

CERVUS LP

Third Quarter Management's Discussion and Analysis

For the nine months ended September 30, 2004

CERVUS LP

Management's Discussion and Analysis, page 1

For the period from January 1 to September 30, 2004

The following discussion and analysis has been prepared by management and reviewed and approved by the Board of Directors of the general partner of Cervus LP (the LP). These unaudited interim consolidated financial statements have not been reviewed by the LP's auditors. The discussion and analysis has been prepared as of November 25, 2004.

This management and discussion analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2004 and the audited consolidated financial statements for the year ended December 31, 2003. The unaudited consolidated financial statements and financial data contained in the MD&A have been prepared in accordance with Canadian generally accepted accounting principles.

This MD&A may contain forward-looking information that involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to: general economic conditions, industry conditions, commodity prices, currency fluctuations and competition from other agricultural equipment dealers.

The LP is in the business of acquiring and operating authorized John Deere Limited dealerships selling John Deere agricultural and grounds care equipment. Currently, the LP operates eleven locations in Western Canada.

Commencement of operations

On March 14, 2003, Cervus Corporation announced the creation of a limited partnership to be known as Cervus LP and entered into an arrangement agreement with Cervus LP.

Pursuant to the agreement, all of the net assets of its subsidiaries representing operations in Calgary, Ponoka, Stettler and Trochu transferred their net dealership assets to Cervus LP in exchange for the issuance of 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. Cervus Corporation is the general partner of Cervus LP.

The arrangement received shareholder, court and applicable regulatory approvals on May 21, 2003. The plan of arrangement was approved by John Deere in principle and final contractual arrangements were signed in May 2004. The effective date for the arrangement was April 30, 2003.

For accounting purposes, the proposed arrangement was a transfer of a business between entities under common control and will be recorded at carrying values. The accounting value of the limited

CERVUS LP

Management's Discussion and Analysis, page 2

For the period from January 1 to September 30, 2004

partnership units to be issued under the arrangement will be based on the net carrying values of the net dealership assets transferred to Cervus LP less the principal amount of the promissory notes and the fixed value limited partnership units.

The net dealership assets transferred to the LP and consideration paid was as follows:

Net assets transferred to Cervus LP	Total
Accounts receivable	\$ 2,124,686
Inventories	14,604,158
Prepays	52,508
Finance reserve	535,069
Goodwill	803,969
Bank indebtedness	(19,773)
Accounts payable	(1,291,270)
Floor plan payable	(8,868,406)
	<hr/>
	\$ 7,940,941

Consideration paid	Total
Notes payable to Cervus Corporation	\$ 4,916,066
Limited Partnership Units (3,701,510 units)	2,220,906
Limited Partnership Fixed Value Units (803,969 units)	803,969
	<hr/>
	\$ 7,940,941

Revenue

Revenue was \$47.7 million for the three months of operations ended September 30, 2004 compared to \$23.0 million for the three month period ended September 30, 2003, an increase of \$24.7 million. The increase is due to three factors: first, the acquisition of Farm & Garden Centre of Saskatoon accounted for \$8.4 million of additional revenue for the quarter. Second, the acquisition of Greenline Equipment effective January 1, 2004 accounted for \$11.6 million in revenue for the quarter. Third, same store sales increased by \$4.7 million for the quarter.

Revenue was \$109.9 million for the nine months of operations ended September 30, 2004 compared to \$37.4 million for the period ended September 30, 2003, an increase of \$72.5 million. The increase is due to three factors: first, the comparative period contains operations for only five months from May 1 to September 30, 2003. Second, the acquisition of Farm & Garden Centre of Saskatoon accounted for \$19.5 million of additional revenue. Third, the acquisition of Greenline Equipment effective January 1, 2004 accounted for \$24.0 million in sales.

CERVUS LP

Management's Discussion and Analysis, page 3

For the period from January 1 to September 30, 2004

Year to date, new and used equipment sales were \$88.5 million representing 81 percent of sales compared to \$29.5 million representing 79 percent of sales in the same period last year. Parts and service sales were \$21.0 million representing 19 percent of sales compared to \$7.9 million representing 21 percent of sales for the comparative period.

Cost of Sales

Cost of sales were \$41.0 million for the three months ended September 30, 2004 compared to \$19.0 million. The increase is due to the increase in sales.

Year to date cost of sales were \$93.8 million compared to \$31.1 million. Again, increase is due to the increase in sales and the acquisitions of Greenline Equipment and Farm and Garden Centre.

Gross Profit Margins

Year to date, the LP's overall gross profit margin was 15 percent of sales for September 30, 2004 compared to 16 percent for the same period last year. The decrease is due to the LP owning the dealerships during January and February this year which have low sales activity compared to during the growing seasons where sales activity is higher. In the prior year, the LP did not own the dealership until May 1, 2003.

Selling, General and Administrative Expenses

For the three months ended selling, general and administrative expenses were \$4.6 million compared with \$2.4 million, an increase of \$2.2 million. The increase is due to the increase in sales and the acquisitions of Greenline Equipment and Farm and Garden Centre.

Year to date selling, general and administrative expenses were \$12.2 million compared with \$3.9 million, an increase of \$8.3 million. The increase is due to the increase in sales and the acquisitions of Greenline Equipment and Farm and Garden Centre.

As a percentage of sales, selling, general and administrative expenses were 11 percent compared with 11 percent for the comparative period.

Depreciation

Year to date, depreciation was \$0.2 million compared to no depreciation for the comparative period in 2003. The increase relates to the fixed assets acquired with the dealerships in Farm and Garden Centre and the Greenline Group. The fixed assets for the other dealerships are owned by Cervus Corporation and are leased to Cervus LP.

Interest

Interest expense was \$0.2 million for the three months of operations compared to \$0.1 million. The increase is due to an increase in floor plan payables and notes payable to Cervus Corporation. Floor plan payable increased to \$17.2 million at September 30, 2004 from \$12.4 million at December 31, 2003. Note payable increased to \$9.4 million at September 30, 2004 from \$5.1 million at December 31, 2003.

CERVUS LP

Management's Discussion and Analysis, page 4

For the period from January 1 to September 30, 2004

Year to date, interest expense was \$0.7 million compared to \$0.1 million in the same period last year. The increase is due to increase in floor plan payables and notes payable as discussed above.

Income Taxes

Income taxes are the responsibility of the individual partners except for the LP's subsidiary Questus and its subsidiary corporations.

Equity earnings on investment

Equity earnings on investments represents earnings on Deer Star Systems, an Alberta based company that sells John Deere sprayers and 101034350 Saskatchewan Ltd., a Saskatchewan based company that sells John Deere sprayers. The LP owns 27 percent and 33 percent of these two companies respectively. The income from these investments was \$0.2 million year to date.

Net Income

The net income for the period was \$3.2 million. On a per unit basis, the earnings was \$0.85 per unit basic and fully diluted compared to \$0.59 per unit on a basic and fully diluted basis for the same period past year. The weighted average units outstanding totaled 3.8 million units for the nine months ended September 30, 2004.

Liquidity and Capital Resources

Funds Provided by Operations

Cash flow from operations, before changes in working capital, was \$3.2 million for the year to date. Net changes in non-cash working capital are negative \$2.0 million. The negative change in working capital is a result of increased inventory levels and floor plans compared to December 31, 2003. Net cash flow after changes in working capital is \$1.3 million.

Funds Provided from Financing

The partnership borrowed an additional \$1.1 million, net of repayments, in notes payable from Cervus Corporation during the nine month period. In addition, the partnership received \$0.2 million from the exercise of unit options.

The LP received repaid short-term advance from Cervus Corporation of \$1.7 million from the sale of the dealership building in Saskatoon to Cervus Corporation.

Funds Provided from Investing

The LP sold the dealership buildings in Saskatoon, Saskatchewan for \$1.6 million effective January 1, 2004 to Cervus Corporation.

In addition, the LP acquired a 59 percent ownership interest in Greenline Equipment from Cervus Corporation on January 1, 2004 which included cash held by Greenline of \$0.2 million.

The partnership acquired \$0.8 million of stock in Cervus Corporation which it distributed in kind to its unitholders on July 15, 2004.

CERVUS LP

Management's Discussion and Analysis, page 5

For the period from January 1 to September 30, 2004

The LP acquired fixed assets of \$0.1 million year to date.

Line of Credit, Liquidity and Debt

As of September 30, 2004, the LP had working capital of \$15.4 million. The working capital ratio stands at 1.8 to 1 at September 30, 2004 compared 1.6 to 1 at December 31, 2003.

As at September 30, 2004 the LP had no operating line credit facility with its bank, however, on November 8, 2004 the LP finalized a \$5 million credit operating facility with its bank secured by general security agreement, accounts receivable, unencumbered inventory, assignment of insurance, subordination of notes payable and personal guarantee of an officer and a shareholder.

Long-term liabilities include unsecured and subordinated notes payable to the general partner of \$9.4 million. The notes are payable in five and six years in 2008 and 2009. The notes payable require quarterly interest payments at bank prime rate. In addition, the LP owes \$1.4 million to other related companies that are unsecured, subordinated and are payable in 2009.

As of September 30, 2004, the LP's issued equity consisted of 3,916,510 units and 803,969 fixed value units.

Disposition of certain assets of Farm and Garden Centre of Saskatoon Ltd

On November 1, 2003 Cervus LP in conjunction with Cervus Corporation acquired all of the issued and outstanding of Farm and Garden Centre of Saskatoon Ltd., which operate two authorized John Deere dealerships in Saskatoon and Rosthern, Saskatchewan. The purchase price for the operating assets was \$4.0 million payable by the issuance of four notes payable. Cervus LP sold a 20.2% minority interest in Farm and Garden Centre Ltd. to two dealership managers of these locations on January 1, 2004 and Cervus LP retained a 67.8% ownership interest and Cervus Corporation retained a 12.0% ownership interest via its jointly owned subsidiary Questus Investment Corp.

The purchase price was allocated as follows:

Net assets of Farm and Garden Centre of Saskatoon Ltd.	Total
Cash	\$ 275,423
Accounts receivable	324,404
Inventories	3,595,958
Prepays	17,493
Property, plant and equipment	2,534,826
Finance reserve	152,340
Accounts payable	(256,754)
Floor plan payable	(2,098,193)
Income taxes payable	(17,522)
Future income taxes payable	(530,203)
	<hr/>
	\$ 3,997,772

CERVUS LP

Management's Discussion and Analysis, page 6

For the period from January 1 to September 30, 2004

Financed by:	Total
Floor plan payable to John Deere	\$ 817,000
Note payable to Cervus Corporation	1,116,772
Notes payable to related companies	404,000
Advance from Cervus Corporation	1,660,000
	<hr/>
	\$ 3,997,772

On January 1, 2004, the LP sold land and dealership buildings to Cervus Corporation for \$1.575 million and the advance of \$1.66 million from Cervus Corporation was repaid.

The net assets disposed of are as follows:

Net assets sold to Cervus Corporation	Total
Cash	\$ 651
Accounts receivable	12,830
Property, plant and equipment	1,865,630
Future income taxes payable	(304,111)
	<hr/>
	\$ 1,575,000

Acquisition of Greenline Equipment Ltd.

On January 1, 2004, Cervus Corporation sold its 59% interest in Greenline Equipment Ltd. to Questus Investment Corp a subsidiary of Cervus LP at carrying values in exchange for promissory notes from Questus. For accounting purposes, the arrangement 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 acquired by Cervus LP are as follows:

CERVUS LP

Management's Discussion and Analysis, page 7

For the period from January 1 to September 30, 2004

Net assets transferred to Questus

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/>
	\$ 1

Consideration paid

Limited partnership note	\$ 1
--------------------------	------

Related Party Transactions with Cervus Corporation

Under the arrangement agreement and subsequent operational agreement between the LP and Cervus Corporation, the LP is entitled to reimbursement for costs incurred as general partner on behalf of Cervus LP. The agreement provides for a 1% annual charge on assets utilized, allocation of insurance expenses, allocation of data services expenses, guarantee fees based on 3% of the guarantee amounts to John Deere payable to either the 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 from January 1, 2004 to September 30, 2004, the Corporation had the following transactions relating to the above agreement with Cervus LP:

CERVUS LP

Management's Discussion and Analysis, page 8

For the period from January 1 to September 30, 2004

	2004	2003
Equipment and real estate rental	\$ 603,243	\$ 212,527
Interest on notes payable and on fixed value units	364,435	86,799
Monthly management fees	263,551	102,883
Guarantee fees	73,125	26,250
	<u>\$ 1,304,354</u>	<u>\$ 428,459</u>

On May 5, 2004, the LP acquired 620,000 common shares of Cervus Corporation at a price of \$2.00 per common share. 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.

The LP distributed \$0.30 (on a tax basis) per limited partnership unit on July 15, 2004 to unitholders of record on June 30, 2004. The distribution was paid in kind of 0.15 Cervus Corporation common shares for each unit that the LP purchased in the private placement.

As the hold period on the common shares will not have expired by July 15, a director and the principal shareholder of Cervus Corporation, has agreed to exchange 620,000 free-trading Cervus Corporation shares for the 620,000 restricted-shares.

As a result of the transaction, the LP owns approximately 14.35% of the issued and outstanding shares of Cervus Corporation. The LP has advised Cervus Corporation that it is acquiring the shares for the purposes of the distribution, that it is not acting jointly or in concert with any other person with respect to the acquisition of shares of Cervus Corporation and that it does not have an intention to acquire additional shares on the open market.

Other Related Party Transactions

Certain limited partnership holders have provided guarantees to John Deere relating to dealership agreements aggregating to \$7.1 million. During 2004, the LP paid limited partnership holders the following:

	2004	2003
Guarantee fees	86,625	30,000
	<u>\$ 86,625</u>	<u>\$ 30,000</u>

CERVUS LP

Management's Discussion and Analysis, page 9

For the period from January 1 to September 30, 2004

Business Risks and Uncertainties

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

The retail farm equipment industry is very competitive. The LP faces a number of competitors, including other "in-line" John Deere dealerships and other competitors including authorized Agco, Case, Caterpillar, Kubota and New Holland dealerships that may be located in communities of the LP's dealerships or are located in surrounding communities to the LP's dealerships.

Presently, Deere & Company has a reputation for the manufacture and delivery of high quality, competitively priced products. John Deere has the largest market share of manufacturing and sales of farm equipment in North America. There can be no assurance that John Deere will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

The success of each dealership is largely dependent on the performance of key employees. Failure of the LP to retain key employees or attract additional key employees with the necessary skills may have a material adverse effect on the growth and profitability of the LP.

The LP acts as a sales agent for the lease of certain equipment by customers from Deere Credit. Under the terms of its agreement with Deere Credit, the LP is obligated to purchase the equipment leased to customers by Deere Credit at the end of the lease term. Deere Credit is obligated to finance these future purchases under dealer floor plan arrangements.

Presently, the agreement with John Deere also provides an arrangement under which John Deere Limited can terminate a John Deere dealership owned by the LP if such dealership fails to maintain certain performance and equity covenants as agreed to by John Deere Limited and the LP. Each contract also provides a one year remedy period whereby the LP has one year to restore any deficiencies to a dealership contract. There can be no guarantee that John Deere Limited will provide its consent to John Deere dealership acquisitions and there can be no guarantee that circumstances will not arise which give John Deere Limited the right to terminate John Deere dealership contracts owned by the LP.

SEDAR

Additional information about the Corporation may be found on the sedar website at www.sedar.com