

CERVUS LP

Second quarter financial statements

For the six months ended June 30, 2004

(Unaudited - Prepared by Management)

These statements have not been audited or reviewed by the Limited Partnership's auditors.

CERVUS LP

Dear Unitholders

It is my pleasure to present Cervus LP's results for the second quarter ended June 30, 2004.

Second Quarter, Fiscal 2004 Results

The Partnership's sales for the quarter were \$41.7 million. The profit for the quarter was \$1.7 million or 0.45 per unit basic and on a fully diluted basis. Year to date, revenue was \$62.2 million and net earnings were \$1.3 million or 0.35 per unit basic and on a fully diluted basis.

The Partnership distributed 0.15 of a common share of Cervus Corporation for each unit to unitholders of record at June 30, 2004 on July 15, 2004.

Current Economic Environment

As harvest approaches it appears most of western Canada will experience above average yields in most regions. With little harvesting completed to date and recent rains, most regions will experience difficult harvesting conditions. Recent frosts in Saskatchewan and Manitoba have also raised some concern over potential reduced grain quality.

The cattle situation and closed US border to live animals continues to be a concern for us and our cattle producer customers. A new government program looks like it may be coming to assist cattle producers this fall, but the long term situation requires either the border to open up to live cattle under 30 months of age or greater production capacity in Canada. We have been directly impacted by less tractor and hay equipment sales this year and are fortunate that good moisture conditions and a high grain yield potential have increased combine and swather sales.

Sincerely submitted on behalf of the employees of Cervus LP and management and directors of the general partner Cervus Corporation,



Peter Lacey
President and Chief Executive Officer
Cervus Corporation, the General Partner

CERVUS LP

Consolidated Balance Sheet
(Unaudited)

| | June 30, 2004 | December 31 2003 |
|--|------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 635,922 | \$ 886,325 |
| Accounts receivable | 2,478,063 | 1,433,633 |
| Inventories | 33,874,128 | 20,064,559 |
| Prepays | 178,300 | 102,725 |
| Income taxes receivable | 196,852 | — |
| Investment in Cervus Corporation (note 12) | 861,800 | — |
| Land and buildings held for sale (note 10) | — | 1,865,630 |
| | 38,225,065 | 24,352,872 |
| Equipment | 900,495 | 611,573 |
| Goodwill | 803,969 | 803,969 |
| Investment in affiliates (note 5) | 455,203 | — |
| Finance reserve | 718,558 | 517,244 |
| | \$ 41,103,290 | \$ 26,285,658 |
| Liabilities and Partners' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,735,424 | \$ 1,125,492 |
| Floor plan payables | 22,192,659 | 12,410,972 |
| Due to Cervus Corporation (note 10) | — | 1,721,129 |
| Current portion of long-term debt | 57,657 | — |
| Future income taxes | — | 304,111 |
| | 23,985,740 | 15,561,704 |
| Long-term debt (note 6) | 99,767 | — |
| Notes payable to Cervus Corporation | 9,525,774 | 5,118,307 |
| Notes payable | 914,405 | 404,000 |
| Future income taxes | 228,705 | 116,255 |
| Non controlling interest | 108,276 | — |
| Partners' equity (note 7) | 6,240,623 | 5,085,392 |
| Subsequent event (note 12) | | |
| | \$ 41,103,290 | \$ 26,285,658 |

See accompanying notes to consolidated financial statements.

Approved by the Board of the General Partner:

Signed "Peter Lacey" Director

Signed "Graham Drake" Director

CERVUS LP

Consolidated Statement of Earnings

(Unaudited)

| | Three months June 30, 2004 | Three months June 30, 2003 | Six months June 30, 2004 | March 14 to June 30, 2003 |
|---|----------------------------------|----------------------------------|--------------------------------|---------------------------------|
| Revenue: | | | | |
| Equipment sales | \$34,648,125 | \$11,657,410 | \$50,608,528 | \$11,657,410 |
| Parts and service | 6,866,279 | 2,801,697 | 11,336,911 | 2,801,697 |
| Other | 239,371 | – | 305,996 | – |
| | <u>41,753,775</u> | <u>14,459,107</u> | <u>62,251,435</u> | <u>14,459,107</u> |
| Cost of sales | 35,436,797 | 12,105,365 | 52,809,330 | 12,105,365 |
| Gross profit | <u>6,316,978</u> | <u>2,353,742</u> | <u>9,442,105</u> | <u>2,353,742</u> |
| Selling, general and administrative expenses | 4,169,933 | 1,539,168 | 7,569,598 | 1,539,168 |
| Earnings before the following | <u>2,147,045</u> | <u>814,574</u> | <u>1,872,507</u> | <u>814,574</u> |
| Depreciation | 60,055 | – | 115,342 | – |
| Interest | 302,910 | 60,036 | 531,890 | 60,036 |
| Earnings before income taxes | <u>1,784,080</u> | <u>754,538</u> | <u>1,225,275</u> | <u>754,538</u> |
| Income taxes (recovery): | | | | |
| Current | – | – | – | – |
| Future | 190,000 | – | – | – |
| | <u>190,000</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Equity earnings on investments | 198,000 | – | 198,000 | – |
| Non-controlling interest | 108,276 | – | 108,276 | – |
| Earnings | <u>\$ 1,683,804</u> | <u>\$ 754,538</u> | <u>\$ 1,314,999</u> | <u>\$ 754,538</u> |
| Net earnings per unit (note 7): | | | | |
| Basic | \$ 0.45 | \$ 0.20 | \$ 0.35 | \$ 0.20 |
| Diluted | \$ 0.45 | \$ 0.20 | \$ 0.35 | \$ 0.20 |

See accompanying notes to consolidated financial statements.

CERVUS LP

Consolidated Statement of Partners' Equity
(Unaudited)

For the period from January 1, 2004 to June 30, 2004

| | Number of units | General Partner | Limited Partners | Total (restated note 4) |
|---------------------------------------|--------------------|--------------------|---------------------|----------------------------|
| General partner unit | 1 | \$ 100 | \$ – | \$ 100 |
| Limited partnership fixed value units | – | 803,969 | – | 803,969 |
| Limited partnership units | 3,701,509 | – | 2,220,906 | 2,220,906 |
| Partnership formation costs | – | – | (50,000) | (50,000) |
| Contributed surplus (note 4) | – | – | 3,519 | 3,519 |
| Net earnings | – | 47,904 | 2,058,994 | 2,106,898 |
| Balance, December 31, 2003 | 3,701,510 | \$ 851,973 | \$ 4,233,419 | \$ 5,085,392 |
| Contributed surplus (note 7) | – | – | 3,432 | 3,432 |
| Exercise of unit options | 215,000 | – | 215,000 | 215,000 |
| Contribution to the general partner | – | – | (378,200) | (378,200) |
| Net earnings | – | 33,250 | 1,281,749 | 1,314,999 |
| Balance, June 30, 2004 | 3,916,510 | \$ 885,223 | \$ 5,355,400 | \$ 6,240,623 |

See accompanying notes to consolidated financial statements.

CERVUS LP

Consolidated Statement of Cash Flows
(Unaudited)

| | Three months June 30, 2004 | Three months June 30, 2003 | Six months June 30, 2004 | March 14 to June 30, 2003 |
|--|----------------------------------|----------------------------------|--------------------------------|---------------------------------|
| Cash flows from (used in) the following activities: | | | | |
| Operations: | | | | |
| Earnings | \$ 1,683,804 | \$ 754,538 | \$ 1,314,999 | \$ 754,538 |
| Add items not affecting cash: | | | | |
| Depreciation | 60,055 | – | 115,342 | – |
| Unit based compensation | 1,716 | – | 3,432 | – |
| Equity earnings on investment | (198,000) | – | (198,000) | – |
| Non-controlling interest | 108,276 | – | 108,276 | – |
| Future income taxes | 190,000 | – | – | – |
| | 1,845,851 | 754,538 | 1,344,049 | 754,538 |
| Net change in non-cash working capital | (1,220,664) | (150,210) | (1,681,691) | (150,210) |
| | 625,187 | 604,328 | (337,642) | 604,328 |
| Financing: | | | | |
| Issuance of partnership units | 215,000 | 100 | 215,000 | 100 |
| Contribution to the general partner | (378,200) | – | (378,200) | – |
| Repayment of advance from Cervus Corporation (note 10) | – | (126,178) | (1,660,000) | (126,178) |
| Advances to affiliate companies | (126,802) | – | (141,802) | – |
| Net change in long-term debt | 19,433 | – | (8,210) | – |
| Increase (decrease) in finance reserve | (52,623) | 45,760 | (61,791) | 45,760 |
| Net change in notes payable to Cervus Corporation | 1,220,619 | – | 1,287,683 | – |
| | 897,427 | (80,318) | (747,320) | (80,318) |
| Investments: | | | | |
| Investment in Cervus Corporation | (861,800) | – | (861,800) | – |
| Business disposition (note 10) | – | – | 1,574,349 | – |
| Purchase of equipment | (55,714) | – | (62,390) | – |
| Business acquisition (note 11) | – | (19,773) | 184,400 | (19,773) |
| | (917,514) | (19,773) | 834,559 | (19,773) |
| Increase (decrease) in cash | 605,100 | 504,237 | (250,403) | 504,237 |
| Cash, beginning of period | 30,822 | 100 | 886,325 | 100 |
| Cash, end of period | \$ 635,922 | \$ 504,337 | \$ 635,922 | \$ 504,337 |

The following cash payment have been included in the determined of net earnings:

| | | | | |
|--------------------|------------|-----------|------------|-----------|
| Cash interest paid | \$ 296,648 | \$ 20,897 | \$ 495,221 | \$ 20,897 |
|--------------------|------------|-----------|------------|-----------|

See accompanying notes to consolidated financial statements.

CERVUS LP

Notes to the Consolidated Financial Statements

For the period from January 1 to June 30, 2004

1. Formation and basis of presentation:

Cervus LP (the "LP") was incorporated under the laws of Alberta as a limited partnership on March 14, 2003. The general partner is Cervus Corporation. The LP, is a retailer of agricultural equipment primarily supplied by Deere & Company and products and services pursuant to a contract agreement to act as an authorized dealer for John Deere Limited.

On March 14, 2003, Cervus Corporation entered into an arrangement agreement with the LP. Pursuant to the agreement, the net assets of its subsidiaries with operations in Calgary, Ponoka, Stettler and Trochu were transferred to the LP in exchange for promissory notes, limited partnership units and fixed value limited partnership units. Cervus Corporation distributed the limited partnership units to its shareholders. On closing of the arrangement, each common shareholder of Cervus Corporation received one limited partnership unit of Cervus LP for each common share held.

On January 1, 2004, the LP acquired a 59% interest in Greenline Equipment Ltd. from Cervus Corporation in exchange for a promissory note. For accounting purposes, the acquisition is a transfer between entities under common control and has been recorded at carrying values.

2. General:

The interim financial statements of Cervus LP have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2003. The disclosures provided below are incremental to those included in the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 2003.

3. Seasonality:

Canadian retailing of agricultural equipment is influenced by seasonality. Sales activity is normally highest between April and September during growing seasons in Canada. Sales activity is low during winter months during non-growing seasons. As a result, earnings may not accrue homogeneously from quarter to quarter.

4. Change in accounting policy:

Effective January 1, 2004, the partnership adopted the amended Canadian accounting standard for stock-based compensation. The amended standard requires the Company to measure all stock-based payments using the fair value method of accounting and recognize the compensation expense in the financial statements.

The effect of this change in accounting policy has been recorded retroactively with restatement of prior periods. The effect of the adoption is presented in note 7(b).

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Notes to the Consolidated Financial Statements, page 2

For the period from January 1 to June 30, 2004

5. Investment in affiliates:

| | |
|--|------------|
| 101034350 Saskatchewan Ltd., 33.33% ownership: | |
| Investment in shares | \$ 100 |
| Advances | 114,900 |
| Equity earnings | 122,203 |
| Deer Star Systems Inc., 27% ownership: | |
| Investment in shares | 4 |
| Advances | 79,996 |
| Equity earnings | 138,000 |
| | <hr/> |
| | \$ 455,203 |

6. Long-term debt:

| | |
|--|------------|
| Finance contracts and fixed rate bank loans payable in monthly installments of \$6,075 including interest up to 7.25%, secured by various related equipment due prior to 2007. | \$ 157,424 |
| | <hr/> |
| | 157,424 |
| Less: Current portion | 57,657 |
| | <hr/> |
| | \$ 99,767 |

Estimated principal repayments are as follows:

| | |
|------------|------------|
| 2004 | \$ 57,657 |
| 2005 | 44,125 |
| 2006 | 26,168 |
| 2007 | 26,065 |
| 2008 | 3,409 |
| Thereafter | — |
| | <hr/> |
| | \$ 157,424 |

CERVUS LP

Notes to the Consolidated Financial Statements, page 3

For the period from January 1 to June 30, 2004

7. Partners' equity:

(a) Per unit amounts:

The earnings per unit have been calculated based on the weighted average number of units outstanding for the period ended June 30, 2004 of 3,707,449. In computing diluted per unit amounts 5,939 units were added to the weighted average number of units for the dilutive effect of unit options.

(b) Unit options:

The LP has a stock option plan available to officers, directors and employees with grants under the plan approved from time to time by the board of directors of the general partner. The exercise price of each option equals the market price of the partnership units at the date of grant. The plan provides for vesting, at the discretion of the board, and the options expire after three years from the date of grant.

On July 2, 2003, the LP issued unit options to officers of the general partner and employees of the LP to issue unit options to acquire 215,000 units at an exercise price of \$1.00 per unit. These options were all exercised on June 25, 2004.

The following weighted average assumptions were used to determine the fair value of options on date of grant:

| | |
|--------------------------------|----------------|
| Risk free interest rate | 5% |
| Expected life | 3 years |
| Maximum life | 3 years |
| Expected dividend | \$nil per unit |
| Expected unit price volatility | 36% |

Had the LP determined unit-based compensation costs based on the fair value at the date of grant for its unit options, net earnings and earnings per unit ("EPU") for the period from March 14, 2003 to December 31, 2003 would have decreased by the amounts indicated below. These earnings reflect compensation costs amortized over the option's vesting period.

| | Six months ended June 30, 2004 | Year ended December 31, 2003 |
|--------------------|--------------------------------------|------------------------------------|
| Earnings impact | \$ 3,432 | \$ 3,519 |
| Basic EPU impact | \$ 0.00 | \$ 0.00 |
| Diluted EPU impact | \$ 0.00 | \$ 0.00 |

CERVUS LP

Notes to the Consolidated Financial Statements, page 4

For the period from January 1 to June 30, 2004

8. Economic dependence:

The LP's primary source of income is from the sale of farm equipment and 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 and equity covenants. Each contract also provides a one-year remedy period whereby the LP has one year to restore any deficiencies. There can be no guarantee that circumstances will not arise which give John Deere Limited the right to terminate John Deere dealership agreements.

Cervus Corporation, as general partner, is considered a co-borrower and guarantor of the indebtedness of the LP.

9. Related party transactions:

Under the arrangement agreement and subsequent operational agreement between the LP and Cervus Corporation, Cervus Corporation is entitled to reimbursement for costs incurred as general partner. The agreement provides for a 1% annual charge on assets utilized, allocation of insurance costs, allocation of data services, guarantee fees based on 3% of the guarantee amounts to John Deere payable to either Cervus Corporation or the individual providing the guarantees, interest on any overdraft balances, interest on any outstanding indebtedness, building lease charges based on 1% per month of the fair market value of the property, and other direct expenses reimbursable with no handling fees or markup.

During the period ended June 30, 2004, the LP had the following transactions with Cervus Corporation:

| | 2004 | 2003 |
|---|------------------|---------------|
| Equipment and land and building rentals | \$ 402,162 | \$ 105,742 |
| Interest on notes payable and income on limited partnership fixed value units | 224,544 | 35,501 |
| Management fees | 169,625 | 46,197 |
| Guarantee fees | 48,750 | 22,500 |
| | <hr/> \$ 845,081 | <hr/> 209,940 |

Certain limited partnership unit holders and the general partner have provided guarantees to John Deere, relating to dealership agreements, aggregating \$7,100,000. During 2004, the LP paid these individuals \$106,500 (2003 – \$22,500) for providing these guarantees.

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Notes to the Consolidated Financial Statements, page 5

For the period from January 1 to June 30, 2004

10. Disposition of certain assets of Farm and Garden Centre of Saskatoon Ltd.:

On November 1, 2003, the LP and Cervus Corporation acquired two Saskatchewan-based John Deere dealerships, one located in Saskatoon and one located in Rosthern.

On January 1, 2004, the LP sold certain net assets to Cervus Corporation for \$1,575,000, being the carrying value of the net assets. Cervus LP repaid its advance from Cervus Corporation with the proceeds.

The fair value of net assets acquired and the carrying value of net assets sold are as follows:

| | Net Assets Acquired | Net Assets Subsequently Sold | Net Acquisition |
|--|------------------------|------------------------------------|---------------------|
| Cash | \$ 275,423 | \$ (651) | \$ 274,772 |
| Accounts receivable | 324,404 | (12,830) | 311,574 |
| Inventories | 3,595,958 | — | 3,595,958 |
| Prepaid expenses | 17,493 | — | 17,493 |
| Land, buildings and equipment | 2,534,826 | (1,865,630) | 669,196 |
| Finance reserve | 152,340 | — | 152,340 |
| Accounts payable and accrued liabilities | (256,754) | — | (256,754) |
| Floor plan payables | (2,098,193) | — | (2,098,193) |
| Income taxes payable | (17,522) | — | (17,522) |
| Future income taxes | (530,203) | 304,111 | (226,092) |
| | <u>\$ 3,997,772</u> | <u>\$ (1,575,000)</u> | <u>\$ 2,422,772</u> |

| Financed by: | Total |
|--|---------------------|
| Advance from Cervus Corporation | \$ 1,660,000 |
| Notes payable to Cervus Corporation | 1,116,772 |
| Notes payable to other related parties | 404,000 |
| Floor plan payables | 817,000 |
| | <u>\$ 3,997,772</u> |

The notes payable to Cervus Corporation bear interest at 5% and are subordinated and unsecured. The notes have a six year term, maturing January 1, 2009, and are repayable in advance without penalty. In addition, Cervus Corporation has an entitlement to a 15% share of future earnings of the acquired dealerships.

The notes payable to other related parties are to companies controlled by dealership managers. The notes payable bear interest at 5% and are subordinated and unsecured. The notes have a five year term, maturing January 1, 2009, and are repayable in advance without penalty. In addition, on January 1, 2004 the managers acquired a 20.2% share of future earnings of the acquired dealerships.

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Notes to the Consolidated Financial Statements, page 6

For the period from January 1 to June 30, 2004

11. Acquisition of Greenline Equipment Ltd:

On January 1, 2004, Cervus Corporation sold its 59% interest in Greenline Equipment Ltd. to Questus at carrying values in exchange for promissory note from Questus. For accounting purposes, the acquisition is a transfer between entities under common control and has been recorded at carrying values. The balances as at January 1, 2004 for the Greenline dealerships were as follows:

Net assets transferred to Questus and consideration paid:

| | |
|---------------------------|-------------|
| Cash | \$ 184,401 |
| Accounts receivable | 643,312 |
| Inventories | 7,007,879 |
| Income taxes receivable | 179,330 |
| Prepays | 32,241 |
| Finance reserve | 139,523 |
| Equipment | 341,874 |
| Investment in affiliate | 87,203 |
| Accounts payable | (374,721) |
| Floor plan payable | (4,422,095) |
| Long term debt | (165,634) |
| Due to Cervus Corporation | (3,058,655) |
| Due to related companies | (482,207) |
| Future income taxes | (112,450) |
| <hr/> | |
| Limited partnership note | \$ 1 |

CERVUS LP

Notes to the Consolidated Financial Statements, page 7

For the period from January 1 to June 30, 2004

11. Acquisition of Greenline Equipment Ltd (continued):

The following represents the results of operations for the three and six month periods ending April 30, 2003 while the dealerships were owned by Cervus Corporation. The results are not necessarily indicative of the results of operations, cash flows, or financial position had the dealership assets been operated as an independent entity as at or for the dates and periods presented. The results of operations do not include an allocation of corporate and other overhead costs to the dealerships, costs resulting from the arrangement with the general partner and changes to the income tax provisions resulting from the change in the ownership structure from a corporation to a partnership.

| Greenline Equipment Ltd. | Three months ended January 31, 2003 | Six months ended April 30, 2003 |
|--|--|--|
| Revenue | \$ 2,906,174 | \$ 11,175,303 |
| Cost of sales | 2,455,731 | 9,775,984 |
| Gross profit | 450,443 | 1,399,319 |
| Selling, general and administrative expenses | 604,131 | 1,383,071 |
| Earnings (loss) before the following | (153,688) | 16,248 |
| Interest | 50,086 | 9,825 |
| Depreciation | 17,802 | 35,604 |
| Earnings (loss) before the following | (221,576) | (29,181) |
| Income taxes (recovery): | | |
| Current | (86,414) | (11,672) |
| Future | — | — |
| | (86,414) | (11,672) |
| Earnings (loss) before the following | (135,162) | (17,509) |
| Equity earnings on investment | — | — |
| Non-controlling interest | (54,508) | (7,179) |
| Net earnings (loss) | (80,654) | \$ (10,330) |

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Notes to the Consolidated Financial Statements, page 8

For the period from January 1 to June 30, 2004

12. Investment in Cervus Corporation:

On May 5, 2004, the LP acquired 620,000 common shares of Cervus Corporation at a price of \$2.00 per common share in a private placement. As the common shares were issued pursuant to an exemption from the prospectus requirements of the Securities Act (Alberta), they are subject to a hold period expiring in September 2004. As a result of the transaction, the LP owns approximately 14.35% of the issued and outstanding shares of Cervus Corporation.

For accounting purposes, the transaction is between related parties entities under common control and has been recorded at carrying values. The carrying value of the shares of Cervus Corporation issued under the arrangement is \$861,800 (\$1.39 per share). The difference between the purchase price and carrying value \$378,200 has been recorded as an equity contribution to Cervus Corporation by the LP.

On July 15, 2004, the LP distributed 587,473 shares of Cervus Corporation to unit holders of record on June 30, 2004. This represents a distribution of \$0.21 on an accounting basis or \$0.30 on a tax basis per limited partnership unit by receiving of 0.15 Cervus Corporation common shares for each unit. As the hold period on the common shares had not expired by July 15, a director and the principal shareholder of Cervus Corporation, agreed to exchange 620,000 free-trading Cervus Corporation shares for the 620,000 restricted-shares.