



THIRD QUARTER

REPORT TO SHAREHOLDERS
For the Nine Months Ended
September 30, 2002

WJAX 2002

**WJAX
LIMITED**

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TROISIÈME TRIMESTRE

RAPPORT AUX ACTIONNAIRES
pour les neuf mois terminés
le 30 septembre 2002

WJAX 2002

**WJAX
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Management's Discussion & Analysis

The following discussion should be read in conjunction with the Company's Quarterly Consolidated Financial Statements and accompanying Notes and the Company's Management's Discussion and Analysis for the first and second quarters of 2002 and the year ended December 31, 2001. Unless otherwise indicated, all financial information is in millions of dollars, except per share data.

Quarterly Results of Operations

Consolidated Results

for the three months ended September 30	2002	2001
Gross revenue	\$206.6	\$250.4
Net (loss) earnings before other item	(\$5.4)	\$1.7
Other item (after tax)	(\$12.4)	-
Net (loss) earnings	(\$17.8)	\$1.7
Earnings per share – Net (loss) earnings before other item	(\$0.34)	\$0.11
Other item (after tax)	(\$0.79)	-
Net (loss) earnings	(\$1.13)	\$0.11

for the nine months ended September 30	2002	2001
Gross revenue	\$685.6	\$799.0
Net (loss) earnings before other item	(\$5.4)	\$5.9
Other item (after tax)	(\$12.4)	-
Net (loss) earnings	(\$17.8)	\$5.9
Earnings per share – Net (loss) earnings before other item	(\$0.34)	\$0.38
Other item (after tax)	(\$0.79)	-
Net (loss) earnings	(\$1.13)	\$0.38

Revenues decreased \$43.8 million to \$206.6 million in the third quarter of 2002 from \$250.4 million in the third quarter of 2001. A net loss before other item of \$5.4 million, or \$0.34 per share in the third quarter of 2002, compares to net earnings of \$1.7 million, or \$0.11 per share recorded the previous year. After other item, a net loss of \$17.8 million, or \$1.13 per share, was recorded in the third quarter of 2002 compared to net earnings of \$1.7 million, or \$0.11 per share in 2001.

The following factors contributed to the change in year-over-year quarterly results from operations, before other item:

- Revenues and earnings in all segments, except for the eastern Canada based Diesel Engines business, continued to experience the effect of reduced economic activity in all of the Company's key marketplaces.
- The Company has continued to focus on debt reduction as funded debt, net of cash, declined \$15.3 million compared to June 30, 2002 and \$60.3 million compared to September 30, 2001.
- The Company adopted the new accounting standard for goodwill and other intangibles effective January 1, 2002. Under the new standard the Company no longer amortizes goodwill. Goodwill for the third quarter of 2001 was approximately \$0.8 million or \$0.05 per share (\$2.4 million or \$0.15 per share year to date).

As a result of the Company's decision to discontinue the implementation of the J.D. Edwards enterprise resource planning computer system beyond the Industrial Components segment, an other item of \$12.4 million (\$20.0 million pretax), or \$0.79 per share, was recorded as a charge against earnings in the third quarter of 2002.

The income tax recoveries for the three and nine months ending September 30, 2002 are approximately \$4.5 million lower than expected due to the write off of a portion of future income tax balances pertaining to U.S. operations.

The Company completed the sale of the Company's U.S. based Mobile Equipment business Pacific North Equipment Co ("PNE") effective October 31, 2002. Total cash proceeds are estimated to be approximately \$20.0 million, which includes approximately \$17.0 million proceeds from the sale and roughly \$3.0 million of product sales in October. No further charges to income pertaining to this transaction are anticipated.

Recently the Company took steps to increase the profitability of the Industrial Components segment. Management reduced the workforce of this segment by approximately 10% in early October of this year. This workforce reduction will yield annual cost savings of approximately \$4.0 million beginning in 2003.

Mobile Equipment

for the three months ended September 30	2002	2001
Gross revenue	\$100.1	\$115.8
Segment earnings	\$2.4	\$3.1
for the nine months ended September 30	2002	2001
Gross revenue	\$344.5	\$392.6
Segment earnings	\$7.2	\$12.0

Revenues decreased \$15.7 million to \$100.1 million in the third quarter of 2002 from \$115.8 million in 2001. Segment earnings declined \$0.7 million to \$2.4 million in the third quarter of 2002 from \$3.1 million in the previous year. The following factors contributed to these quarterly results:

- Revenues in western Canada decreased in the quarter due to a large one-time mining equipment sale included in last year's results and lower parts sales. Earnings from this operation decreased marginally quarter-over-quarter as the impact of lower volumes more than offset reductions in selling and administrative expenses compared to last year.

- In eastern Canada, revenue decreased due to the continued softness in the forestry, construction and mining sectors, and a large one-time sale of container handlers recorded last year. Earnings were negatively impacted by the revenue reductions and by lower margins due primarily to the increasingly competitive market place and higher rental fleet maintenance costs compared to last year. These negative variances were offset in part by reductions in selling and administrative expenses that included the elimination of \$0.3 million of goodwill amortization. Management will continue to reduce the operating cost base of this business as the benefits of recent branch closures in the Maritimes and Quebec will be recognized beginning in 2003.
- On October 31, 2002, the Company completed the sale of the PNE business to Modern Machinery Inc., of Missoula Montana. PNE's loss for the quarter, before allocation of head office costs, was \$0.3 million compared to earnings of \$0.4 million the previous year. (PNE's year-to-date loss, before allocation of head office costs, was \$0.2 million compared to a loss of \$0.5 million the previous year.)

For the nine months ended September 30, 2002, revenues decreased \$48.1 million to \$344.5 million and segment earnings declined \$4.8 million to \$7.2 million compared to \$12.0 million last year.

Industrial Components

for the three months ended September 30	2002	2001
Gross revenue	\$71.8	\$83.8
Segment (loss) earnings	(\$2.8)	\$0.0

for the nine months ended September 30	2002	2001
Gross revenue	\$227.1	\$262.2
Segment (loss) earnings	(\$6.5)	\$1.3

Revenues decreased \$12.0 in the third quarter to \$71.8 million from \$83.8 million. Segment earnings decreased in the quarter to a loss of \$2.8 million from a break-even level in the previous year. The following factors contributed to the third quarter results before other item:

- In Canada and the U.S., revenues in the bearings, hydraulics and process pump businesses decreased during the quarter due to the general economic downturn in the industrial and forestry sectors. In western Canada, service revenues have also been negatively impacted by the slowdown in oil exploration activity.
- Earnings decreased due to the reduced sales volumes, margin decreases resulting from lower than anticipated volume rebates for the year and additional one-time consulting costs associated with the ERP computer system. These negative factors were offset in part by a \$1.1 million reduction in selling and administrative expenses that reflected headcount reductions, branch closures and the elimination of \$0.5 million of goodwill amortization.

For the nine months ended September 30, 2002, revenue decreased \$35.1 million to \$227.1 million and earnings decreased to a loss of \$6.5 million from earnings of \$1.3 million compared to last year.

Recently the Company took steps to increase the profitability of the Industrial Components segment. Management reduced the workforce of this segment by approximately 10% in early October of this year. This workforce reduction will yield annual cost savings of approximately \$4 million beginning in 2003. During the next quarter, the Company will review the costs, benefits and timing of the final installation of the ERP computer system into the bearings business of Industrial Components.

Diesel Engines

for the three months ended September 30	2002	2001
Gross revenue	\$38.8	\$52.1
Segment earnings	\$3.6	\$5.0

for the nine months ended September 30	2002	2001
Gross revenue	\$121.2	\$147.2
Segment earnings	\$10.8	\$13.2

Revenue decreased \$13.3 million to \$38.8 million in the third quarter of 2002 and earnings declined \$1.4 million to \$3.6 million. For the nine months ended September 30, 2002, revenues decreased \$26.0 million to \$121.2 million and earnings decreased \$2.4 million to \$10.8 million compared to last year. The following events affected quarterly revenues and earnings:

- Revenue and earnings at the Company's Waterous operation in Alberta continued to track lower than last year's record pace as a result of the decrease in oil exploration activity in its territory compared to 2001.
- Revenues from the Company's Quebec and Maritimes operations remained stable, however earnings increased due to a 10.8% increase in higher margin parts sales compared to last year.

Liquidity and Capital Resources

The Company generated \$19.3 million of cash before financing activities in the third quarter of 2002 compared to \$7.2 million in the third quarter of 2001. For the nine months ended September 30, 2002 cash flow before financing activities amounted to \$37.3 million compared to \$10.3 million in 2001.

Cash provided by operating activities amounted to \$21.8 million in the third quarter of 2002, with \$5.6 million of this amount coming from operating earnings. The remaining \$16.2 million was generated from reductions in non-cash working capital before the impact of changes in foreign currency translation rates. Significant components of the \$16.2 million decrease in working capital are described as follows:

- Accounts receivable decreased by \$11.9 million due to the collection of installment receivables resulting from two large mining packages sold in western Canada last quarter and decreased sales activity.
- Inventory decreased by \$4.7 million during the quarter primarily as a result of reductions in surplus inventory at PNE.

- Accounts payable and accrued liabilities increased by \$1.7 million due to increases in supplier financing and better payables management. These increases were offset in part by payments during the quarter related to the two large mining packages described above.
- Income taxes receivable increased during the quarter due primarily to an increase in the amount of Canadian losses carried back to recover taxes paid in prior years.

For the nine months ended September 30, 2002 cash provided by operating activities amounted to \$46.1 million. This included cash from operating earnings of \$11.7 million and a decrease of \$34.4 million of working capital before the impact of changes in foreign currency translation.

Working capital, exclusive of funded debt and cash, decreased \$17.5 million to \$203.3 million at September 30, 2002 from \$220.8 million at June 30, 2002. The decrease is due to the cash flow factors listed above offset by the increase in the quarter-end foreign exchange rate compared to the June 30, 2002 rate.

The Company invested a net amount of \$2.5 million of the cash provided by operating activities into operations during the third quarter of 2002. The most significant investing activity was \$2.6 million in capital asset additions, including \$1.4 million for ERP system implementation.

The Company has a \$100 million secured committed bank borrowing facility, which expires January 15, 2004. The commitment is scheduled to reduce to \$62.5 million by September 30, 2003. In addition, borrowing capacity is dependent upon the levels of the Company's inventories on hand and the outstanding trade accounts receivable. At September 30, 2002 the Company had utilized \$46.1 million of the \$100 million facility.

Total cash proceeds from the sale of PNE will be used to reduce funded debt.

No dividends on common shares were paid in the third quarter of 2002 or 2001. The Board of Directors reviews its position on this matter on a regular basis.

Changes in Accounting Policy

Goodwill and intangible assets

Effective January 1, 2002, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") recommendations related to goodwill and intangible assets. Under the new recommendations, goodwill is no longer amortized, but reviewed for impairment annually, or more frequently if certain indicators arise. The Company is required to complete the initial step of a transitional impairment test within six months of adoption of the recommendation, and to complete the final step of the impairment test by the end of the fiscal year. Any impairment loss resulting from the transitional impairment test will be recorded as a cumulative effect of a change in accounting policy and charged directly to retained earnings effective January 1, 2002.

With the adoption of this statement, the Company ceased amortization of goodwill as of January 1, 2002. Goodwill amortization for the quarter ended September 30, 2001 was \$0.8 million or \$0.05 per share (\$2.4 million or \$0.15 per share for the nine months ended September 30, 2001).

The Company has completed the initial step of the transitional impairment test and has determined that a likely impairment exists in goodwill attributable to the Industrial Components segment. The likely impairment loss will be recorded by December 31, 2002 as a charge to retained earnings effective January 1, 2002. The carrying value of goodwill in the Industrial Components segment is currently \$37.6 million.

Stock-based compensation

Effective January 1, 2002, the Company adopted the new CICA handbook section 3870 related to stock-based compensation and other share-based payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange of goods and services provided by employees and non-employees. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees with the addition of pro forma information.

During the quarter the Company issued 45,000 stock options. The company has not recorded any compensation cost on the grant of these stock options. There would be a nominal charge to net earnings and earnings per share information if the Company had accounted for employee stock options under the fair value method.

Risks and Uncertainties

Refer to the Management's Discussion and Analysis for the year ended December 31, 2001 included in the Company's 2001 Annual Report.

Outlook

In light of the continued softness in many of the Company's markets, management will continue to reduce the Company's operating cost base and shed under performing assets in an effort to return to profitability and continue to reduce debt. The previously described staff reduction in Industrial Components and recent branch closures in the eastern Canada mobile equipment operation will reduce costs further at the beginning of 2003. During the next quarter, the Company will review the costs, benefits and timing of the final ERP computer system installation into Industrial Components.

Forward-Looking Statements

This Management's Discussion and Analysis contains forward-looking information that involves assumptions and estimates that may not be realized and other risks and uncertainties. The inclusion of this information herein should not be regarded as a representation by the Company or any other person that the anticipated results will be achieved and investors are cautioned not to place undue reliance on such information.

WAJAX LIMITED
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands of dollars)	September 30 2002	December 31 2001	September 30 2001
Current Assets			
Cash	\$ 11,858	\$ 4,879	\$ 1,508
Accounts receivable	125,959	137,134	146,039
Inventories	202,130	245,253	249,170
Prepaid expenses	5,525	3,575	3,326
Income taxes receivable	8,746	5,399	4,093
Future income taxes	6,464	9,569	8,935
	360,682	405,809	413,071
Non-Current Assets			
Rental equipment	9,062	11,325	10,850
Capital assets	45,337	64,226	62,129
Goodwill and other assets	65,840	67,939	63,509
Future income taxes	6,549	5,206	3,869
	126,788	148,696	140,357
	\$ 487,470	\$ 554,505	\$ 553,428
Current Liabilities			
Accounts payable and accrued liabilities	\$ 144,226	\$ 159,623	\$ 148,304
Current portion of long-term debt	4,480	4,235	4,143
	148,706	163,858	152,447
Non-Current Liabilities			
Future income taxes	5,842	9,373	2,780
Long-term debt	145,865	176,448	196,144
	151,707	185,821	198,924
Shareholders' Equity			
Share capital	102,212	102,212	102,212
Retained earnings	84,845	102,614	99,845
	187,057	204,826	202,057
	\$ 487,470	\$ 554,505	\$ 553,428

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
AND RETAINED EARNINGS
(unaudited)

(in thousands of dollars, except per share data)	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Revenue	\$ 206,586	\$ 250,394	\$ 685,582	\$ 798,974
Cost of sales	158,321	192,097	530,947	620,060
Gross profit	48,265	58,297	154,635	178,914
Selling and administrative expenses	44,957	50,153	143,124	152,440
Earnings before other items, interest & income taxes	3,308	8,144	11,511	26,474
Other items (Note 6)	(20,000)	-	(20,000)	-
(Loss) earnings before interest and income taxes	(16,692)	8,144	(8,489)	26,474
Interest	4,096	4,547	12,305	13,965
(Loss) earnings before income taxes	(20,788)	3,597	(20,794)	12,509
Income taxes – current	(1,431)	2,423	(435)	7,376
– future	(1,590)	(500)	(2,590)	(800)
Net (loss) earnings	\$ (17,767)	\$ 1,674	\$ (17,769)	\$ 5,933
Retained earnings, beginning of period	102,612	98,171	102,614	93,912
Retained earnings, end of period	\$ 84,845	\$ 99,845	\$ 84,845	\$ 99,845
(Loss) earnings per share	\$ (1.13)	\$ 0.11	\$ (1.13)	\$ 0.38
Number of common shares outstanding	15,696,960	15,696,960	15,696,960	15,696,960
Number of common share stock options outstanding	778,000	895,400	778,000	895,400

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Three months ended September 30	
	2002	2001
OPERATING ACTIVITIES		
Net (loss) earnings	\$ (17,767)	\$ 1,674
Items not affecting cash flows:		
Amortization		
- Rental equipment	611	717
- Capital assets	2,984	2,149
- Deferred expenses	238	185
- Goodwill	-	794
Other items (See Note 6)	20,000	-
Future income taxes	(936)	(500)
Pension expense	445	602
Cash flows before changes in non-cash working capital	5,575	5,621
Changes in non-cash working capital:		
Accounts receivable	11,924	756
Inventories	4,661	8,498
Prepaid expenses	45	2,147
Accounts payable and accrued liabilities	1,757	(3,777)
Income taxes receivable	(2,114)	90
	16,273	7,714
Cash flows provided by operating activities	21,848	13,335
INVESTING ACTIVITIES		
Rental equipment additions	(231)	(2,118)
Rental equipment disposals	164	1,384
Capital asset additions	(2,604)	(5,553)
Proceeds on disposal of capital assets	168	152
	(2,503)	(6,135)
Cash flows before financing activities	19,345	7,200
FINANCING ACTIVITIES		
Decrease in long-term debt	(10,111)	(10,527)
Repayment of debentures	(697)	(628)
	(10,808)	(11,155)
Cash flows before effect of foreign exchange	8,537	(3,955)
Effect of foreign exchange on translation adjustment	34	(122)
Net change in cash and cash equivalents	\$ 8,571	\$ (4,077)
Cash and cash equivalents – beginning of period	\$ 3,287	\$ 5,585
Cash and cash equivalents – end of period	\$ 11,858	\$ 1,508
Cash flows provided by operating activities include the following:		
Interest paid	\$ 2,574	\$ 2,913
Income taxes (received) paid	\$ (146)	\$ 2,500
Significant non-cash transaction:		
Rental equipment transferred to inventory	\$ 75	\$ 323

Certain 2001 figures have been reclassified to conform to the presentation adopted in 2002.

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Nine months ended September 30	
	2002	2001
OPERATING ACTIVITIES		
Net (loss) earnings	\$ (17,769)	\$ 5,933
Items not affecting cash flows:		
Amortization		
- Rental equipment	1,738	2,369
- Capital assets	7,211	6,154
- Deferred expenses	624	542
- Goodwill	-	2,380
Other items (See Note 6)	20,000	-
Future income taxes	(1,936)	(800)
Pension expense	1,802	1,366
Cash flows before changes in non-cash working capital	11,670	17,944
Changes in non-cash working capital:		
Accounts receivable	11,143	20,710
Inventories	43,119	38,856
Prepaid expenses	(2,018)	1,011
Accounts payable and accrued liabilities	(14,438)	(47,653)
Income taxes receivable	(3,373)	(6,688)
	34,433	6,236
Cash flows provided by operating activities	46,103	24,180
INVESTING ACTIVITIES		
Net rental equipment additions	(1,170)	(4,045)
Net rental equipment disposals	445	3,081
Capital asset additions	(9,472)	(13,424)
Proceeds on disposal of capital assets	1,382	552
	(8,815)	(13,836)
Cash flows before financing activities	37,288	10,344
FINANCING ACTIVITIES		
Decrease in long-term debt	(28,407)	(29,386)
Repayment of debentures	(2,428)	(2,205)
	(30,835)	(31,591)
Cash flows before effect of foreign exchange	6,453	(21,247)
Effect of foreign exchange on translation adjustment	526	176
Net change in cash and cash equivalent	\$ 6,979	\$ (21,071)
Cash and cash equivalent – beginning of period	\$ 4,879	\$ 22,579
Cash and cash equivalent – end of period	\$ 11,858	\$ 1,508
Cash provided by operating activities included the following:		
Interest paid	\$ 10,718	\$ 10,334
Income taxes paid	\$ 2,058	\$ 14,404

Significant non-cash transaction:

Rental equipment transferred to inventory	\$	401	\$	2,283
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Certain 2001 figures have been reclassified to conform to the presentation adopted in 2002.

WAJAX LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 Significant Accounting Policies

The accounting policies used in the preparation of these unaudited interim consolidated financial statements conform with those used in the Company's annual consolidated financial statements, except for the changes noted below (see Note 2).

These interim consolidated financial statements do not include all of the disclosures included in the Company's annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2001.

Note 2 Change in accounting policy

a. Goodwill

Effective January 1, 2002, the Company adopted the Canadian Institute of Chartered Accountants (CICA) recommendations related to goodwill and intangible assets. Under the new recommendations, goodwill is no longer amortized, but reviewed for impairment annually, or more frequently if certain indicators arise. The Company is required to complete the initial step of a transitional impairment test within six months of adoption of the recommendation, and to complete the final step of the impairment test by the end of the fiscal year. Any impairment loss resulting from the transitional impairment test will be recorded as a cumulative effect of a change in accounting policy and charged directly to retained earnings effective January 1, 2002.

With the adoption of this recommendation, the Company ceased amortization of goodwill as of January 1, 2002. The following table presents the quarterly results of the Company on a comparable basis:

	For the three months ended	
	September 30	
	2002	2001
Reported net (loss) income	\$ (17,767)	\$ 1,674
Add back: Goodwill amortization	-	794
Adjusted net (loss) income	(17,767)	2,468
Basic earnings per share		
Reported net (loss) income	\$ (1.13)	\$ 0.11
Add back: Goodwill amortization	-	0.05
Adjusted net (loss) income	(1.13)	0.16
Diluted earnings per share		
Reported net (loss) income	\$ (1.13)	\$ 0.11
Add back: Goodwill amortization	-	0.05
Adjusted net (loss) income	(1.13)	0.16

	For the nine months ended	
	September 30	
	2002	2001
Reported net (loss) income	\$ (17,769)	\$ 5,933
Add back: Goodwill amortization	-	2,380
Adjusted net (loss) loss	(17,769)	8,313
 Basic earnings per share		
Reported net (loss) income	\$ (1.13)	\$ 0.38
Add back: Goodwill amortization	-	0.15
Adjusted net (loss) income	(1.13)	0.53
 Diluted earnings per share		
Reported net (loss) income	\$ (1.13)	\$ 0.38
Add back: Goodwill amortization	-	0.15
Adjusted net (loss) income	(1.13)	0.53

The Company has completed the initial step of the transitional impairment test and has determined that a likely impairment exists in the goodwill attributable to the Industrial Components segment. The likely impairment loss will be recorded by December 31, 2002 as a charge to retained earnings effective January 1, 2002. The carrying value of goodwill in the Industrial Components segment is currently \$37.6 million.

b. Stock-based Compensation

Effective January 1, 2002, the Company adopted the new CICA handbook section 3870 related to stock-based compensation and other share-based payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange of goods and services provided by employees and non-employees. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees with the addition of pro forma information.

During the quarter the Company issued 45,000 stock options. The Company has not recorded any compensation cost on the grant of these stock options. There would be a nominal change to net earnings and earnings per share information if the Company had accounted for employee stock options under the fair value method.

Note 3 Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share information):

Quarter	2002		2001	
Numerator for basic and diluted earnings per share – net (loss) income	\$	(17,767)	\$	1,674
Denominator for basic earnings per share – weighted average shares		15,697		15,697
Denominator for diluted earnings per share:				
– weighted average shares		15,697		15,697
– effect of dilutive employee stock options		-		127
Denominator for diluted earnings per share		15,697		15,824
Basic (loss) earnings per share	\$	(1.13)	\$	0.11
Diluted (loss) earnings per share	\$	(1.13)	\$	0.11

Year-to-date	2002		2001	
Numerator for basic and diluted earnings per share – net (loss) income	\$	(17,769)	\$	5,933
Denominator for basic earnings per share – weighted average shares		15,697		15,697
Denominator for diluted earnings per share:				
– weighted average shares		15,697		15,697
– effect of dilutive employee stock options		-		109
Denominator for diluted earnings per share		15,697		15,806
Basic (loss) earnings per share	\$	(1.13)	\$	0.38
Diluted (loss) earnings per share	\$	(1.13)	\$	0.38

Note 4 Common Share Options

During the year-to-date, the Company cancelled employee stock options to purchase 107,000 shares with a weighted-average exercise price of \$6.41 and weighted average remaining life of 7.59 years as of December 31, 2001. Of this amount, 32,000 options were exercisable as of December 31, 2001 with a weighted-average exercise price of \$9.68. In addition, during the quarter, 45,000 options were issued with a weighted-average exercise price of \$5.10 and a weighted average life of 10 years at issuance.

Note 5 Segmented Information

(in thousands of dollars)

For the three months ended September 30

2002	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations	Total
Revenue	\$ 100,112	\$ 71,791	\$ 38,827	\$ (4,144)	\$ 206,586
Segment earnings (loss) before other items	\$ 2,446	\$ (2,752)	\$ 3,614	\$ -	\$ 3,308
Other items (See Note 6)	-	-	-	(20,000)	(20,000)
Segment earnings (loss)	2,446	(2,752)	3,614	(20,000)	(16,692)
Loss before interest and income taxes				\$	<u>(16,692)</u>

2001	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations	Total
Revenue	\$ 115,769	\$ 83,757	\$ 52,120	\$ (1,252)	\$ 250,394
Segment earnings	\$ 3,099	\$ 15	\$ 5,029	\$ 1	\$ 8,144
Earnings before interest and income taxes				\$	<u>8,144</u>

For the nine months ended September 30

2002	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations	Total
Revenue	\$ 344,478	\$ 227,140	\$ 121,182	\$ (7,218)	\$ 685,582
Segment earnings (loss) before other items	\$ 7,175	\$ (6,466)	\$ 10,802	\$ -	\$ 11,511
Other items (See Note 6)	-	-	-	(20,000)	(20,000)
Segment earnings (loss)	7,175	(6,466)	10,802	(20,000)	(8,489)
Loss before interest and income taxes				\$	<u>(8,489)</u>

2001	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations	Total
Revenue	\$ 392,563	\$ 262,225	\$ 147,170	\$ (2,984)	\$ 798,974
Segment earnings	\$ 11,988	\$ 1,304	\$ 13,183	\$ (1)	\$ 26,474
Earnings before interest and income taxes				\$	<u>26,474</u>

Interest expense and income taxes are not allocated to business segments. All other corporate expenses are allocated based on net working capital.

Note 6 Other Items

During the quarter the Company decided to discontinue the implementation of the J.D. Edwards enterprise resource planning ("ERP") computer system into the Mobile Equipment and Diesel Engines business units. As a result, a \$20.0 million pretax charge (\$12.4 million after tax) was recorded in the third quarter.

Note 7 Income Taxes

The income tax recoveries for the three and nine months ending September 30, 2002 are approximately \$4.5 million lower than expected due to the write off of a portion of future income tax balances pertaining to U.S. operations.

Note 8 Subsequent Events

On October 31, 2002, the Company entered into an agreement to sell its U.S. based Mobile Equipment business Pacific North Equipment Co ("PNE"). Total cash proceeds on closing are estimated to be approximately \$20.0 million, which includes approximately \$17.0 million proceeds from the sale and roughly \$3.0 million of product sales. No further charges to income pertaining to this transaction are anticipated.



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