

# CERVUS LP 2008 THIRD QUARTER REPORT TO THE UNITHOLDERS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of November 12, 2008 and is provided to assist readers in understanding Cervus LP's financial performance for the three and nine month periods ended September 30, 2008 and significant trends that may affect future performance of Cervus LP. This MD&A should be read in conjunction with the accompanying unaudited consolidated financial statements for the period ended September 30, 2008 and the notes contained therein. The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and Cervus LP's reporting currency is the Canadian dollar. Cervus LP is a reporting issuer in the provinces of Alberta and British Columbia, Canada. Cervus LP's units trade on the TSX Venture Exchange under the symbol "CVL.UN".

Additional information relating to Cervus LP is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at [www.sedar.com](http://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 LP's 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".

### BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with Canadian GAAP. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 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 LP or a first 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 LP. 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 this MD&A we mention that our monthly distributions will remain at \$0.09 for the last quarter of 2008 and that our Dividend Reinvestment Program in relation to overall distributions is declining. At this time there is no reason to believe that our distributions will change from the current \$0.09 per unit due to the LP's cash and cash equivalents on hand. The DRIP program participation is at the control of the current unitholders and based on the trend being experienced during 2008, the fact that the DRIP participation continued to reduce for the October 31, 2008 distribution, the balance of 2008 distributions to be paid for the remainder of the year would appear to continue.

In addition, in the MD&A we discuss the taxation of our distributions. These estimates are based on internal financial statements, property and equipment additions and disposals experienced in the first nine months of 2008 and based on the actual number of units that are outstanding at September 30, 2008. Actual taxable income for the year ended December 31, 2008 will be subject to adjustments for the results of the fourth quarter of 2008. In our Market Outlook section we estimate that our fourth quarter of 2008 will be similar to the results experienced in 2007, excluding the acquisition made during the third quarter of 2008. Achieving these results is based on internal financial forecasts, changes in demand for our services between segments, seasonal weather conditions and commodity prices remaining stable.

# SELECTED CONSOLIDATED FINANCIAL INFORMATION

for the three and nine month periods ended September 30, 2008 and 2007

\$ thousands, except per unit amounts	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	% Change	September 30, 2008	September 30, 2007	% Change
Revenues	107,595	98,073	9.7	278,885	245,172	13.8
Gross profit	20,839	17,370	20.0	51,927	42,055	23.5
Gross margin	19.4%	17.7%	9.6	18.6%	17.2%	8.1
Net earnings	8,888	5,640	57.6	19,573	10,630	84.1
Per unit – Basic	0.96	0.74	29.7	2.30	1.48	55.4
Per unit - Diluted	0.95	0.71	33.8	2.28	1.42	60.6
Net cash provided by operating activities	10,939	8,064	35.7	21,278	17,200	23.7
Per unit – Basic	1.18	1.05	12.4	2.50	2.38	5.0
EBITDA <sup>1</sup>	10,214	7,127	43.3	23,860	14,960	59.5
EBITDA margin <sup>1</sup>	9.5%	7.3%	30.1	8.6%	6.1%	41.0
Per Unit – Basic	1.10	0.93	35.5	2.80	2.08	34.6
Distributions to general partner	107	-	100.0	148	86	72.1
Distributions to preferred partnership units	-	73	(100.0)	-	275	(100.0)
Distributions declared to limited partners	2,541	2,081	22.1	6,957	5,886	18.2
Per unit – basic	0.27	0.27	-	0.81	0.81	-

## \$ thousands, except per unit amounts

	September 30, 2008	September 30, 2007	% Change
Weighted average units outstanding:			
Basic – three months ended	9,255	7,652	20.9
Basic – nine months ended	8,514	7,205	18.2
Diluted – three months ended	9,335	7,940	17.6
Diluted – nine months ended	8,598	7,475	14.7
Actual units outstanding	9,417	7,738	21.7
Closing market price per share	14.20	14.73	(3.6)
Total assets	152,194	115,738	23.1
Long-term liabilities	6,485	9,918	(35.7)
Total debt	61,820	66,627	12.5
Unitholders' equity	90,374	49,111	45.0

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

## SELECTED HIGHLIGHTS FOR THE QUARTER

- On July 10, 2008, the LP completed a private placement issuing 1 million units for net proceeds of \$23.5 million.
- On September 5, 2008, the LP purchased a John Deere dealership with operations in Melfort and Prince Albert, SK for a total purchase price of approximately \$8.3 million.
- We reported net earnings of \$8.9 million in the third quarter of 2008. This represents an increase of 57.6% over net earnings of \$5.6 million for the third quarter of 2007.
- Earnings per unit have increased significantly for the third quarter of 2008. Basic earnings per unit have increased to \$0.96 per unit from \$0.74 per unit and to \$2.30 per unit from \$1.48 per unit for the three and nine month period ended September 30, 2008 and 2007, respectively.
- Revenue for the third quarter of 2008 was \$107.6 million, an increase of 9.7% compared to 2007 third quarter revenue of \$98.1 million.
- Net cash provided by operating activities increased to \$10.9 million in the third quarter of 2008. This represents an increase of 35.7% over \$8.1 million for the third quarter of 2007.
- EBITDA (see “Non-GAAP Financial Measures”) has increased to \$10.2 million (\$1.10 per unit) in the third quarter of 2008 when compared to \$7.1 million (\$0.93 per unit) for the third quarter of 2007, an increase of 43.3%
- The agriculture equipment segment reported record earnings of \$7.2 million for the third quarter of 2008 and \$14.6 million for the first nine months of 2008, an increase of 187% and 297% over the same periods of 2007.

## OVERALL PERFORMANCE FOR THE QUARTER

The agricultural equipment segment reported strong third quarter results with record increases in revenue and net earnings. The segment reported an increase of 18.9% in revenue which resulted in a 187% increase in net earnings. Revenue in the third quarter of 2008 increased to a record \$83.7 million and net earnings increased to \$7.2 million when compared to revenue of \$70.4 million and net earnings of \$2.5 million for the same period of 2007. Contributing to the increase in revenue was the continued optimism generated in the agriculture industry, backed by strong commodity prices and increased farmer cash flows during the period. Overall gross margin increased to 18.5% from 15.7% reported in the third quarter of 2007, an increase of 2.8% over 2007 results. This increase, coupled with consistent expenses to sales percentages, resulted in increased net earnings.

The construction equipment segment revenue decreased by \$3.8 million or 13.7% to \$23.9 million during the third quarter of 2008 when compared \$27.7 million for the same period in 2007. The decrease in revenue was a combination of a reduction in retail pricing from the strengthening Canadian dollar together with a decrease in sales as a result of a softening housing market in Alberta during 2008 compared to 2007. The construction segment contributed \$1.7 million in net earnings in the third quarter of 2008 when compared to \$3.1 million in 2007, a decrease of \$1.4 million or 47%. The segment's overall gross margin was 22.4% in the third quarter of 2008. This is comparable to the 22.8% overall gross margin reported in the third quarter of 2007. The decrease in net earnings is primarily attributed to the reduction in overall revenues in the third quarter of 2008, combined with a general increase in selling, general and administrative expenses to 14.8% of revenue compared to 12.2% of revenue in the third quarter of 2007.

For the third quarter of 2008 basic earnings per unit was \$0.96 per unit compared to \$0.74 per unit in 2007, an increase of 29.7%.

Net cash flow provided by operating activities also increased to \$10.9 million for the third quarter of 2008 or \$1.18 per basic unit outstanding from \$8.1 million in the third quarter of 2007 or \$1.05 per basic unit outstanding.

EBITDA (see “Non-GAAP Financial Measures”) increased to \$10.2 million in the third quarter of 2008 compared to \$7.1 million in the same period of 2007, an increase of \$3.1 million or 43%. This is primarily attributed to increased earnings of \$3.2 million combined with a decrease in interest expense of \$289 thousand and an increase in depreciation and amortization expense of \$129 thousand.

# FINANCIAL REVIEW

for the Three and Nine Months Ended September 30, 2008 and 2007

## REVENUE

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	% change	September 30, 2008	September 30, 2007	% change
Revenues by segment:						
Equipment	66,690	55,994	19.1	165,939	127,218	30.4
<i>New</i>	34,160	27,749	23.1	104,889	72,242	45.2
<i>Used</i>	32,530	28,245	15.2	61,050	54,976	11.0
Parts	11,636	9,634	20.8	22,577	20,158	12.0
Service	5,255	4,479	17.3	12,746	10,698	19.1
Rental and other	133	285	(53.3)	247	536	(53.9)
Agricultural equipment	83,714	70,392	18.9	201,509	158,610	27.0
Equipment	16,648	20,946	(20.5)	57,284	68,143	(15.9)
<i>New</i>	14,701	19,588	(24.9)	51,050	61,177	(16.6)
<i>Used</i>	1,947	1,358	43.4	6,234	6,966	(10.5)
Parts	3,189	2,942	8.3	9,443	8,787	7.5
Service	2,161	1,689	27.9	5,889	4,862	21.1
Rental and other	1,883	2,104	(10.5)	4,760	4,770	(0.2)
Construction equipment	23,881	27,681	(13.7)	77,376	86,562	(10.6)
Total	107,595	98,073	9.7	278,885	245,172	13.7

## AGRICULTURAL EQUIPMENT

Revenue for our agricultural equipment segment increased by \$13.3 million for the three month period ended September 30, 2008 and \$42.9 million year to date when compared to the same periods of 2007. Same store sales increased \$29.5 million for the nine month period ended September 30, 2008 while the purchase of the John Deere dealership ("Olds") in May 2007 and Northeast AG Partnership ("Northeast") in September 2008 contributed approximately \$22.6 million and \$9.1 million in gross revenue in the first nine months of 2008 and 2007 respectively.

New and other equipment sales increased approximately \$6.4 million in the third quarter of 2008 and \$32.6 million year to date when compared to the same periods of 2007. Same store sales accounted for \$28.2 million of this increase in the nine months ended September 30, 2008. The increase was primarily related to new combine orders through John Deere's early order program from 2007 that were delivered in the third quarter of 2008. Used equipment sales increased by \$4.3 million in the third quarter of 2008 and \$6.1 million year to date when compared to the same periods of 2007. Same store sales accounted for \$682 thousand of the increase year to date. The increase in used equipment revenue was primarily due to the business acquisitions made in 2008 and 2007. The segment is also experiencing a change in mix between used and new equipment revenue as used equipment revenue represents 37% of equipment sales during the first nine months of 2008 versus 57% for the same period of 2007.

Our parts and service revenue has increased by approximately \$2.8 million in the third quarter of 2008 and \$4.5 million for the first nine months of 2008 when compared to the same periods of 2007. Same store parts revenue increased by \$547 thousand and same store service revenue increased by \$1.0 million during the first nine months of 2008 when compared to 2007. Same store parts revenue increased 2.8% during the first nine months of 2008 when compared to the same period in 2007. There has been approximately an 8% reduction in parts cost for the nine months ended September 30, 2008 due to exchange rate changes based on the average monthly exchange rate reported by the Bank of Canada between January and September 2008 and 2007. Actual growth in the parts department was approximately 10.8%, excluding the reduction in parts pricing. The increase in service revenue is primarily related to the increase in our new equipment sales related to our delivery and set up work performed as well as increased efficiencies being experienced by our technician staff.

## CONSTRUCTION EQUIPMENT

During the third quarter of 2008, revenue in our construction equipment segment decreased by \$3.8 million and \$9.1 million for the first nine months of 2008 when compared to the same periods in 2007. The decrease in our revenues has been primarily caused by a reduction in our new and used equipment sales which accounted for a \$4.3 million decrease in the third quarter of 2008 and \$10.8 million year to date when compared to the same periods of 2007. This reduction is a direct result of reduced housing starts in Alberta and a slow down being experienced in the oil & gas industry. Canada Housing and Mortgage Corporation estimates that the housing market in Alberta for single-detached housing starts will decrease by 43% during 2008 when compared to 2007 and will only increase slightly in 2009.

Parts and service revenues have increased \$719 thousand for the third quarter of 2008 and \$1.7 million for the first nine months of 2008 when compared to 2007. The parts and service revenues are a direct result of strong unit sales in prior years which have increased the machine population for our aftermarket sales and support. In addition, the tightening market has caused customers to extend the life of the equipment which has increased the demand for parts and service.

Rental income has decreased slightly by \$221 thousand during the third quarter of 2008 and is consistent for year to date revenue when compared to the same periods of 2007. The rental equipment revenue remains consistent due to the increased marketing efforts.

## GROSS PROFIT MARGINS

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	% change	September 30, 2008	September 30, 2007	% change
Gross profit by segment:						
Agricultural equipment	18.5%	15.7%	17.8	17.7%	15.5%	14.2
Construction equipment	22.4%	22.8%	(1.7)	20.9%	20.3%	3.0
Total	19.4%	17.7%	9.6	18.6%	17.2%	8.1

## AGRICULTURAL EQUIPMENT

Our gross margin in new and used equipment sales has increased by 2.2% in the third quarter of 2008 when compared to the same period of 2007. The equipment margins have improved because of strong demand for new equipment inventories and competitive pricing of our used equipment inventories received on trade. Used equipment write-downs recorded during the first nine months of 2008 were approximately \$1.1 million versus \$1.5 million in the same period of 2007.

We continue to pre-sell early order program trades in the current year so as to better match the trades with the selling season and therefore not leave valuations of our inventories to later periods that may be affected by foreign exchange market fluctuations as the valuation of the used equipment is performed using the U.S. dollar as a benchmark. Historically, used equipment sales accepted on early order program trades would not normally materialize until the new equipment was received and delivered which had a negative impact on our gross margin when the US dollar was weakening over the past few years (8% and 10% between January and September 2008 and 2007 and 2007 and 2006 respectively).

Gross profit margins in our parts and service departments have improved during the three and nine month periods ending September 30, 2008 when compared to the same periods of 2007 due to reduced purchase costs due to a stronger Canadian dollar and improved efficiencies in our service department.

## CONSTRUCTION EQUIPMENT

Gross profit margins have decreased only slightly in the third quarter of 2008 by 0.4% and have increased by 0.6% for the first nine months of 2008 when compared to the same period in 2007. The segment is experiencing tighter margins on new and used equipment sales which have resulted in a decrease in gross margins of approximately 1.6% in 2008 when compared to 2007 due to increased competitive pressure. The segment is experiencing higher margins in its parts for the three and nine month period ended September 30, 2008 when compared to the same periods of 2007 due to lower purchasing costs. The service department has experienced a lower margin in the three and nine month period ended September 30, 2008 when compared to the same periods of 2007 as slowing markets has placed pressure on the efficiencies of the service department.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	% change	September 30, 2008	September 30, 2007	% change
Selling, general and administrative expenses by segment:						
Agricultural equipment	7,945	7,530	5.5	21,636	19,770	9.4
Construction equipment	3,523	3,390	3.9	10,800	10,122	6.7
Total	11,468	10,920	5.1	32,436	29,892	8.5
% of revenue						
Agricultural equipment	9.5	10.7	(11.2)	10.7	12.5	(14.4)
Construction equipment	14.7	12.2	20.5	14.0	11.7	19.7
Total	10.7	11.1	(3.6)	11.6	12.2	(4.9)

### AGRICULTURAL EQUIPMENT

The agricultural equipment segment reported an increase in selling, general and administrative expenses of \$416 thousand during the third quarter of 2008 and \$1.9 million for the nine month period ended September 30, 2008. Same store selling, general and administrative expenses increased by \$185 thousand for the nine month period ended September 30, 2008 with the balance coming from business acquisitions made in 2007 and 2008. On a same store basis, the agricultural equipment division saw decreases in most categories except personnel expenses which increased on a same store basis by \$1.6 million or 0.9% of same store sales. Contributing to the increase in personnel expenses were general increases in wages and benefits due to annual increases, increased performance bonuses and an increase in commissions due to our increase in overall gross equipment sales. Offsetting the increase in personnel costs during the nine month period ended September 30, 2008 was a reduction in bad debt expense of \$984 thousand due to a significant loss experienced in 2007 from a management override of internal controls, a reduction in marketing expenses of \$292 thousand due primarily to a reduction in after-sales expenses, a reduction in general and administration expenses of \$263 thousand, and an increase in occupancy costs of \$105 thousand due to increased lease costs paid to Proventure Income Fund and general increases in taxes and maintenance costs.

### CONSTRUCTION EQUIPMENT

The construction equipment segment's selling, general and administrative expenses increased \$133 thousand or 3.9% for the third quarter of 2008 and \$678 thousand for the first nine months of 2008 when compared to the same periods during 2007. The primary reason for the increase in selling general and administrative expenses during the three month period ended September 30, 2008 was due to personnel costs having decreased \$125 thousand (increased \$75 thousand year to date), marketing increased \$50 thousand (\$125 thousand year to date), general operating expenses increased \$192 thousand (\$241 thousand year to date), bad debts expense decreased \$10 thousand (increased \$181 thousand year to date) and occupancy costs increased \$26 thousand (\$57 thousand year to date). During the nine month period ended September 2008 and 2007, personnel costs increased primarily due to the hiring a general manager for this segment in April 2008, marketing costs increased due to additional advertising and promotion being spent due to increased competition, general and operating expenses have increased in most categories, bad debts have increased due to specific bad debts realized on certain customer accounts and occupancy costs have increased due to increase in lease costs to Proventure and general increases in taxes and maintenance costs.

## INTEREST

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	\$ change	September 30, 2008	September 30, 2007	\$ change
Interest by segment:						
Agricultural equipment	22	280	(258)	548	839	(291)
Construction equipment	154	185	(31)	572	552	20
Total	176	465	(289)	1,120	1,391	(271)
% of revenue	0.2	0.5		0.40	0.6	

Interest expense for the LP is nominal due to the various types of floor plan obligations in place with some indebtedness having terms of 0% interest over several months. Most of the LP's interest expense is related to term debt arrangements and other long-term debt agreements for rental fleet equipment, automotive and other equipment purchases. The decrease in overall interest expense is due to positive cash flows being generated by operations and the LP which has decreased interest expense paid on previously utilized bank operating funds.

## DEPRECIATION AND AMORTIZATION

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	\$ change	September 30, 2008	September 30, 2007	\$ change
Depreciation and amortization by segment:						
Agricultural equipment	329	289	40	881	731	150
Construction equipment	821	732	89	2,286	2,208	78
Total	1,150	1,021	129	3,167	2,939	228

### AGRICULTURAL EQUIPMENT

The agricultural equipment segment depreciation and amortization increased by \$40 thousand for the third quarter of 2008 and \$150 thousand for the first nine months of 2008 when compared to the same periods of 2007. The primary reason for the increase was due to the amortization of property and equipment and other intangible assets related to the acquisition of the John Deere dealerships in the third quarter of 2008 and 2007.

### CONSTRUCTION EQUIPMENT

The construction equipment segment reported an increase in depreciation and amortization of \$89 thousand in the third quarter of 2008 and \$78 thousand in the first nine months of 2008 when compared to the same periods in 2007. The primary reason for the fluctuation in depreciation and amortization is related to the rental equipment fleet additions and disposals each period.

### EBITDA (see "Non-GAAP Financial Measures")

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	\$ change	September 30, 2008	September 30, 2007	\$ change
EBITDA by segment:						
Agricultural equipment	7,571	3,081	4,490	16,042	5,255	10,787
Construction equipment	2,643	4,046	(1,403)	7,818	9,705	(1,887)
Total	10,214	7,127	3,087	23,860	14,960	8,900
% of revenue	9.5	7.3		8.6	6.1	

The increase in EBITDA (see "Non-GAAP Financial Measures") is primarily attributed to an increase in overall net earnings for the first nine months of 2008 when compared to 2007, the reduction in interest expense and the slight increase in depreciation and amortization expense.

## INCOME TAXES

On September 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT" tax) received Royal Assent. The impact of the SIFT tax was reflected in the September 30, 2007 Financial Statements when the tax was substantially enacted.

SIFTs' are certain publicly traded income and royalty trusts and limited partnerships, such as Cervus LP. For SIFTs in existence on October 31, 2006, the SIFT tax will be effective in 2011 unless certain rules related to "undue expansion" are not adhered to. Under the guidance provided, we can increase our equity by approximately \$50 million per year between now and 2011 without prematurely triggering the SIFT tax.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any limited partnership taxable income will be taxed at a rate of between 26% and 27%, being the estimated corporate income tax rate. The resultant distributions will be considered taxable to the Unitholders as dividends. Up to 2011, distributions representing return of capital for income tax purposes will continue to be an adjustment to a Unitholders adjusted cost base of the partnership units.

For accounting purposes, the LP assessed its temporary differences between book and tax basis of assets and liabilities and determined that no additional future income tax liability or future income tax expense was required at this time. It is the intention of the LP to manage the difference between its book value of its assets and liabilities so that the tax basis of the assets and liabilities are substantially the same at December 31, 2010.

On July 14, 2008, the Department of Finance released proposed amendments to the Income Tax Act (Canada) to facilitate the conversion of existing income trusts, REITs and other public flow-through entities, such as the LP, into corporations on a tax deferred basis. The conversion rules provide tax efficient structuring options to convert to corporate entities in advance of the 2011 taxation year at which time most income trusts would be subject to a new entity-level tax based on corporate income tax rates. Under the conversion rules there are two basic tax-efficient conversion strategies. One allows Unitholders to directly exchange their income trust units for shares in the public corporation (the "exchange method") and the other allows the income trust to redeem the outstanding income trust units by distributing to Unitholders, the shares of the underlying corporation that directly or indirectly owns the business (the "distribution method"). The conversion rules are complex and the LP is continuing to assess the related options. While there can be no assurance that the negative effect of the tax can be minimized or eliminated, we continue to work diligently on these issues.

## OUTSTANDING SHARE DATA

As of the date of this report, there are 9,438,621 limited partnership units outstanding and no warrants, deferred unit plan units or options have been exercised since September 30, 2008. The only change in our outstanding limited partnership units was the increase of 21,447 units as a result of DRIP on October 15, 2008.

As at September 30, 2008, the LP had the following weighted average shares outstanding:

In thousands	3 Months ended Sep. 30, 2008	9 months ended Sep. 30, 2008	3 months ended Sep. 30, 2007	9 months ended Sep. 30, 2007
Basic weighted average number of units outstanding	9,255	8,514	7,652	7,205
Dilutive effect of convertible preferred units	-	-	256	256
Dilutive impact of deferred unit plan	48	48	4	4
Dilutive impact of unit options	-	-	14	10
Dilutive effect of outstanding warrants	32	36	14	-
Diluted weighted average number of units outstanding	9,335	8,598	7,940	7,475

## NET EARNINGS

\$ thousands	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	\$ change	September 30, 2008	September 30, 2007	\$ change
Net earnings by segment:						
Agricultural equipment	7,219	2,512	4,707	14,613	3,686	10,927
Construction equipment	1,669	3,128	(1,459)	4,960	6,944	(1,984)
Total	8,888	5,640	3,248	19,573	10,630	8,943

## EARNINGS PER UNIT

Earnings per unit by segment:	Three Months Ended			Nine Months Ended		
	September 30, 2008	September 30, 2007	% change	September 30, 2008	September 30, 2007	% change
Basic:						
Agricultural equipment	\$ 0.78	\$ 0.33	136	\$ 1.71	\$ 0.51	235
Construction equipment	0.18	0.41	(56)	0.59	0.97	(39)
Total	\$ 0.96	\$ 0.74	30	\$ 2.30	\$ 1.48	55
Diluted:						
Agricultural equipment	\$ 0.77	\$ 0.32	141	\$ 1.70	\$ 0.49	247
Construction equipment	0.18	0.39	(54)	0.58	0.93	(38)
Total	\$ 0.95	\$ 0.71	34	\$ 2.28	\$ 1.42	61

## AGRICULTURAL EQUIPMENT

The agricultural equipment sector reported an increase in net earnings of 187% for the third quarter of 2008 and 296% for the first nine months of 2008 when compared to the same periods in 2007. The primary reason for the overall increase was due to the increase in gross sales which required a nominal increase in selling, general and administrative expenses and an increase in overall gross margin of 2%.

## CONSTRUCTION EQUIPMENT

The construction equipment sector experienced a decrease of 47% in net earnings in the third quarter of 2008 and 29% decrease for the first nine months of 2008 when compared to the same periods in 2007. The decrease in net earnings was primarily related to a decrease in gross sales and an increase in overall selling, general and administrative expenses as a percentage of sales.

# SUMMARY OF QUARTERLY INFORMATION

<b>\$ thousands, except per unit amounts</b>	<b>September 30, 2008</b>	<b>June 30, 2008</b>	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Revenues	107,595	112,626	58,664	59,790
Net earnings	8,888	8,444	2,241	755
Basic earnings per unit	0.96	1.03	0.28	0.10
Diluted earnings per unit	0.95	1.02	0.27	0.10

<b>\$ thousands, except per unit amounts</b>	<b>September 30, 2007</b>	<b>June 30, 2007</b>	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Revenues	98,073	86,953	60,147	67,335
Net earnings	5,640	4,833	156	970
Basic earnings per unit	0.74	0.68	.02	0.16
Diluted earnings per unit	0.71	0.64	.02	0.15

Sales activity for the agriculture segment is normally highest between April and September during growing seasons in Canada. The construction 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 four quarters commencing October 2007 through September 30, 2008, the LP reported 65% of its revenues and recognized 85% of its net earnings in the April through September period. This compares to 59% of its revenues and 90% of its net earnings in the previous four quarters presented. These trends are supported by the seasonality of our business operations which consists of our agriculture and construction segments. Most of the activity surrounding agriculture in Western Canada is performed during the April to September periods and a majority of our construction business is also performed during the same period. Changes in our construction revenues can fluctuate based on the amount of snowfall that is received during the periods October through March and the need for snow removal equipment and services are required.

## LIQUIDITY

<b>\$ thousands, except ratio amounts</b>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Current assets	121,428	85,138
Total assets	152,194	113,292
Current liabilities	55,335	55,990
Long-term liabilities	6,485	8,901
Unitholders' equity	90,374	48,401
Working capital	66,093	29,148
Working capital ratio (see "Non-GAAP Financial Measures")	2.19	1.52

## WORKING CAPITAL

Our working capital (see “Non-GAAP Financial Measures”) improved to \$66.1 million at September 30, 2008 when compared to December 31, 2007, an increase of \$36.9 million. In accordance with outstanding debt agreements, the LP is required to maintain a working capital ratio of no less than 1.25 to 1.

The LP’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 LP’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.

## LIQUIDITY RISK

The LP’s exposure to liquidity risk is dependent on its collection of outstanding accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain its normal operating activities. The LP manages this risk by managing its working capital, cash flows and through the availability of borrowing facilities, floor plan arrangements and private placement funding. Although the capital markets are very difficult to predict, especially given the recent volatility, the LP is not aware of any circumstances that will hinder the LP from meeting its financial obligations. The LP has approximately \$34 million in cash and cash equivalents on hand at September 30, 2008.

## BANK INDEBTEDNESS

At September 30, 2008 the LP has a non-committed operating bank line of credit to a maximum amount of \$15 million (2007 - \$12 million). The operating line of credit bears interest at rates ranging from bank prime to prime plus 0.5% based on certain financial covenants and is secured by a general security agreement representing a first charge on all of the LP’s assets and undertakings, a priority agreement between the bank, John Deere Limited and the LP, postponement and subordination of security interest between the bank, the LP, Cervus Corporation and Farm Credit Canada, unlimited guarantee of advances from the LP and priority agreement between the bank and CitiCapital Commercial Corporation, CIT Financial Ltd. and JCB Excavators Limited. As at September 30, 2008 and December 31, 2007, the LP 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 with at September 30, 2008 and to the date of this report.

## FLOOR PLAN PAYABLES

Floor plan payables consist of financing arrangements for the LP’s inventories. At September 30, 2008, floor plan payables are \$37.3 million (December 31, 2007 - \$38.9 million), a decrease of \$1.6 million during the period. Floor plan payables represent approximately 56% of our inventories at September 30, 2008 compared to 61% at December 31, 2007. 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 LP may take advantage of any programs made available to the LP by its key suppliers.

Due to the various preferred interest programs with our suppliers, including interest free periods, the effective interest rate on our floor plans for the nine months ended September 30, 2008 was 5.4% (2007 – 3.6%).

Our floor plan facilities are provided by our equipment manufacturers directly or through partnering arrangements that they have with third party lenders. We currently have an aggregate facility of approximately \$80 million available for equipment inventory financing, which we believe is sufficient to meet our market share targets for 2008.

## TERM DEBT

Term debt consists primarily of financing arrangements for our short term rental equipment fleet, financing of our automotive and truck purchases, and a term loan from our 2005 equipment dealer purchase. The term debt carries interest at rates ranging from prime plus 0.25% to prime plus 0.75% and also fixed rate facilities with interest ranging from 0% to 7.25%. Term debt decreased by \$714 thousand during the third quarter of 2008 and \$2.0 million for the first nine months of 2008. This decrease was primarily a result of repayment of rental equipment financing during the period from proceeds received on the disposal of equipment in excess of new equipment financed and general term debt reductions in accordance with the terms of our agreements.

## NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities was \$10.9 million for the three month period ended September 30, 2008 versus \$8.1 million for the same period of 2007 and \$21.3 million for the nine months ended September 30, 2008 compared to \$17.2 million for the same period of 2007. Net change in working capital related to operations provided \$1.1 million and \$1.3 million of operating cash flow in the third quarter of 2008 and 2007 respectively and used \$376 thousand and provided \$4.0 million for the nine month period ended September 30, 2008 and 2007 respectively.

The primary cause for fluctuations in the LP's net change in working capital related to operations is caused by swings in the LP's inventory levels and their related floor plan payable amounts. Management uses its discretion to utilize operating cash flow to either pre-pay or buy down certain floor plans and 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.

### NET CASH PROVIDED BY FINANCING ACTIVITIES

During the three months ended September 30, 2008, net cash provided by financing activities was \$21 million and \$505 thousand for the same period during 2007 and provided \$15.5 million for the first nine months of 2008 compared to providing \$794 thousand for the first nine months of 2007. The primary source of cash during the first nine months of 2008 came from a private placement on July 10, 2008 that provided \$23.5 million, net of unit issue costs and from the exercise of Unitholder's warrants that provided \$3.5 million in cash. The LP paid \$2.0 million in term debt, distributed \$6.8 million to Unitholders and advanced \$3.5 million to Proventure Income Fund, a related party.

### NET CASH USED IN INVESTING ACTIVITIES

During the three month period ended September 30, 2008, net cash used in investing activities \$9.0 million versus \$729 thousand for the same period of 2007 and \$4.4 million for the first nine months of 2008 compared to \$7.1 million for the same period of 2007. The primary use of cash for investing activities during 2008 was for the business acquisition of Northeast AG Partnership, purchased on September 5, 2008 for cash of \$7.9 million. The LP also received \$4.8 million on short-term advances to an unrelated party, advanced \$650 thousand to the CEO, and used \$1.3 million, net of proceeds from sale to purchase capital assets for ongoing operations.

### CONTRACTUAL OBLIGATIONS

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

\$ in thousands	Total	Due 2009	Due 2010 through 2012	Due 2013 through 2014	Due thereafter
Long-term debt	9,627	3,816	5,811	-	-
Notes payable	1,125	600	525	-	-
Operating leases	11,643	3,046	6,154	1,301	1,142
Total contractual obligations	22,395	7,462	12,490	1,301	1,142

## CAPITAL RESOURCES

The LP's objectives in managing its capital are to safeguard the LP's ability to continue as a going concern and to provide returns for its Unitholders and benefits for other stakeholders. The LP's capital management is described in more detail in Notes to the Interim Unaudited Consolidated Financial Statements.

On October 9, 2008, the LP filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Bid") to purchase for cancellation, from time to time, as the LP considers advisable, its issued and outstanding units ("Units"). At the time of the Notice, there were 9,427,974 Units issued and outstanding and pursuant to the Bid, the LP intends to purchase for cancellation up to a maximum of 471,399 Units, being approximately 5% of the LP's currently issued and outstanding Units. Notwithstanding the foregoing, pursuant to the rules of the TSX-V, Cervus LP may not purchase more than 188,560 Units (i.e. 2% of its currently outstanding Units) in a given 30-day period. As of the date of this report no limited partnership units valued have been purchased for cancellation. It is unknown at this time what the total cost to the LP will be, however, the LP will use current cash and cash equivalents for the purchases.

As described above, the LP has approximately \$80 million of floor plan financing available to it of which \$37.4 million was outstanding at September 30, 2008. In addition, the LP has secured with its bank, an uncommitted \$15 million operating line of credit and \$1.5 million committed reducing term facility to finance capital assets of which none have been drawn or are outstanding at September 30, 2008.

## DISTRIBUTIONS

Cervus LP, in accordance with its Limited Partnership Agreement, is entitled, at the discretion of the Board of Directors, to make cash distributions to its Limited Partnership Unit Holders. Our intention is to continue with a conservative distribution policy and use surplus cash for acquisition purposes. We plan to continue the monthly \$0.09 per unit distribution for the next quarter (see "Forward Looking Statements"). The following table summarizes our distributions during the first nine months of 2008 (\$ thousands, except per unit amounts):

Record Date	Distribution per Unit	Distribution Payable	Distributions Reinvested	Net Distributions Paid
January 31, 2008	0.09	728	88	640
February 29, 2008	0.09	731	87	644
March 31, 2008	0.09	733	89	644
April 30, 2008	0.09	740	305	435
May 31, 2008	0.09	742	304	438
June 30, 2008	0.09	743	303	440
July 31, 2008	0.09	845	305	540
August 31, 2008	0.09	847	311	536
September 30, 2008	0.09	849	313	536
	<u>0.81</u>	6,958	2,105	4,853
General partner		<u>148</u>	-	148
Total Distributions		<u>7,106</u>	<u>2,105</u>	<u>5,001</u>

Cash distributions are normally paid by Cervus LP on a monthly basis to Unitholders of record on the last business day of each month. Distributions are payable on or about the 15th day of the month following the record date.

## DISTRIBUTION REINVESTMENT PLAN

During the nine months ended September 30, 2008 we declared total distributions to the Unitholders of \$0.81 per unit for an aggregate distribution of \$7.0 million. Of the \$7.0 million issued to the Unitholders, \$2.1 million (30%) was reinvested in the LP's dividend reinvestment plan ("DRIP") plan resulting in the issuance of approximately 93 thousand limited partnership units. In addition, the LP has distributed \$148 thousand to its general partner, Cervus GP Ltd.

## TAXATION OF DISTRIBUTIONS

Because the LP is a limited partnership, the income of the Partnership is allocated to the individual partners of record annually on December 31. The individual partners are responsible for the taxes on their portion of the partnership income. Distributions are generally paid monthly and are considered a return of capital for income tax purposes. The taxable income allocated and the cash distributions paid may differ in timing and amount due to the aforementioned intention of the LP to manage its tax basis of assets and liabilities.

In September 2007, the Government of Canada enacted the previously announced tax on publicly traded partnerships. The LP remains active in reviewing and/or pursuing alternative tax efficient structural alternatives.

As part of the purchase of Northeast AG Partnership, the LP agreed to be responsible for any income taxes payable relating to the taxable income of the Partnership for the period January 1, 2008 to September 4, 2008. As a result, it is anticipated that the addition to the taxable income of the LP will be approximately \$4.4 million or \$0.47 per unit for the year ended December 31, 2008 based on the September 30, 2008 partnership units outstanding.

In addition, the LP is in the process of reducing its claim for capital cost allowance for tax purposes in order to eliminate any timing differences that may exist when the LP converts to the Corporation by December 31, 2010. This reduction in capital cost allowance is estimated to result in an additional \$0.32 per unit for the year ended December 31, 2008 (see "Forward Looking Statements").

As a result, at September 30, 2008, the LP estimates Unitholder taxable income (see "Forward Looking Statements") to be \$2.81 per unit, including the adjustments identified above. This estimate does not include the results of the fourth quarter of 2008.

## CAUTIONARY NOTE REGARDING DISTRIBUTIONS

Although we intend to continue making monthly distributions to our Unitholders, cash distributions are not assured and may be reduced or suspended. Our ability to continue making cash distributions and the actual amount distributed 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 units may decline if we were unable to meet our cash distribution targets in the future, and that decline may be significant.

As terms under our credit facilities, we are restricted from declaring distributions or distributing cash if the LP is in breach of its debt covenants. As at the date of this report, the LP is not in breach of any of its covenants.

### Distributable cash calculated:

\$ thousands, except per unit amounts	September 30, 2008	December 31, 2007
Net cash provided by operating activities	21,278	17,200
Add (deduct):		
Maintenance capital expenditures <sup>1</sup>	(1,243)	(2,000)
Cash available for distribution and growth (a)	20,035	15,200
Per unit – diluted	2.33	2.03
Gross distributions declared to all equity holders (b)	7,106	6,247
Payout ratio (b)/(a)	35%	41%
Net distributions declared, net of DRIP (c)	5,001	3,682
Payout ratio, net of DRIP (c)/(a)	25%	24%

Notes: 1. the term is identified and defined under the section "Non-GAAP Financial Measures")

Cash available for distribution and growth in excess of distributions reflects our reserves for such things as future working capital requirements and future capital expenditures. In addition, cash retained through the participation of Unitholders in our DRIP is also used to fund future capital expenditures and acquisitions. Our payout ratio has decreased due to our conservative approach to distributions.

## ADDITIONAL DISTRIBUTION INFORMATION

	Nine month period ended September 30, 2008	Year ended December 31, 2007	Year ended December 31, 2006	Year ended December 31, 2005
<b>\$ thousands</b>				
Net cash provided by operating activities	\$ 21,278	\$ 18,138	\$3,847	\$4,639
Net earnings	19,573	11,385	8,597	4,835
Distributions declared – including DRIP				
	7,106	8,458	7,048	4,297
Net Distributions declared – excluding DRIP				
	5,001	5,545	3,920	1,769
Excess (shortfall) of net cash provided by operating activities over distributions declared – including DRIP	14,172	9,680	(3,201)	342
Excess (shortfall) of net cash provided by operating activities over distributions declared – excluding DRIP	16,277	12,593	(73)	2,870
Excess of net earnings over distributions declared – including DRIP	12,467	2,927	1,549	538
Excess of net earnings over distributions declared – excluding DRIP	14,572	5,840	4,677	3,066

For the nine month period ended September 30, 2008, our cash flow from operations exceeded our distributions declared, including DRIP, by approximately \$15.6 million (\$13.5 million, excluding DRIP). This excess is normal due to the seasonal nature of our business. Cash flow from operations not distributed in 2007 was used to fund the shortfall for the first quarter of 2008. Excess cash flow is primarily utilized to fund debt repayments and for business acquisitions and expansion.

We currently do not base our distributions on net earnings as net earnings includes a number of non-cash items such as amortization and equity income from significantly influenced companies that affect our ability to make distributions to our Unitholders, as well as considerations required for debt repayments, general buildings and equipment additions as well as future business acquisitions.

For the remainder of 2008, we anticipate our net distributions declared, excluding DRIP, to increase as there are currently less Unitholders participating in the DRIP program (see “Forward Looking Statements”). This has been the experience in the first nine months of 2008. We expect that our rate of distributions will be lower than our net earnings in the future due to our conservative distribution policy (see “Forward Looking Statements”). We believe we can sustain the current rate of distributions in the future as the sustainability of our distributions is best determined by the amount of distributable cash we are able to generate (see “Distributable Cash Calculated” section above).

## OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we enter into agreements that include indemnities in favor of first 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 first 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 LP’s customers. A portion of this financing is with recourse to the LP if the amounts are uncollectible. At September 30, 2008, payments in arrears by such customers aggregated \$80 thousand (December 31, 2007 - \$552 thousand). In addition, the LP is responsible to purchase lease obligations held by its customers with Deere Credit for the net residual value of the lease outstanding at the maturity of the contract. At September 30, 2008, the net residual value of such leases aggregated \$49.5 million (December 31, 2007 - \$40.0 million).

The LP is liable for a portion of the deficiency in the event that the customer defaults on their lease or finance obligations. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the LP owes Deere Credit under this obligation. The deposits are capped at 1% to 2% 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 \$1.4 million as at September 30, 2008 (December 31, 2007 - \$836 thousand). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the LP.

## TRANSACTIONS WITH RELATED PARTIES

The Chief Executive Officer (“CEO”) of the LP is the CEO of the general partner and the CEO of Proventure Income Fund (“Proventure”), a publicly traded fund. In addition, the CEO is the single largest equity holder of each of these entities. The LP had the following transactions with Proventure:

\$ thousands	Three month period ended September 30, 2008	Three month period ended September 30, 2007	Nine month period ended September 30, 2008	Nine month period ended September 30, 2007
<b>Expenses</b>				
Real estate rentals	\$ 504	\$333	\$1,302	\$949
Guarantee fees	21	36	62	109
<b>Income</b>				
Management fees	8	-	23	-
Interest on advances	49	-	49	-

The LP 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 LP 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 September 30, 2008 and December 31, 2007, the Fund has outstanding guarantees with John Deere aggregating \$2,750,000 (September 30, 2007 - \$4,850,000).

As at September 30, 2008, the LP has outstanding advances of \$3.5 million to Proventure. The advances bear interest at the rate of prime plus 0.25% per annum. The advances were made to fund certain real property purchases and construction in progress payments for which mortgage financing had not yet been received. In addition, the LP made advances to Proventure for the purchase of LP Units and the exercise of unit purchase warrants that came due during 2008. The advances were made from excess cash in which the LP would earn a nominal rate of interest.

Certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating \$6,400,000 (September 31, 2007 - \$7,150,000). During the nine months ended September 30, 2008, the LP paid these individuals \$159,000 (2007 - \$56,250) for providing these guarantees. These transactions were recorded at the amount agreed to by the parties. These guarantees are required by the LP’s most significant dealership arrangement with John Deere Limited and the LP believes that the 3% per annum charge provided to the guarantors is a reasonable expense to providing these guarantees.

The general partner of the LP is Cervus GP Ltd., a private company. Under the amended and restated limited partnership agreement, Cervus GP Ltd. is entitled to reimbursement of all reasonable direct and indirect costs incurred on behalf of the LP and to 1% of the net earnings. For the nine month period ended September 30, 2008, this amounted to \$195,730 (September 30, 2007 - \$103,297) and has been recorded as a distribution of earnings on the statement of accumulated earnings.

Notes payable of \$1,125,000 (December 31, 2007 - \$1,325,000) are owed to certain individuals that became related parties pursuant to employment agreements entered into from previous dealership acquisitions. During the nine month period ended September 30, 2008, \$600,000 was repaid and an additional \$400,000 was recorded as a result of the business acquisition of Northeast AG Partnership and interest in the amount of \$48,673 (September 30, 2007 - \$58,558) was paid on the notes payable.

The LP has advanced \$365 thousand to a senior management employee to facilitate relocation to Calgary, AB. The advance is non-interest bearing and is due on December 31, 2009 with no terms of repayment and is secured by the real property associated with the housing loan.

The LP has advanced \$654 thousand to the CEO of the LP. The advance was made for the purposes of the CEO exercising 50,000 unit purchase warrants that were due. The advance bears interest at the rate of prime plus 0.25% per annum and is due September 30, 2009. The advance was made from excess cash resources available to the LP and due to the interest rate being charged on the loan is greater than the interest that the LP could earn on money market investments. The loan is secured by a hypothecation agreement covering the 50,000 units issued to the CEO.

## Market Outlook (see “Forward Looking Statements”)

Significant challenges are currently being experienced in both the domestic and international financial markets. These challenges are having an impact on the ability of certain borrowers to finance existing operations and to fund capital programs. To date, these issues in the financial markets have not had a direct impact on the operations of the LP. While the current financial situation has not directly impacted the LP's ability to fund capital projects and ongoing operations, future borrowing may be impacted by these financial markets through increased carrying costs and the ability to raise debt and capital. The LP is unable to determine the outcome of these issues or how they may affect future operations.

In our June 30, 2008 management discussion and analysis, certain statements were made regarding strong grain prices and continued pressures on world markets regarding grain pricing that would lead to increased demand for new equipment. Since that report, we have seen decreases in grain prices of approximately 15% over prior year to date averages of 2007 as well as a significant devalue in the Canadian dollar when compared to the U.S. dollar. Management believes these factors, though negative will not significantly affect our revenues for 2009 when compared to 2008 results.

For the remainder of 2008, our results should remain consistent with 2007 results, excluding results from our recent business acquisition. Our outlook for the remainder of 2008 in the agricultural segment should improve slightly over results reported in 2007. The construction segment has experienced some slow down due to lower economic growth in Alberta than experienced in 2007 which has resulted in a decrease in our gross revenues from the sale of construction equipment. We anticipate that this slow down will continue through the balance of 2008.

### **AGRICULTURE SEGMENT:**

Though grain prices have decreased in the past few months, there generally remains a strong fundamental in the agriculture sector which has driven our past growth in revenues and we believe this will continue into the near future. The segment has seen some shift from sales activity involving trade-ins to outright cash purchases that it has not experienced to this degree in the past. This may result in an inability to obtain the proper levels of used equipment to meet demand and may require the LP to acquire used equipment outside the conventional means of trade-ins to satisfy the customer demand. This may impact future revenue from used equipment sales and their respective margins.

### **CONSTRUCTION SEGMENT:**

As a result of the housing market slowing in recent months in Alberta and the recent cautiousness by developers of some of the oil & gas projects in Alberta, it is anticipated that this trend will affect our current operations for the remainder of 2008 and into 2009 for our construction lines of equipment. We believe that our current volumes of machines in the market from past sales histories will continue to have a positive impact on our parts and service revenues.

### **BUSINESS RISKS AND UNCERTAINTIES**

Our business is subject to certain risks and uncertainties. For example, significant challenges are currently being experienced in both the domestic and international financial markets. These challenges are having an impact on the ability of certain borrowers to finance existing operations and to fund capital programs. To date, these issues in the financial markets have not had a direct impact on the operations of the LP. While the current financial situation has not directly impacted the LP's ability to fund capital projects and ongoing operations, future borrowing may be impacted by these financial markets through increased carrying costs and the ability to raise debt and capital. The LP is unable to determine the outcome of these issues or how they may affect future operations. In addition, recently announced changes in the royalty payments affecting the energy sector in Alberta may have a negative impact on the economy which may impact housing starts and demand for construction equipment. In addition, the value of the Canadian dollar may cause downward pressure on the retail pricing of equipment which may in turn impact our margins negatively. Due to the high demand for new equipment in the agriculture industry, suppliers have incorporated programs limiting the availability of new equipment. These restrictions have been put in place in order that the suppliers can meet the demand, however, does not necessarily reflect the ability for the LP to source more equipment if capacity from our manufacturers allows. Prior to making any investment decision regarding Cervus LP, investors should carefully consider, among other things, the risks described within this MD&A and the business risks and factors set forth in Cervus LP's 2007 Annual MD&A. These business risks and factors are incorporated by reference herein. These documents are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) website at [www.sedar.com](http://www.sedar.com)

## **ADOPTION OF NEW ACCOUNTING POLICIES**

Effective January 1, 2008, the LP has adopted the following accounting standards:

### **CICA SECTION 1535 - CAPITAL DISCLOSURES**

In December 2006, the CICA issued Handbook Section 1535 - Capital Disclosures. Under this section, an entity discloses its objectives, policies, and processes for managing capital, as well as quantitative data about capital and whether it has complied with externally imposed capital requirements. Note 17 of the interim consolidated financial statements provided qualitative disclosure regarding objectives, policies and processes for managing capital as well as quantitative data on capital as of September 30, 2008.

### **CICA SECTION 3031 - INVENTORY**

In September 2007, the CICA issued Handbook Section 3031 - Inventories. This standard replaces Section 3030 by increasing guidance regarding the scope, measurement, and allocation of costs to inventories. Under this section, inventory is to be measured at the lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Cost shall be assigned using the first-in, first-out (FIFO) or weighted average cost formula. Further, Section 3031 requires the reversal of previous write-downs of inventory when economic changes support an increased value. The adoption of this section did not impact the interim consolidated financial statements as of September 30, 2008 as the LP uses average cost.

### **CICA SECTION 3862 - FINANCIAL INSTRUMENTS - DISCLOSURES AND SECTION 3863 - FINANCIAL INSTRUMENTS - PRESENTATION**

In December 2006, the CICA issued Handbook Sections 3862 and 3863 that place increased emphasis on risk disclosures, specifically the risk associated with both recognized and unrecognized financial instruments and how those risks are managed. These new accounting standards supersede Section 3861 Financial Instruments - Disclosure and Presentation, which the LP adopted on January 1, 2007. The additional disclosures necessary to comply with these standards are provided in Note 18 of the interim consolidated financial statements as of September 30, 2008.

## **RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:**

### **CICA SECTION 3064 - GOODWILL AND INTANGIBLE ASSETS**

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Adoption of Section 3064 is not expected to have a significant impact on the LP's financial results.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the LP for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **DISCLOSURE AND INTERNAL CONTROLS**

There has been no material change in the disclosure controls and procedures over financial reporting during the three and nine month period ended September 30, 2008.

## NON-GAAP FINANCIAL MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (“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 is also used to measure the LP’s ability to pay interest and debt retirement. The following is a reconciliation of EBITDA to net earnings

\$ thousands, except per unit amounts	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net earnings	8,888	5,641	19,573	10,630
Add:				
Interest	176	465	1,120	1,391
Depreciation and amortization	1,150	1,021	3,167	2,939
EBITDA	10,214	7,127	23,860	14,960
EBITDA margin <sup>1</sup>	9.5%	7.3%	8.6%	6.1%

**EBITDA margin:** EBITDA margin is calculated as EBITDA divided by revenue.

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

**Maintenance capital expenditures:** maintenance capital expenditures are the unfunded capital expenditures incurred during the period to maintain our existing levels of service. This includes capital expenditures used to replace buildings and equipment and enhance the operational life of existing equipment, net of financing proceeds.