



**INTERIM UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS OF**

Cervus Equipment Corporation

For the three and six month periods ended
June 30, 2010

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

Interim Unaudited Consolidated Balance Sheets

Interim Unaudited Consolidated Balance Sheets
June 30, 2010 and December 31, 2009


	2010		2009	
Assets				
Current assets:				
Cash and cash equivalents	\$	8,533,921	\$	13,453,188
Deposit for business acquisition (note 4)		-		6,810,000
Trade accounts receivable		26,839,541		13,398,559
Advances to related party (note 5)		2,483,072		2,111,069
Income taxes receivable		174,392		-
Future income tax asset (note 15)		6,317,000		7,985,882
Inventories (note 6)		104,744,047		89,150,468
Prepaid expenses and deposits		648,353		1,340,293
		149,740,326		134,249,459
Investments, at equity (note 7)		4,050,734		1,886,994
Other long-term assets (note 8)		2,914,339		1,420,139
Deposits with manufacturers		954,288		1,648,522
Other intangible assets (note 9)		23,786,400		11,020,633
Equipment (note 10)		15,226,044		10,338,266
Future tax asset (note 15)		59,670,814		62,081,695
Goodwill		3,866,174		3,199,680
	\$	260,209,119	\$	225,845,388
Liability and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	\$	13,519,416	\$	9,980,596
Customer deposits		2,270,787		2,689,191
Floor plan payables (note 12)		57,313,002		40,426,213
Dividends payable		2,628,877		2,545,131
Current portion of deferred credit (note 15)		5,807,000		7,148,027
Current portion of term debt (note 13)		4,631,536		4,004,196
Current portion of notes payable (note 14)		2,606,613		366,667
		88,777,231		67,160,021
Term debt (note 13)		2,671,991		1,838,739
Notes payable (note 14)		8,095,275		491,666
Deferred credit (note 15)		56,527,973		57,260,521
		156,072,470		126,750,947
Shareholders' equity (note 16):				
Shareholders' capital		71,428,355		65,765,665
Share purchase loans		(110,304)		(165,895)
Deferred share plan		2,123,975		1,814,408
Contributed surplus		2,896,785		2,881,977
Retained earnings		27,797,838		28,798,286
		104,136,649		99,094,441
Subsequent events (note 25)				
Commitments and contingencies (note 19)				
	\$	260,209,119	\$	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 and Six Month Periods Ended June 30, 2010 and 2009

	Three month period ended June 30, 2010	Three month period ended June 30, 2009	Six month period ended June 30, 2010	Six month period ended June 30, 2009
Revenue:				
Equipment sales	\$ 100,796,998	\$ 84,702,901	\$ 146,890,852	\$ 135,930,508
Parts	14,402,376	12,496,766	25,915,482	21,295,561
Service	10,420,958	7,232,380	18,308,141	12,613,501
Rentals	2,307,143	1,269,129	4,013,670	2,201,307
	127,927,475	105,701,176	195,128,145	172,040,877
Cost of sales (note 17)	105,737,296	85,645,871	157,665,917	138,855,871
Gross profit	22,190,179	20,055,305	37,462,228	33,185,006
Expenses:				
Selling, general and administrative (note 21)	16,274,218	12,775,019	31,193,986	24,170,790
Interest	365,863	168,236	704,745	388,637
Depreciation and amortization	1,246,706	746,842	2,343,107	1,430,735
Earnings before other income (expense)	4,303,392	6,365,208	3,220,390	7,194,844
Other income (expense):				
Gain on disposal of property and equipment	127,377	93,059	174,472	180,505
Foreign exchange gain (loss)	37,133	-	(7,685)	-
Interest and other income	273,174	234,434	512,225	599,618
Equity earnings of significantly influenced companies (note 7)	503,437	637,088	518,172	1,030,046
Net earnings before income taxes	5,244,513	7,329,789	4,417,574	9,005,013
Future income tax expense (note 15)	182,188	-	182,188	-
Net earnings and comprehensive income	\$ 5,062,325	\$ 7,329,789	\$ 4,235,386	\$ 9,005,013
Retained earnings, beginning of period	\$ 25,364,375	\$ 20,920,389	\$ 28,798,286	\$ 21,838,111
Net earnings	5,062,325	7,329,789	4,235,386	9,005,013
Dividends to shareholders	(2,628,862)	(2,536,839)	(5,235,834)	(5,129,785)
Retained earnings, end of period	\$ 27,797,838	\$ 25,713,339	\$ 27,797,838	\$ 25,713,339
Net earnings per unit (note 16):				
Basic	\$ 0.36	\$ 0.52	\$ 0.30	\$ 0.64
Diluted	\$ 0.35	\$ 0.51	\$ 0.29	\$ 0.63

See accompanying notes to interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statement of Cash Flows

For the Three and Six Month Periods Ended June 30, 2010 and 2009

	Three month period ended June 30, 2010	Three month period ended June 30, 2009	Six month period ended June 30, 2010	Six month period ended June 30, 2009
Cash flows from (used in):				
Operating activities:				
Net earnings for period	\$ 5,062,325	\$ 7,329,789	\$ 4,235,386	\$ 9,005,013
Add items not affecting cash:				
Depreciation and amortization expense	1,861,239	1,159,048	3,568,216	2,296,102
Forgiveness of employee purchase loans	27,795	27,795	55,591	55,590
Share based compensation expense	120,532	6,856	176,552	11,146
Foreign exchange loss (gain)	(37,133)	-	7,685	-
Gain on disposal of assets	(127,377)	(93,059)	(174,472)	(180,505)
Future income taxes	182,188	-	182,188	-
Equity earnings from significantly influenced companies	(503,437)	(637,088)	(518,172)	(1,030,046)
	6,586,132	7,793,341	7,532,974	10,157,300
Net change in non-cash working capital related to operations	(1,855,975)	(9,449,509)	(5,687,448)	(22,384,444)
Net cash provided by (used in) operating activities	4,730,157	(1,656,168)	1,845,526	(12,227,144)
Financing activities:				
Issuance of shares	162,413	277,117	301,491	562,825
Repayment of term debt	(963,955)	(602,969)	(1,742,386)	(1,772,561)
Dividends	(2,625,629)	(2,536,339)	(5,170,760)	(5,124,997)
Decrease (increase) in deposits with John Deere	272,537	9,985	434,111	(26,628)
Repayment of notes payable	-	-	(100,000)	(100,000)
Net cash used in financing activities	(3,154,634)	(2,852,206)	(6,277,544)	(6,461,361)
Investing activities:				
Advances from short-term loan	-	-	-	662,462
Advances from (to) related party	(72,787)	458,993	(372,003)	1,002,480
Purchase of equipment, net of proceeds	(323,758)	(285,250)	(919,933)	(339,013)
Repayment from investment in significantly influenced companies	692,985	696,307	992,985	696,307
Increase in other long-term assets	(794,303)	(12,098)	(1,868,366)	(11,616)
Proceeds from business acquisitions (note 4)	-	-	1,680,068	-
Net cash provided by (used in) investing activities	(497,863)	857,952	(487,249)	2,010,620
Increase (decrease) in cash	1,077,660	(3,650,422)	(4,919,267)	(16,677,885)
Cash and cash equivalents, beginning of period	7,456,261	22,224,885	13,453,188	35,252,348
Cash and cash equivalents, end of period	\$ 8,533,921	\$ 18,574,463	\$ 8,533,921	\$ 18,574,463

Cash and cash equivalents is comprised of cash on hand and in bank of \$3,922,041 (2009 - \$3,717,052) and money market funds of \$4,611,880 (2009 - \$14,857,411).

Supplemental cash flow information (note 18)

See accompanying notes to interim unaudited consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Six Month Period ended June 30, 2009 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, construction and industrial equipment, 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. The Company has adopted this accounting change prospectively 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 these accounting changes 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

- a) 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 carrying value of 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 and six month periods ended June 30, 2010 was \$15,761 and \$33,173 (2009 - \$12,246 and \$30,790).

6. Inventories

	2010	2009
New equipment	\$ 40,982,954	\$ 35,094,705
Used equipment	48,336,930	42,093,224
Parts and accessories	14,481,627	11,553,029
Work-in-progress	942,536	409,510
	\$ 104,744,047	\$ 89,150,468

7. Investments, at equity

	2010	2009
Investment in significantly influenced companies:		
Maple Farm Equipment Partnership (20% interest) (note 4)	\$ 3,438,921	\$ -
101034350 Saskatchewan Ltd. (33% interest)	-	650,607
Greenway Sprayers (38% interest)	-	372,197
Deer Star Systems Inc. (36% interest, 2009 - 33%)	611,813	864,190
	\$ 4,050,734	\$ 1,886,994

During the three and six month periods ended June 30, 2010, the Company recorded \$503,437 and \$518,172 (2009 - \$637,088 and \$1,030,046) respectively for 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 was recorded as an account receivable which has been collected as at June 30, 2010. In addition, during the three month period ended June 30, 2010, the Company sold and received payment for its interest in 101034350 Saskatchewan Ltd. at net book value to Maple Farm Equipment Partnership.

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	2,744,074	883,394
Cash surrender value of life insurance	101,458	102,729
	\$ 2,914,339	\$ 1,420,139

During the three and six month period ended June 30, 2010, the Company advanced an additional NZ\$1,086,000 and NZ\$2,550,000 respectively and combined with the advances made during 2009, the Company has advanced an aggregate of NZ\$3,700,000 to Agriturf Limited ("Agriturf"), a New Zealand company. The funds were used to purchase 60.28% equity interest in Agriturf which has been completed subsequent to June 30, 2010. Agriturf consists of six authorized John Deere dealership with locations on the north island of New Zealand. During the three and six month period ended June 30, 2010, interest of \$15,750 and \$26,215 (2009 \$nil) has been recorded in interest and other income and a foreign exchange gain (loss) of \$37,133 and (\$7,685), (2009 - \$nil) has been included in net earnings.

9. Other intangible assets

2010	Cost	Accumulated amortization	Net book value
Dealership distribution agreements	\$ 17,145,000	\$ 2,065,656	\$ 15,079,344
Trade name	3,100,000	77,500	3,022,500
Customer lists	7,390,000	2,271,650	5,118,350
Non-competition agreements	1,891,109	1,324,903	566,206
	\$ 29,526,109	\$ 5,739,709	\$ 23,786,400

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	\$ 15,280,688	\$ 5,964,085	\$ 9,316,603
Automotive and trucks	5,379,753	2,690,728	2,689,025
Furniture and fixtures	2,350,405	1,499,582	850,823
Parts and shop equipment	2,837,935	1,613,115	1,224,820
Computers and software	1,458,233	857,183	601,050
Leasehold improvements	1,878,808	1,335,085	543,723
	\$ 29,185,822	\$ 13,959,778	\$ 15,226,044

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 June 30, 2010 and December 31, 2009, the Company has an operating bank line of credit to a maximum amount of \$15,000,000 of which \$2,400,000 (December 31, 2009 - \$1,500,000) has been utilized for outstanding letters of credit issued to John Deere (see note 19). In addition, the Company has \$1,500,000 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 June 30, 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 determination to use other Company assets to repay the financings earlier. 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.	\$ 1,250,000	\$ 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	5,015,008	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	1,006,489	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	32,030	48,172
	7,303,527	5,842,935
Less: current portion	(4,631,536)	(4,004,196)
	\$ 2,671,991	\$ 1,838,739

Estimated principal repayments required over the next five years are as follows:

2011	\$ 4,631,536
2012	1,221,353
2013	1,113,049
2014	260,518
2015	77,071
	\$ 7,303,527

14. Notes payable

As a result of past business acquisitions, 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%	9,943,555	-
	10,701,888	858,333
Less: current portion	(2,606,613)	(366,667)
	\$ 8,095,275	\$ 491,666

Principal repayments required over the next five years are as follows:

2011	\$ 2,606,613
2012	2,762,425
2013	2,589,480
2014	2,743,370
	\$ 10,701,888

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%) for the three and six month periods ended June 30 due to the following:

	Three Months Ended		Six months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net earnings before income taxes	\$ 5,244,513	\$ 7,329,789	\$ 4,417,574	\$ 9,005,013
Expected income tax expense	1,499,931	2,169,618	1,262,313	2,665,484
Impact of flow through partnership income and equity earnings	-	(2,169,618)	-	(2,665,484)
Non-deductible costs and other	755,832	-	993,450	-
Future income tax recovered from benefit of tax loss carry-forwards	(2,073,575)	-	(2,073,575)	-
Income tax expense	\$ 182,188	\$ -	\$ 182,188	\$ -

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

	June 30, 2010	December 31, 2009
Tax values over carrying value of tangible assets	\$ 695,616	\$ 1,212,021
Carrying values over tax value of intangible assets	(3,766,703)	(1,855,824)
Benefit of non-capital losses carried forward	56,345,555	57,997,725
Federal investment tax credits	12,909,816	12,909,816
Benefit of capital losses carried forward	19,354,425	19,353,063
Total future tax asset	85,538,709	89,616,801
Less:		
Valuation allowance for non-capital losses carried forward	(196,470)	(196,161)
Valuation allowance for capital losses carried forward	(19,354,425)	(19,353,063)
Total future income tax asset	65,987,814	70,067,577
Current portion of future income tax asset	(6,317,000)	(7,985,882)
Future income tax asset	\$ 59,670,814	\$ 62,081,695

Cervus has a deferred credit as follows:

	June 30, 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	(2,073,575)	(7,479,599)
Total deferred tax credit	62,334,973	64,408,548
Current portion of deferred tax credit	5,807,000	7,148,027
Balance, end of period	\$ 56,527,973	57,260,521

Cervus has available for carry forward, the following:

	June 30, 2010	December 31, 2009
Non-capital losses	\$ 215,377,528	\$ 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	-	-	24,246	301,491	301,491
Balance June 30, 2010	425,492	\$ 5,361,199	14,163,860	\$ 66,067,156	\$ 71,428,355

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 during the six month period ended June 30, 2010.

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	33,090	6.20
Granted under share option plan	37,420	12.05
Outstanding, June 30, 2010	70,510	\$ 9.30

The weighted average remaining life of the options is 4.4 years (2009 - 4.1 years). During the three month period ended June 30, 2010, 37,420 shares (year ended December 31, 2009 - 36,719 shares) were granted and nil (year ended December 31, 2009 - 18,629) options were forfeited due to employees leaving the employ of the Company prior to the options vesting.

The fair value of the options issued in the three month period ended June 30, 2010, calculated using the Black-Scholes option pricing model, was \$6.31 per share using a risk free interest rate of 1.7%, expected life of 5 years, expected annual distribution of 5.98% and an expected unit price volatility of 101%. For the three and six month period ended June 30, 2010, \$11,339 and \$14,808 (2009 - \$6,856 and \$11,146) respectively, has been recorded as compensation cost related to these options.

Contributed surplus

Changes in contributed surplus are as follows:

Balance, December 31, 2008	\$ 2,860,125
Issue of share options	21,852
Balance, December 31, 2009	2,881,977
Issue of share options	14,808
Balance, June 30, 2010	\$ 2,896,785

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 June 30, 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:

Three month period ended June 30	2010	2009
Weighted average number of shares used in basic earnings per share	14,161,820	14,087,042
Effect of dilutive securities:		
Deferred share plan	324,498	162,899
Share options	17,192	8,295
Weighted average number of shares used in diluted earnings per share	14,503,510	14,258,236

Six month period ended June 30	2010	2009
Weighted average number of shares used in basic earnings per share	14,155,697	14,063,285
Effect of dilutive securities:		
Deferred share plan	324,498	162,899
Share options	19,970	4,814
Weighted average number of shares used in diluted earnings per share	14,500,165	14,230,998

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 and six month period ended June 30, 2010, the Company issued 12,376 and 24,246 (2009 - 39,572 and 91,800) shares respectively under this plan. During the six month period ended June 30, 2010, the average issue price of the shares was \$12.43 (2009 - \$6.13).

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 and six month periods ended June 30, 2010 are \$130,942 and \$260,400 (2009 - \$124,289 and \$200,592) respectively for contributions made on behalf of the Company's employees.

Deferred share plan

As at June 30, 2010, 324,498 (December 31, 2009 - 295,741 and June 30, 2009 - 162,899) deferred shares have been issued under the deferred share plan and remain outstanding. The matching component of the plan totals \$1,168,367 (December 31, 2009 - \$1,061,986 and June 30, 2009 - \$580,405) and during the three and six month period ended June 30, 2010, \$109,193 and \$161,744 (2009 - \$33,320 and \$60,836) respectively 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 six month period ended June 30, 2010, no loans were provided to employees and during the three and six month period ended June 30, 2010 and 2009, \$27,795 and \$55,590 has been forgiven and recorded as compensation expense.

17. Cost of sales

The following amounts have been included in cost of sales:

	Three month period ended		Six month period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Depreciation and amortization	\$ 614,533	\$ 412,206	\$ 1,225,109	\$ 865,367
Interest expense	68,008	44,491	114,687	83,065
	\$ 682,541	\$ 456,697	\$ 1,339,796	\$ 948,432

18. Supplemental cash flow information

	Three month period ended		Six month period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
The following cash payments have been included in the determination of net earnings:				
Interest paid	\$ 277,884	\$ 197,378	\$ 478,380	\$ 441,106
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 June 30, 2010 payments in arrears by such customers aggregated \$223,800 (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 June 30, 2010, the net residual value of such leases aggregated \$52,801,080 (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	\$	4,711,555
2012		3,570,420
2013		3,111,703
2014		2,529,091
2015		1,895,393
Thereafter		4,144,974
	\$	19,963,136

- (c) The Company has irrevocable standby letters of credit to John Deere in the amount of \$2,400,000 (December 31, 2009 - \$1,500,000). As part of the Company's purchase of its 60% equity interest in Agriturf (see notes 8 and 25), an additional \$900,000 irrevocable standby letter of credit was issued to John Deere in the three month period ended June 30, 2010. 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

b) 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 and 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 of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

	Three month period ended		Six month period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Expenses				
Real estate rentals	\$ 677,075	\$ 631,919	\$ 1,334,147	\$ 1,259,763
Guarantee fees	20,625	20,625	41,250	41,250
Revenue				
Management fees	7,500	7,500	15,000	15,000
Interest on advances	15,761	12,246	33,173	30,790

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 June 30, 2010 and 2009, the Fund has outstanding guarantees with John Deere aggregating \$2,750,000.

c) Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating \$6,400,000. During the three and six month period ended June 30, 2010 and 2009 the Company paid these individuals \$48,000 and \$96,000 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.

d) During the three and six month period ended June 30, 2010, the Company transacted in the normal course of business, \$43,083 and \$59,134 (2009 - \$98,634 and \$100,489) respectively of parts and service purchases 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 the agricultural equipment segment and the construction and industrial equipment segment. The segment amounts are as follows:

Six months ended June 30, 2010	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 143,288,722	\$ 51,839,423	\$ 195,128,145
Net earnings	3,768,286	467,099	4,235,385
Income tax expense	95,560	85,628	182,188
Earnings of significantly influenced Companies	518,172	-	518,172
Investment in significantly influenced companies	4,050,734	-	4,050,734
Depreciation and amortization	1,058,254	2,509,962	3,568,216
Interest expense	328,443	490,989	819,432
Capital expenditures	1,037,793	3,076,298	4,114,091
Total assets	154,909,408	105,299,711	260,209,119
Other intangible assets	6,087,646	17,698,754	23,786,400
Goodwill	1,672,680	2,193,494	3,866,174

Six months ended June 30, 2009	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 142,015,311	\$ 30,025,566	\$ 172,040,877
Net earnings	9,489,115	(484,102)	9,005,013
Income tax expense	-	-	-
Earnings of significantly influenced companies	1,030,046	-	1,030,046
Investment in significantly influenced companies	2,653,938	-	2,653,938
Depreciation and amortization	902,577	1,393,525	2,296,102
Interest expense	237,435	234,267	471,702
Capital expenditures	987,133	743,342	1,730,475
Total assets	104,491,129	55,533,070	160,024,199
Other intangible assets	4,864,328	6,385,750	11,250,078
Goodwill	1,672,680	1,527,000	3,199,680

Three months ended June 30, 2010	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 98,977,142	\$ 28,950,333	\$ 127,927,475
Net earnings	4,474,677	587,647	5,062,324
Income tax expenses	95,560	85,628	182,188
Earnings of significantly influenced Companies	503,437	-	503,437
Investment in significantly influenced companies	4,050,734	-	4,050,734
Depreciation and amortization	559,588	1,301,651	1,861,239
Interest	216,811	217,060	433,871
Capital expenditures	565,255	1,674,411	2,239,666
Total assets	154,909,408	105,299,711	260,209,119
Other intangible assets	6,087,646	17,698,754	23,786,400
Goodwill	1,672,680	2,193,494	3,866,174

Three months ended June 30, 2009	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 89,551,141	\$ 16,150,035	\$ 105,701,176
Net earnings	7,221,879	107,910	7,329,789
Income tax expense	-	-	-
Earnings of significantly influenced companies	637,088	-	637,088
Investment in significantly influenced companies	2,653,938	-	2,653,938
Depreciation and amortization	471,630	687,418	1,159,048
Interest	96,344	116,383	212,727
Capital expenditures	430,152	507,409	937,561
Total assets	104,491,129	55,533,070	160,024,199
Other intangible assets	4,864,328	6,385,750	11,250,078
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:

	June 30, 2010	December 31, 2009
Total debt	\$ 156,072,470	\$ 126,750,947
Adjusted equity:		
Total equity	\$ 104,136,649	\$ 99,094,441
Less other intangible assets and goodwill	(27,652,574)	(14,220,313)
Adjusted equity	\$ 76,484,075	\$ 84,874,128
Total debt to adjusted equity ratio	2.04 to 1	1.49 to 1
Adjusted assets:		
Total assets	\$ 260,209,119	\$ 225,845,388
Less other intangible assets and goodwill	(27,652,574)	(14,220,313)
Adjusted assets	\$ 232,556,545	\$ 211,625,075
Adjusted equity (above)	\$ 76,484,075	\$ 84,874,128
Adjusted assets to adjusted equity ratio	3.04 to 1	2.49 to 1

The increase in total debt to adjusted equity ratio and adjusted assets to adjusted equity ratio during the six months ended June 30, 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 June 30 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 June 30, 2010, a one percent increase or decrease in market interest rates would impact Company's annual interest expense by approximately \$612,000. 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 June 30, 2010, \$5,088,216 (December 31, 2009 - \$2,660,623) of the Company's gross receivables were over 30 days in which the Company recorded \$449,237 (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 June 30, 2010 (13 days for the year ended December 31, 2009 and 15 days for the six month period ended June 30, 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 June 30, 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 six month period ended June 30, 2010:

Balance, December 31, 2009	\$	518,708
Additional allowance recorded		263,918
Amounts written-off as uncollectible		(333,389)
Balance, June 30, 2010	\$	449,237

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 June 30, 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, \$15,000,000 of operating credit facilities less \$2,400,000 for irrevocable letters of credit issued to John Deere 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.

25. Subsequent events

On July 13, 2010, the Company completed a transaction whereby it has acquired control through a 60.28% equity interest in a subsidiary, Agriturf, a private New Zealand corporation for a purchase price of \$2,744,074. The purchase price was paid by the conversion of the loan described in note 8 into 215,534 common shares out of a total of 357,561 issued and outstanding in Agriturf. The purchase price has been estimated to be allocated as follows:

Net assets purchased:		
Accounts receivable	\$	1,172,609
Inventories		4,273,975
Property and equipment		4,133,145
Deposits with John Deere finance		265,999
Goodwill and other intangibles		912,315
Accounts payable and accrued liabilities		(1,400,695)
Floor plan payable		(2,023,378)
Term debt		(2,784,943)
Minority interest		(1,804,953)
Purchase price of 60.28% partnership interest in Agriturf	\$	2,744,074