivalents	\$	7,456,261	\$	13,453,188
Deposit for business acquisition (note 4)		-		6,810,000
Trade accounts receivable		19,168,421		13,398,559
Advances to related party (note 5)		2,410,285		2,111,069
Income taxes receivable		174,392		-
Future income tax asset (note 15)		7,985,882		7,985,882
Inventories (note 6)		100,997,310		89,150,468
Prepaid expenses and deposits		1,774,005		1,340,293
		139,966,556		134,249,459
Investments, at equity (note 7)		4,513,711		1,886,994
Other long-term assets (note 8)		2,084,174		1,420,139
Deposits with manufacturers		1,226,825		1,648,522
Other intangible assets (note 9)		24,541,340		11,020,633
Equipment (note 10)		15,881,205		10,338,266
Future tax asset (note 15)		60,257,695		62,081,695
Goodwill		3,866,174		3,199,680
	\$	252,337,680	\$	225,845,388
Liability and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	\$	10,933,875	\$	9,980,596
Customer deposits		4,142,454		2,689,191
Floor plan payables (note 12)		50,198,927		40,426,213
Dividends payable		2,625,629		2,545,131
Current portion of deferred credit (note 15)		7,148,027		7,148,027
Current portion of term debt (note 13)		4,626,187		4,004,196
Current portion of notes payable (note 14)		2,531,468		366,667
		82,206,567		67,160,021
Term debt (note 13)		3,641,295		1,838,739
Notes payable (note 14)		7,836,851		491,666
Deferred credit (note 15)		57,260,521		57,260,521
		150,945,234		126,750,947
Shareholders' equity (note 16):				
Shareholders' capital		71,265,942		65,765,665
Share purchase loans		(138,099)		(165,895)
Deferred share plan		2,014,782		1,814,408
Contributed surplus		2,885,446		2,881,977
Retained earnings		25,364,375		28,798,286
		101,392,446		99,094,441
Commitments and contingencies (note 19)				
	\$	252,337,680	\$	225,845,388

See accompanying notes to interim unaudited consolidated financial statements.

Approved by the Board:



Peter Lacey, Director



Steven Collicutt, Director

Interim Unaudited Consolidated Statement of Net Earnings, Comprehensive Income and Retained Earnings

For the Three Month Periods Ended March 31, 2010 and 2009

	2010	2009
Revenue:		
Equipment sales	\$ 46,093,854	\$ 51,227,607
Parts	11,513,106	8,798,795
Service	7,887,183	5,381,121
Rentals	1,706,527	932,178
	67,200,670	66,339,701
Cost of sales (note 17)	51,928,621	53,210,000
Gross profit	15,272,049	13,129,701
Expenses:		
Selling, general and administrative (note 21)	14,919,768	11,395,771
Interest	338,882	220,401
Depreciation and amortization	1,096,401	683,893
Earnings before other income (expense):	(1,083,002)	829,636
Interest and other income (note 21)	239,051	365,184
Foreign exchange loss	(44,818)	-
Gain on disposal of assets	47,095	87,446
Equity earnings of significantly influenced companies (note 7)	14,735	392,958
Net earnings (loss) before income taxes	(826,939)	1,675,224
Future income tax expense (note 15)	-	-
Net earnings and comprehensive income (loss)	\$ (826,939)	\$ 1,675,224
Retained earnings, beginning of year	28,798,286	21,838,111
Net earnings (loss)	(826,939)	1,675,224
Dividends to shareholders	(2,606,972)	(2,592,946)
Retained earnings, end of year	25,364,375	20,920,389
Net earnings (loss) per share (note 16):		
Basic	\$ (0.06)	\$ 0.12
Diluted	\$ (0.06)	\$ 0.12

See accompanying notes to interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statement of Cash Flows

For the Three Month Periods Ended March 31, 2010 and 2009

	2010	2009
Cash flows from (used in):		
Operating activities:		
Net earnings (loss)	\$ (826,939)	\$ 1,675,224
Add (deduct) items not affecting cash:		
Depreciation and amortization expenses	1,706,977	1,137,054
Forgiveness of employee purchase loans	27,796	27,795
Share-based compensation expense	56,020	4,290
Foreign exchange loss	44,818	-
Gain on disposal of assets	(47,095)	(87,446)
Equity earnings from significantly influenced companies	(14,735)	(392,958)
	946,842	2,363,959
Net change in non-cash working capital related to operations	(3,531,473)	(12,934,935)
Net cash used in operating activities	(2,584,631)	(10,570,976)
Financing activities:		
Issuance of shares	139,078	285,708
Repayment of term debt	(778,431)	(1,169,592)
Dividends	(2,545,131)	(2,588,658)
Decrease (increase) in deposits with John Deere	161,574	(36,613)
Repayment of notes payable	(100,000)	(100,000)
Net cash used in financing activities	(3,122,910)	(3,609,155)
Investing activities:		
Advances from short-term loan	-	662,462
Advances from (to) related party	(299,216)	543,487
Purchase of equipment, net	(596,175)	(53,763)
Proceeds from business acquisitions (note 4)	1,680,068	-
Decrease (increase) in other long-term assets	(1,074,063)	482
Net cash provided by (used in) investing activities	(289,386)	1,152,668
Decrease in cash	(5,996,927)	(13,027,463)
	13,453,188	
Cash and cash equivalents, beginning of period		35,252,348
Cash and cash equivalents, end of period	\$ 7,456,261	\$ 22,224,885

Cash and cash equivalents is comprised of cash on hand and in bank of \$5,266,120 (2009 - \$2,442,768) and money market funds of \$2,190,141 (2009 - \$19,782,117).

Supplemental cash flow information (note 18)

See accompanying notes to interim unaudited consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Three Month Period ended March 31, 2010 and the Year ended December 31, 2009

1. Description of business

Cervus Equipment Corporation (“Cervus” and the “Company”) is an incorporated entity under the Canada Business Corporations Act. Cervus, directly and indirectly owns a 100% interest in Cervus LP (the “LP”) and its subsidiaries. The Company is a retailer of agricultural and construction and industrial equipment and parts and services in Western Canada.

2. Significant accounting policies

These interim financial statements should be read in conjunction with the audited December 31, 2009 annual financial statements. These interim financial statements follow the same accounting policies and methods of their application as in the December 31, 2009 annual financial statements, except as identified below. These interim financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements in that they do not include all note disclosures. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these interim financial statements.

Business segments

The Company operates two distinct business segments, an agricultural equipment segment and a construction and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of John Deere dealership locations in Alberta, Saskatchewan and British Columbia and the construction and industrial equipment segment consists primarily of Bobcat, JCB, Clark, Sellick, Doosan and Nissan dealership locations in Alberta, Saskatchewan and Manitoba.

Changes in accounting policies

The CICA has issued new accounting standards, “Section 1582, Business Combinations”, “Section 1601 Consolidated Financial Statements” and “Section 1602, Non-Controlling Interests”.

Section 1582, Business Combinations establishes how an entity is to account for business combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011, however earlier adoption is permitted. Cervus has adopted this accounting change effective January 1, 2010.

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interest establishes standards for the preparation of consolidated financial statements and for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements. This Section applies to interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, however earlier adoption is permitted as of the beginning of a fiscal year. The Company has adopted this accounting change effective January 1, 2010.

Comparative information

Certain comparative figures have been reclassified to conform to the current year’s financial statement presentation.

3. Seasonality

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

4. Business acquisitions

- a) On January 4, 2010, Cervus purchased all the issued and outstanding shares of A.R. Williams Materials Handling Ltd., a private company that sells, rents, and services industrial products and equipment in ten locations for an aggregate purchase price of \$20,101,117 of which \$6,810,000 was paid by way of cash deposit at December 31, 2009 resulting in a recovery of \$1,680,068 from the net cash on hand on the purchase date. The allocation of the purchase price to the net assets acquired based on their fair values is as follows:

Net assets acquired:		
Accounts receivable	\$	5,425,720
Income taxes receivable		174,392
Inventories		4,782,350
Prepaid expenses		40,300
Property and equipment		6,308,635
Other intangible assets		14,200,000
Goodwill		666,494
Accounts payable and accrued liabilities		(3,246,044)
Floor plans payable		(3,223,752)
Future income taxes		(1,824,000)
Long-term debt		(3,202,978)
	\$	20,101,117
Financed by:		
Cash, net of cash received of \$1,680,068	\$	5,129,932
425,492 series 1 preferred shares, redeemable and retractable, 7% cumulative payable quarterly		5,361,199
Note payable, non-interest bearing, due in equal annual installments commencing January 1, 2011		9,609,986
Purchase price	\$	20,101,117

- b) On January 25, 2010, the Company completed the sale of its business and net assets of two wholly owned John Deere dealerships located in Russell, Manitoba and Moosomin, Saskatchewan to Maple Farm Equipment Partnership ("Maple") with an effective date of January 1, 2010. As consideration for the sale of the business and assets, Cervus obtained a 20% partnership interest in Maple which operates various John Deere dealerships in the Provinces of Saskatchewan and Manitoba. The 20% interest in Maple will be accounted for using the equity method of accounting. The net assets sold to Maple, effective January 1, 2010 are as follows:

Net assets sold:		
Accounts receivable	\$	82,816
Inventories		3,185,097
Property and equipment		381,282
Deposits with John Deere finance		260,123
Accounts payable and accrued liabilities		(76,348)
Customer deposits		(40,714)
Floor plan payable		(529,063)
		3,263,193
Payable to Cervus, non-interest bearing, due October 31, 2010		(252,440)
Purchase price of 20% partnership interest in Maple	\$	3,010,753

5. Advances to related party

During 2008, the Company provided a \$2,750,000 revolving credit facility to Proventure Income Fund (the "Fund") (see note 21) expiring on November 30, 2013. The facility is due on demand and bears interest at the rate of prime plus 0.25% which is the rate agreed to between the related parties. The facility can be used for operations, capital acquisitions, and investments and is secured by a general security agreement. Interest recorded during the three month period ended March 31, 2010 was \$17,413 (2009 - \$18,544).

6. Inventories

	2010	2009
New equipment	\$ 42,838,344	\$ 35,094,705
Used equipment	44,916,025	42,093,224
Parts and accessories	12,431,396	11,553,029
Work-in-progress	811,545	409,510
	\$ 100,997,310	\$ 89,150,468

7. Investments, at equity

	2010	2009
Investment in significantly influenced companies:		
Maple Farm Equipment Partnership (20% interest) (note 4)	\$ 2,975,930	\$ -
101034350 Saskatchewan Ltd. (33% interest)	650,607	650,607
Greenway Sprayers (38% interest)	-	372,197
Deer Star Systems Inc. (29% interest; 2008 -27% interest)	887,174	864,190
	\$ 4,513,711	\$ 1,886,994

During the three month period ended March 31, 2010, the Company recorded \$14,735 (2009 - \$392,958) of earnings from significantly influenced companies. The Company has one representative on each of the respective board of directors. During 2009, Greenway Sprayers discontinued operations and the operations of the joint venture were effectively assumed by the venturers. The investment balance has been recorded as an accounts receivable which represents the Company's portion of the capital to be received from the joint venture.

8. Other long-term assets

	2010	2009
Investment in companies at cost:		
Agritronics Inc. (a 25.78% interest)	\$ 68,806	\$ 68,806
Employee housing loan, non-interest bearing	-	365,210
Agriturf Limited loan, unsecured, due on demand, bearing interest at 5% per annum	1,912,639	883,394
Cash surrender value of life insurance	102,729	102,729
	\$ 2,084,174	\$ 1,420,139

The employee housing loan was due December 31, 2009 and was repaid during the three month period ended March 31, 2010.

During 2008, the Company purchased 16,000 common shares and 50,000 preferred shares with no fixed rate of return, representing a 25.78% interest in a private company, Agritronics Inc. The preferred shares are convertible into common shares on a one-for-one basis.

During the three month period ended March 31, 2010, the Company advanced an additional NZ\$1,464,000 and combined with the advances made during 2009, the Company has advanced an aggregate of NZ\$2,614,000 to Agriturf Limited, a New Zealand company. The funds were used for the purchase of certain assets of an existing John Deere dealership. Included in the balance of \$1,912,639 is interest of \$10,466 (2009 \$nil) which has been recorded in interest and other income for the three month period ended March 31, 2010. The Company has also recorded a foreign exchange loss of \$44,818 during 2010 (2009 - \$nil) which is included in net earnings. It is anticipated that the Company's cash advances will approximate a 42% equity interest in the newly formed Agriturf Limited once completed.

9. Other intangible assets

2010	Cost	Accumulated amortization	Net book value
Dealership distribution agreements	\$ 17,145,000	\$ 1,851,343	\$ 15,293,657
Trade name	3,100,000	38,750	3,061,250
Customer lists	7,390,000	1,864,325	5,525,675
Non-competition agreements	1,891,109	1,230,351	660,758
	\$ 29,526,109	\$ 4,984,769	\$ 24,541,340

2009	Cost	Accumulated amortization	Net book value
Dealership distribution agreements	\$ 10,645,000	\$ 1,637,030	\$ 9,007,970
Customer lists	2,790,000	1,532,650	1,257,350
Non-competition agreements	1,891,109	1,135,796	755,313
	\$ 15,326,109	\$ 4,305,476	\$ 11,020,633

10. Equipment

2010	Cost	Accumulated depreciation	Net book value
Short term rental equipment	\$ 16,873,701	\$ 6,431,293	\$ 10,442,408
Automotive and trucks	4,794,942	2,532,940	2,262,002
Furniture and fixtures	2,288,035	1,447,112	840,923
Parts and shop equipment	2,685,936	1,538,104	1,147,832
Computers and software	1,657,128	1,051,159	605,969
Leasehold improvements	1,850,067	1,267,996	582,071
	\$ 30,149,809	\$ 14,268,604	\$ 15,881,205

2009	Cost	Accumulated depreciation	Net book value
Buildings	\$ 66,272	\$ 16,274	\$ 49,998
Short term rental equipment	8,115,181	2,981,509	5,133,672
Automotive and trucks	4,610,147	2,595,290	2,014,857
Furniture and fixtures	2,065,465	1,305,814	759,651
Parts and shop equipment	2,422,806	1,351,355	1,071,451
Computers and software	1,570,555	937,935	632,620
Leasehold improvements	1,868,656	1,192,639	676,017
	\$ 20,719,082	\$ 10,380,816	\$ 10,338,266

11. Bank indebtedness

At March 31, 2010 and December 31, 2009, the Company has an operating bank line of credit to a maximum amount of \$15 million of which \$1.5 million has been utilized for an outstanding letter of credit issued to John Deere (see note 19). In addition, the Company has \$1.5 million available by way of a non-committed reducing term facility to facilitate capital asset purchases. The operating line of credit and the non-committed reducing term facility bear interest at rates ranging from prime plus 1.25% to prime plus 2.0% based on certain financial covenants and is secured by a general security agreement, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries and the general partner. At March 31, 2010 and December 31, 2009, the Company had not drawn on these facilities.

12. Floor plan payables

The Company utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include a one to eleven-month interest-free period followed by a term during which interest is charged at rates ranging from 0.346% to 7.46%. Settlement of the floor plan liability occurs at the earlier of sale of the inventory, in accordance with terms of the financing arrangement or based on management's assessment. Floor plan payables are secured by specific new and used equipment inventories.

13. Term debt

	2010	2009
Bank term loan, due July 1, 2011, interest at rates ranging from prime plus 0.25% to prime plus 0.75% and principal instalments of \$104,167 per month. For security, see note 11.	\$ 1,562,500	\$ 1,875,000
Finance company, payable in monthly instalments of approximately \$197,392 including interest at prime plus 2.5%, secured by short term rental equipment	5,720,023	2,785,684
John Deere finance contracts, payable in monthly instalments ranging from \$1,293 to \$5,283 including interest at the rate of 4.0% to 4.9%, secured by related equipment, due at various dates through 2014	945,027	1,134,079
Finance contracts and fixed rate bank term loans repayable in monthly instalments ranging from \$440 to \$4,194 including interest up to 7.25%, secured by related equipment, due at various dates through 2011	39,932	48,172
	8,267,482	5,842,935
Less: current portion	(4,626,187)	(4,004,196)
	\$ 3,641,295	\$ 1,838,739
Estimated principal repayments required over the next five years are as follows:		
2011		\$ 4,626,187
2012		1,951,913
2013		1,053,922
2014		537,493
2015		97,967
		\$ 8,267,482

14. Notes payable

As part of business acquisitions made, the Company has certain notes payable due to those vendors. The notes payable are unsecured and are as follows:

	2010	2009
Notes payable, due in annual instalments of \$200,000 including interest at the rate of 6% per annum	\$ 425,000	\$ 525,000
Note payable, due September 10, 2011 in two equal annual instalments including interest at the rate of 6% per annum	333,333	333,333
Notes payable, non-interest bearing, repayable in annual instalments of \$2,837,500, discounted at a rate of 7%	9,609,986	-
	10,368,319	858,333
Less: current portion	(2,531,468)	(366,667)
	\$ 7,836,851	\$ 491,666
Principal repayments required over the next five years are as follows:		
2011		\$ 2,531,468
2012		2,683,003
2013		2,502,497
2014		2,651,351
		\$ 10,368,319

15. Future income taxes

The provision for income taxes differs from that calculated from using the federal and provincial statutory rates of 28.6% (2009 - 29.6%) due to the following:

	2010	2009
Net earnings (loss) before income taxes	\$ (826,939)	\$ 1,675,224
Expected income tax expense	(236,505)	495,867
Impact of flow through partnership income and equity earnings	-	(495,867)
Non-deductible costs and other	236,505	-
Income tax expense	\$ -	\$ -

Income tax expense is comprised entirely of future income taxes and Cervus' only tax jurisdiction is Canada.

The components of the future income tax asset and liability are as follows:

	March 31, 2010	December 31, 2009
Tax values over carrying value of tangible assets	\$ 881,235	\$ 1,212,021
Carrying values over tax value of intangible assets	(3,935,068)	(1,855,824)
Benefit of non-capital losses carried forward	58,583,755	57,997,725
Federal investment tax credits	12,909,816	12,909,816
Benefit of capital losses carried forward	19,353,063	19,353,063
Total future tax asset	87,792,801	89,616,801
Less:		
Valuation allowance for non-capital losses carried forward	(196,161)	(196,161)
Valuation allowance for capital losses carried forward	(19,353,063)	(19,353,063)
Total future income tax asset (liability)	68,243,577	70,067,577
Current portion of future income tax asset	7,985,882	7,985,882
Future income tax asset	\$ 60,257,695	\$ 62,081,695

Cervus has a deferred credit as follows:

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 64,408,548	\$ -
Deferred tax credit as a result of transaction with Vasogen	-	71,888,147
Amortized to income tax expense	-	(7,479,599)
Total deferred tax credit	64,408,548	64,408,548
Current portion of deferred tax credit	7,148,027	7,148,027
Balance, end of period	\$ 57,260,521	57,260,521

Cervus has available for carry forward, the following:

	March 31, 2010	December 31, 2009
Non-capital losses	\$ 222,613,258	\$ 223,500,617
Capital losses	151,355,405	151,355,405
Federal investment tax credits	12,909,816	12,909,816

The Company's investment tax credits will commence expiring in 2019 and non-capital losses commence expiring in 2027.

16. Shareholders' Equity

Authorized

Unlimited number of common shares, voting

Unlimited number of preferred shares in series, non-voting

Unlimited Series 1 preferred shares, non-voting, cumulative, redeemable and retractable

Share capital issued

	Preferred shares	Amount	Common shares	Amount	Total
Balance December 31, 2008	-	\$ -	14,012,374	\$ 64,933,278	\$ 64,933,278
Issued under DRIP plan	-		123,898	812,598	812,598
Issued under deferred share plan	-		3,342	19,789	19,789
Balance December 31, 2009	-		14,139,614	65,765,665	65,765,665
Issued for business acquisition - series 1 preferred shares (note 4)	425,492	5,361,199	-	-	5,361,199
Issued under DRIP plan	-		11,870	139,078	139,078
Balance March 31, 2010	425,492	\$ 5,361,199	14,151,484	\$ 65,904,743	\$ 71,265,942

On December 22, 2009, the Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Bid") to purchase for cancellation, from time to time, as the Company considers advisable, its issued and outstanding shares ("Shares"). The Bid expires on December 21, 2010. Pursuant to the Bid, the Company can purchase for cancellation up to a maximum of 706,981 shares, being approximately 5% of the Company's currently issued and outstanding shares at the time of the Bid. Notwithstanding the foregoing, pursuant to the rules of the TSX-V, the Company may not purchase more than 282,792 shares (i.e. 2% of its currently outstanding Units) in a given 30-day period. The price that the Company will pay for any shares purchased by it under the Bid will be the prevailing market price of the shares on the TSX-V at the time of such purchase. No shares have been purchased for cancellation under this Bid as at December 31, 2009.

Preferred Shares

The Company has issued 425,492 non-voting convertible redeemable series 1 preferred shares of Cervus. The series 1 preferred shares shall be entitled to a preference over the common shares of Cervus with respect to priority in the payment of dividends. Each series 1 preferred share shall be entitled to a cumulative dividend at the rate of 7% per annum on the stated amount. It is anticipated that the dividends on the series 1 preferred shares will be paid in cash quarterly concurrently with the payment of cash dividends on the common shares of Cervus. If the 30 day volume weighted average trading price of the common shares of Cervus on any stock exchange recognized for the purposes of the *Income Tax Act* (Canada) upon which the common shares of Cervus are listed and posted for trading is equal to or greater than \$16.00 per common share, Cervus shall have the right to redeem the series 1 preferred shares, in whole or in part. The holders of series 1 preferred shares shall be entitled to exchange those shares at any time for common shares of Cervus on the basis of one common share for each series 1 preferred share exchanged.

Share option plan

The Company has a share option plan available to officers, directors and employees with grants under the plan approved from time to time by the board of directors. The exercise price of each option equals the market price of the shares at the date of grant. The plan provides for vesting, at the discretion of the board, and the options expire after five years from the date of grant.

Changes in the outstanding options are as follows:

	Number outstanding	Weighted average exercise price
Outstanding , December 31, 2008	15,000	\$ 12.67
Granted under share option plan	36,719	6.20
Forfeited during the year	(18,629)	(11.41)
Outstanding, December 31, 2009 and March 31, 2010	33,090	6.20

The weighted average remaining life of the options is 3.9 years (2009 - 4.1 years). During the year ended December 31, 2009, 36,719 shares were issued and 18,629 options were forfeited due to employees leaving the employ of the Company prior to the options vesting.

Contributed surplus

Changes in contributed surplus are as follows:

Contributed surplus	Total
Balance, December 31, 2008	\$ 2,860,125
Issue of share options	21,852
Balance, December 31, 2009	2,881,977
Issue of share options	3,469
Balance, March 31, 2010	\$ 2,885,446

Per share amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of the Cervus as the numerator. No adjustments to net earnings were necessary for 2010 and 2009. As at March 31, 2010, the Company has no securities issued that are anti-dilutive. The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of basic shares as follows:

	March 31, 2010	March 31, 2009
Weighted average number of shares used in basic earnings per share	14,139,614	14,039,062
Effect of dilutive securities:		
Deferred share plan	315,8	149,9
Share options	39	96
	18,04	200
	4	
Weighted average number of shares used in diluted earnings per share	14,473,497	14,189,258

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash dividends in additional shares at 95 percent of the average share price of the previous 10 trading days prior to the dividend. During the three month period ended March 31, 2010, the Company issued 11,870 (2009 - 34,819) shares under this plan at an average issue price of \$11.72 (2009 - \$5.47) per share.

Employee share purchase plan

The Company has an employee share purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The Company contributes at a minimum of 15% to 100% on a matching basis to a maximum of \$5,000 per year, per employee. The shares are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing shareholders. Included in general, sales and administrative expenses for the three month period ended March 31, 2009 are \$129,458 (2009 - \$71,548) of contributions made on behalf of the Company's employees.

Deferred share plan

As at March 31, 2010, 315,839 (December 31, 2009 - 295,741) deferred shares have been issued under the deferred share plan and remain outstanding. The matching component of the plan totals \$1,136,839 (2009 - \$1,061,986) and during the three month period ended March 31, 2010, \$52,551 (2009 - \$27,516) has been amortized into compensation expense on a straight-line basis over a period of 5 years.

Share purchase loans

The Company has provided loans to certain employees for shares issued under the Company's private placement offerings and to pay for the exercise of share options. The loans bear interest at the rate of 4% per annum. The employees have provided the shares as security for the loans. During the period ended March 31, 2010, no loans were provided to employees and during the three month period ended March 31, 2010, \$28,684 (2009 - \$27,795) has been forgiven and recorded as compensation expense.

17. Cost of sales

The following amounts have been included in cost of sales:

	March 31, 2010		March 31, 2009
Depreciation of rental equipment	\$ 610,576	\$	453,161
Interest paid on rental equipment financing	46,679		38,574
	\$ 657,255	\$	491,735

18. Supplemental cash flow information

	March 31, 2010		March 31, 2009
Cash interest paid	\$ 219,892	\$	229,381
Supplemental disclosure of non-cash financing and investing activities not included in the statement of cash flows:			
Issuance of preferred shares for business acquisition (note 4)	5,361,199		-
Issuance of note payable for business acquisition (note 4)	9,609,986		-

19. Commitments and contingencies

- (a) John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At March 31, 2010 payments in arrears by such customers aggregated \$485,552 (December 31, 2009 - \$587,753). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At March 31, 2010, the net residual value of such leases aggregated \$52,486,960 (December 31, 2009 - \$58,731,799).

Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

- (b) The Company is committed to the following minimum payments under operating leases for equipment, land and buildings:

2011	\$	4,972,833
2012		4,000,618
2013		3,255,255
2014		2,652,204
2015		2,145,010
Thereafter		4,545,806
	\$	21,571,726

- (c) The Company has an irrevocable standby letter of credit to John Deere in the amount of \$1,500,000. The letter of credit agreement allows for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations of the Company to John Deere.

20. Economic dependence

A source of the Company's revenue is from the sale of farm equipment products and services pursuant to agreements to act as an authorized dealer for John Deere Limited. The agreement with John Deere Limited provides a framework under which John Deere Limited can terminate a John Deere dealership if such dealership fails to maintain certain performance or equity covenants. Each contract also provides a one-year remedy period whereby the Company has one year to restore any deficiencies. The Company also has dealership agreements with Bobcat, JCB, JLG, Doosan, Nissan, Clark, Sellick, Powerboss and Hiab Cranes.

Management is not aware of any deficiencies or non-renewal of its current dealership agreements that would have a material effect on the Company's ability to continue as a going concern.

21. Related party transactions

- (a) The CEO of the Company is the CEO of Proventure Income Fund (the "Fund"). In addition, the CEO is the single largest equity holder of the Company and the Fund. In addition, the Company and the Fund share a common board of directors. In addition to transactions discussed elsewhere in these financial statements, the Company had the following transactions with the Fund which are in the normal course and recorded at fair value which is the amount agreed to between the two parties:

	March 31, 2010	March 31, 2009
Expenses:		
Real estate leases	\$ 657,072	\$ 627,844
Guarantee fees	\$ 20,625	\$ 20,625
Revenue:		
Management fees for administration	\$ 7,500	\$ 7,500
Interest on advances	\$ 17,413	\$ 18,544

The Company receives \$2,500 per month to carry out all administrative and management tasks related to the Fund's operations.

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At March 31, 2010 and 2009, the Fund has outstanding guarantees with John Deere aggregating \$2,750,000.

- (b) Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating \$6,400,000. During the three month period ended March 31, 2010 the Company paid these individuals \$48,000 (2009 - \$48,000) for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expense.
- (V) During the three month period ended March 31, 2010, the Company transacted in the normal course of business, \$16,051 (2009 - \$1,855) of parts and service sales with companies in which the Board of Directors are Directors of or Control those companies.

22. Segment information

The Company operates in two main industry segments with all of the operations being in Canada. These segments are agricultural and construction equipment. The segment amounts are as follows:

		Agricultural Equipment	Construction and Industrial Equipment	Total
March 31, 2010				
Revenue	\$	44,311,580	\$ 22,889,090	\$ 67,200,670
Net earnings (loss)		(706,391)	(120,548)	(826,939)
Income tax expense		-	-	-
Earnings of significantly influenced companies		14,735	-	14,735
Investment in significantly influenced companies		4,513,711	-	4,513,711
Depreciation and amortization		498,666	1,208,311	1,706,977
Interest expense		111,632	273,929	385,561
Capital expenditures		472,539	1,401,886	1,874,425
Total assets		145,551,078	106,786,602	252,337,680
Other intangible assets		6,289,764	17,495,070	23,784,834
Goodwill		1,672,680	1,527,000	3,199,680
March 31, 2009				
Revenue	\$	52,464,170	\$ 13,875,531	\$ 66,339,701
Net earnings (loss)		2,267,235	(592,011)	1,675,224
Income tax expense		-	-	-
Earnings of significantly influenced companies		392,958	-	392,958
Investment in significantly influenced companies		2,313,156	-	2,313,156
Depreciation and amortization		430,947	706,107	1,137,054
Interest expense		131,554	127,421	258,975
Capital expenditures		556,981	235,933	792,914
Total assets		95,745,113	60,004,819	155,749,932
Other intangible assets		6,587,196	5,023,750	11,610,946
Goodwill		1,672,680	1,527,000	3,199,680

23. Capital management

The Company's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. shares issued, accumulated earnings, shareholder distributions and dilutive instruments).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue shares to facilitate business combinations and or retire term debt or may adjust the amount of distributions paid to the Shareholders.

The Company uses the following ratios in determining its appropriate capital levels; a) total debt to adjusted equity ratio (calculated as total debt divided by adjusted equity) and; b) adjusted assets to adjusted equity ratio (adjusted assets divided by adjusted equity). Adjusted assets comprise all components of assets other than other intangible assets and goodwill. Adjusted equity comprises of all components of shareholders' equity and is reduced by other intangible assets and goodwill.

The Company's strategy has remained unchanged and was to maintain the total debt to equity and total adjusted net assets to adjusted equity ratio at no greater than 4 to 1 in order to comply with its dealership arrangements with John Deere and to meet its covenant conditions with the Company's lender. The total debt to adjusted equity ratios and total adjusted net assets to adjusted equity ratios were as follows:

	March 31, 2010	December 31, 2009
Total debt	\$ 150,945,234	\$ 126,750,947
Adjusted equity:		
Total equity	\$ 101,392,446	\$ 99,094,441
Less other intangible assets and goodwill	(26,984,514)	(14,220,313)
Adjusted equity	\$ 74,407,932	\$ 84,874,128
Total debt to adjusted equity ratio	2.03 to 1	1.49 to 1
Adjusted assets:		
Total assets	\$ 252,337,680	\$ 225,845,388
Less other intangible assets and goodwill	(26,984,514)	(14,220,313)
Adjusted assets	\$ 225,353,166	\$ 211,625,075
Adjusted equity (above)	\$ 74,407,932	\$ 84,874,128
Adjusted assets to adjusted equity ratio	3.03 to 1	2.49 to 1

The increase in total debt to adjusted equity ratio and adjusted assets to adjusted equity ratio during the three months ended March 31, 2010 resulted primarily from the decrease in adjusted equity as a result of other intangible assets purchased through the business acquisition described in note 4.

24. Financial instruments

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, advances to related party, accounts payable and accrued liabilities, floor plan payables, dividend payable, and notes payable approximate their fair values given the short-term maturity of these instruments. The carrying values of the current and long-term portions of debt approximate fair value because the applicable interest rates on these liabilities are fixed at rates similar to prevailing market rates.

Fair value hierarchy

The Company's financial assets and liabilities that are recorded at fair value have been categorized into one of three categories based upon a fair value hierarchy. Fair values of assets and liabilities included in Level I are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level III valuations are based on inputs that are not readily observable and are significant to the overall fair value measurement.

At March 31 2010, the Company's investment in money market funds was the only financial instrument carried on the balance sheet at fair value. The investment is short term in nature and is accordingly valued at cost plus accrued interest, which approximates fair value. The Company has classified the determination of fair value of these investments as level 2, as the valuation methodology used by the Company includes an assessment of assets in quoted markets with similar interest rates and terms to maturity.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors. Market risk is comprised of currency risk, interest rate risk and other price risks.

Currency risk

The Company is exposed to foreign currency fluctuations on its loan to Agriturf Limited (see note 8) however is not exposed to fluctuations in foreign currency to the extent that all sales and expenditures are incurred in Canadian dollars. However, many of our products, including equipment and parts are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers. This may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases.

Interest rate risk

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate as a result of changes in market interest rates. Based on Company's outstanding long-term debt and obligations under capital lease at March 31, 2010, a one percent increase or decrease in market interest rates would impact Company's annual interest expense by approximately \$580,000. The Company's other financial instruments are not exposed to interest rate risk.

Other price risks

The Company does not currently have any financial instruments directly affected by changes in commodity prices or other price risks

Credit risk

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the Company's revenue is generated from customers in the farming and construction industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable and deposits with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. At March 31, 2010 December 31, 2009, \$3,941,485 (December 31, 2009 - \$2,660,623) of the Company's gross receivables were over 30 days in which the Company recorded \$454,352 (December 31, 2009 - \$518,708) of allowance for uncollectible amounts. In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect Company's outstanding accounts receivable was approximately 16 days for the rolling 12 month period ended March 31, 2010 (13 days for the year ended December 31, 2009) and no single outstanding customer balance represented more than 10% of total accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the period ended March 31, 2010 and 2009, all customer balances provided as bad debts were calculated based on 25% of accounts between 90 to 120 days outstanding and 85% on amounts over 120 days outstanding unless allowance for certain specified accounts requires a greater amount to be allowed for.

The Company recorded the following activity in its allowance for doubtful accounts during the three month period ended March 31, 2010:

Balance, December 31, 2009	\$	518,708
Additional allowance recorded		75,949
Amounts written-off as uncollectible		(140,305)
Balance, March 31, 2010	\$	454,352

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. At March 31, 2010, the Company's contractual obligations are described in note 19 above. As described in note 11, the Company has available for its current use, \$15 million of operating credit facilities for which no advances have been made. In addition, the Company has a committed reducing term facility in the amount of \$1.5 million to finance capital asset additions of which no amounts have been advanced.