

FIRST QUARTER REPORT TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED
MARCH 31, 2004





WJAX LIMITED
News Release

TSE Symbol: WJX

WJAX ANNOUNCES IMPROVED FIRST QUARTER 2004 RESULTS

(Dollars in millions, except per share data)	Three Months Ended March 31	
	2004	2003
Revenue	\$210.9	\$218.3
Net earnings	\$2.5	\$1.1
Earnings per share	\$0.16	\$0.07

Toronto, Ontario – May 7, 2004 – Wajax Limited today announced improved first quarter 2004 earnings of \$2.5 million or \$0.16 per share compared to \$1.1 million or \$0.07 per share for the first quarter of 2003.

First Quarter Highlights

- Company revenues were down \$7.4 million in the quarter as a particularly large \$14.2 million mining truck sale was booked in 2003 and the stronger Canadian dollar negatively impacted sales on U.S. sourced products by approximately \$12 million. Revenues in Industrial Components Canadian operation increased by \$2.7 million or 4.7%.
- Increased service revenues led to a slight increase in Mobile equipment earnings. Industrial Components earnings increased as the U.S. operation, Spencer, was profitable in the quarter compared to a \$1.6 million loss in 2003. Kinacor, the Canadian operation, was somewhat less profitable than last year as a result of higher selling and administrative costs. Diesel Engines earnings were lower than the previous year on weaker results in Quebec and Atlantic Canada.

- Interest expense decreased \$1.1 million quarter-over-quarter as a result of a \$40.0 million reduction in debt, net of cash.
- The Company's effective tax rate of 40.5% for the quarter was less than the 49.7% rate last year as U.S. operating losses in 2003 were not tax effected.
- The Company used \$15.5 million of cash before financing activities mainly as a result of increased working capital requirements.
- The Company announced it had obtained the distribution rights to the JCB construction equipment line for Northern Ontario, Manitoba, Saskatchewan and most of British Columbia. JCB is one of the world's largest manufacturers of construction equipment with 130 models in 9 different product ranges including wheel loaders, backhoes, telehandlers and skid steers. The Company currently represents the line in Quebec and the Maritimes.
- The Company declared a quarterly dividend of \$0.04 per share payable on June 30, 2004, to shareholders of record on June 14, 2004.

Commenting on the quarter and the outlook for the remainder of the year, Neil Manning, President and CEO stated, "We are generally pleased with our performance in what is traditionally our softest quarter as we started off slowly but picked up momentum in late February and March. We are particularly encouraged with the performance at Spencer where its profitable first quarter was a dramatic turnaround from last year. We are also excited about our expanded representation of the JCB product line. We have steadily grown this line over the last few years in eastern Canada and we look forward to building the JCB brand in our new areas of responsibility. Going forward we remain optimistic about continued improvements in our profitability with solid backlogs in most businesses."

Wajax is a diversified company that has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, diesel engines and industrial components, through a network of over 100 branches across Canada and the western United States. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Complete financial statements and management's discussion and analysis can be accessed at www.wajax.com.

This news release contains forward-looking information. Actual future results may differ from expected results.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's unaudited quarterly Consolidated Financial Statements accompanying this report and the Company's Management's Discussion and Analysis for the year ended December 31, 2003. 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 March 31	2004	2003
Revenue	\$210.9	\$218.3
Net earnings	\$2.5	\$1.1
Earnings per share	\$0.16	\$0.07

Revenues decreased \$7.4 million to \$210.9 million in the first quarter of 2004 from \$218.3 million in the first quarter of 2003. Net earnings of \$2.5 million, or \$0.16 per share, were recorded in the first quarter of 2004 compared to \$1.1 million, or \$0.07 per share recorded the previous year.

The following factors contributed to the year-over-year quarterly results from operations:

- The Company realized lower sales dollars per unit on U.S. sourced products as a result of the strengthening Canadian dollar compared to the previous year. This had the effect of reducing overall consolidated revenues by approximately \$12.0 million.
- Revenues in the Mobile Equipment segment decreased due primarily to a particularly large \$14.2 million sale of mining trucks in Western Canada in 2003. However, earnings increased slightly due to a greater percentage of higher margin parts and service revenues compared to last year.
- In the Diesel Engines' segment, revenues and earnings decreased due to lower revenues in eastern Canada and higher selling and administrative expenses.
- The Company's effective tax rate of 40.5% for the quarter ending March 31, 2004 was lower compared to last year's rate of 49.7% due mainly to U.S. losses not tax effected in 2003.
- Funded debt, net of cash, increased \$19.0 million compared to December 31, 2003 and decreased \$40.0 million compared to March 31, 2003. As a result, the Company's quarter-end debt to equity ratio was 0.32:1 at March 31, 2004.
- Interest expense decreased \$1.1 million quarter-over-quarter. This resulted principally from a \$40.7 million reduction in the average amount of funded debt outstanding during the quarter compared to last year.

During the quarter the Company paid a dividend of \$0.04 per share and has declared a dividend of \$0.04 per share payable in the second quarter of 2004. The Board of Directors may modify its dividend payment policy at any time.

Mobile Equipment

for the three months ended March 31	2004	2003
Gross revenue	\$98.0	\$106.9
Segment earnings	\$3.8	\$3.7

Revenues decreased \$8.9 million to \$98.0 million in the first quarter of 2004 from \$106.9 million in 2003. Segment earnings increased \$0.1 million to \$3.8 million in the first quarter of 2004 from \$3.7 million in the previous year. The following events contributed to these results:

- Revenues in western Canada decreased \$6.1 million compared to last year due primarily to a \$14.2 million sale of 4 large mining trucks to an Alberta-based customer in 2003 and a reduction of approximately \$5.0 million resulting from the impact of the stronger Canadian dollar. These decreases were offset, in part, by increased equipment sales in the construction and forestry, material handling and crane and utility sectors. In addition, service revenues increased by 13.9% over last year due to management's continued focus on after-market initiatives. Earnings remained flat as the impact of decreased volumes and higher selling and administrative expenses were offset, in part, by a margin increase of 2.5 percentage points compared to last year. The positive margin variance resulted from the increase in higher margin service revenues and a more favorable margin on equipment sales due to the low margin realized on the sale of the 4 mining trucks in 2003.
- Revenues in eastern Canada declined \$2.8 million compared to last year. This resulted from a decrease in both new and used equipment revenues in the forestry and construction, crane and utility and material handling markets offset, in part, by a 16.2% increase in service volumes. Mining revenues remained relatively flat compared to last year. Earnings increased slightly by \$0.1 million as higher margins and lower selling and administrative costs more than offset the negative impact of lower volumes.

As part of the segment's 2004 objective to supplement the Hitachi excavator line, effective May 1, 2004 the Company obtained distribution rights to the JCB equipment line in Northern Ontario, Manitoba, Saskatchewan and most of British Columbia. The segment currently represents JCB in Quebec and in the Maritimes. JCB sales accounted for more than \$10.0 million of revenue in 2003. JCB is one of the largest manufacturers of construction equipment in the world doing business in 140 countries. It has a broad line of construction and utility products with 130 models in nine different product ranges including wheel loaders, backhoes, telehandlers and skid steers.

Industrial Components

for the three months ended March 31	2004	2003
Canada - Kinacor	\$60.1	\$57.4
United States - Spencer	\$13.3	\$13.5
Gross revenue	\$73.4	\$70.9
Canada - Kinacor	\$0.6	\$1.2
United States - Spencer	\$0.1	(\$1.6)
Segment earnings (loss)	\$0.7	(\$0.4)

Revenues increased \$2.5 million to \$73.4 million in the first quarter of 2004 from \$70.9 million in 2003. Earnings of \$0.7 million in Industrial Components compared to a loss of \$0.4 million the previous year. The following factors contributed to the quarterly results:

- Revenues in Kinacor increased \$2.7 million to \$60.1 million due to a \$2.3 million increase in hydraulics parts revenues in western Canada resulting mainly from increased activity in the oil and gas sector, and \$0.4 million of additional hydraulics parts sales in central and eastern Canada. Bearings revenues remained flat quarter-over-quarter. Earnings of \$0.6 million decreased compared to earnings of \$1.2 million last year as the positive impact of higher volumes was more than offset by an increase in selling and administrative expenses. These increased expenses included additional headcount from the P.M.D.F. acquisition made in late 2003, severance costs incurred in 2004, higher occupancy costs and other cost increases compared to last year.
- Revenues in Spencer, a U.S. based hydraulics business, decreased \$0.2 million to \$13.3 million compared to \$13.5 million last year due to a decrease in the value of the U.S. dollar. On a U.S. dollar basis, revenues increased \$1.2 million compared to last year as increases in parts and mining service revenues more than offset the negative impact of closing four branches at the end of the first quarter of 2003. Earnings for the quarter increased \$1.7 million to \$0.1 million compared to a loss of \$1.6 million last year. This positive earnings variance was due principally to a \$1.6 million decrease in selling and administrative expenses resulting from an overall head count reduction, branch closures and lower ERP computer system depreciation.

Diesel Engines

for the three months ended March 31	2004	2003
Gross revenue	\$39.9	\$40.9
Segment earnings	\$3.3	\$3.7

Revenue decreased \$1.0 million to \$39.9 million in the first quarter of 2004 compared to \$40.9 million in 2003. Earnings declined \$0.4 million to \$3.3 million from \$3.7 million in 2003. The following events affected revenues and earnings:

- Revenues at the Waterous operation in Alberta were \$1.6 million ahead of 2003 due mainly to higher equipment sales in the oil and gas sector and higher service revenues generated in the new Calgary branch opened in March 2003.
- Revenues from the Company's Quebec and Atlantic Canada operation, Detroit Diesel-Allison Canada East "DD-ACE", decreased \$2.6 million compared to 2003 due in part to the negative impact of the stronger Canadian dollar on products sourced from the U.S., the transition to a new small engine line manufacturer and a general softness in the economy.
- Segment earnings decreased \$0.4 million compared to last year due to lower volumes and an increase in selling and administrative expenses offset, in part, by the positive impact of higher margins.

DaimlerChrysler, which owns Freightliner trucks as well as Detroit Diesel, implemented a change to its parts distribution system effective March 1, 2004. This change gives Freightliner truck dealers the option to buy Detroit Diesel parts directly from Freightliner if they meet certain

operational requirements. Previously, these truck dealers had only been able to purchase Detroit Diesel parts through their local distributor. Freightliner will partially compensate Detroit Diesel distributors for lost dealer sales for at least the remainder of 2004. However, the Detroit Diesel distributors are now positioned to compete at the retail level with any dealer choosing to purchase parts directly. At this time it is unclear as to how many dealers will buy parts directly. The Diesel Engine segment parts sales to dealers in 2003 were approximately \$9.0 million, the majority of which were attributable to DD-ACE.

LIQUIDITY AND CAPITAL RESOURCES

The Company used \$15.5 million of cash before financing activities in the first quarter of 2004 compared to \$14.4 million of cash generated in the first quarter of 2003.

Cash used in operating activities, net of \$5.7 million of cash generated from operating earnings, amounted to \$12.3 million in the first quarter of 2004. Cash used in changes in non-cash working capital, before changes in foreign currency translation rates, was \$18.0 million. Significant components were as follows:

- Inventory increased in all segments by a total of \$5.6 million compared to the fourth quarter of 2003 due to additional seasonal inventory requirements.
- Accounts payable and accrued liabilities decreased by \$13.0 million during the quarter due primarily to payments made for inventory sold in the fourth quarter of 2003 by Mobile Equipment (\$8.6 million) and other payments of year-end accruals.

Working capital, exclusive of funded debt and cash, increased \$21.0 million to \$138.1 million at March 31, 2004 from \$117.1 million at December 31, 2003. The increase was due to the cash flow factors listed above and the increase in the quarter-end U.S. dollar exchange rate compared to the December 31, 2003 rate.

The Company invested a net amount of \$3.2 million of cash into operations during the first quarter of 2004. The most significant investing activities were \$2.7 million of lift truck rental fleet additions in Mobile Equipment and \$1.0 million of capital additions.

Debt, net of cash, increased \$19.0 million compared to December 31, 2003. Of this increase, \$1.7 million resulted from the translation of the U.S. senior notes into Canadian dollars at a higher exchange rate compared to the last quarter.

The Company's debt-to-equity ratio increased to 0.32:1 at March 31, 2004 compared to 0.22:1 at December 31, 2003. Compared to March 31, 2003, the debt-to-equity ratio decreased from 0.57:1 to 0.32:1 which reflects a \$40.0 million reduction in funded debt, net of cash.

At March 31, 2004 the Company had utilized \$4.0 million (represented entirely by letters of credit) of the \$20.0 million 364-day revolving secured bank borrowing facility, which expires December 18, 2004. It is expected that the cash on-hand of \$26.5 million at March 31, 2004 along with the \$20.0 million bank facility and cash generated from earnings during the remainder of 2004 will provide sufficient cash flow to meet the Company's short-term cash requirements and long-term growth initiatives. Management also expects to be able to extend the existing credit facility by the end of 2004 allowing for future growth requirements.

The Mobile Equipment segment had possession of \$39.9 million of consigned inventory from a major manufacturer at March 31, 2004 compared to \$29.9 million the previous year. This inventory is not included in the Company's inventory as the manufacturer has title to the inventory.

The Company enters into hedges of its foreign currency exposures on a portion of its U.S. dollar-denominated senior notes by entering into offsetting U.S. dollar forward contracts. During the quarter, the Company had a \$2.0 million loss on these hedging activities that was offset by a \$2.0 million unrealized foreign currency gain on the U.S. dollar-denominated senior notes. On March 31, 2004 the Company entered into a short-term foreign currency forward contract to buy \$30 million U.S. dollars on March 31, 2005 to offset the effect of foreign exchange gains or losses on the portion of its U.S. dollar-denominated senior notes that does not form a part of the hedge against the Company's investment in its U.S. self-sustaining operations.

During the quarter the Company paid a dividend of \$0.04 per share and will pay a dividend of \$0.04 per share in the second quarter of 2004. The Board of Directors and management periodically review dividend policy taking into consideration the Company's earnings sustainability, future financial requirements and general economic conditions. No dividends on common shares were paid in 2003.

CHANGES IN ACCOUNTING POLICY

Hedging Relationships

Effective January 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline ACG-13 "Hedging Relationships", which requires assessment of new and existing hedging relationships to determine whether they satisfy the conditions of hedge accounting. The Company is satisfied that all hedging relationships existing at January 1, 2004 and all new hedging relationships entered into during the quarter were documented and deemed effective at inception as well as effective on a prospective and retroactive basis at March 31, 2004. Hedge accounting has been applied for all hedging relationships.

Multiple Deliverables

Effective January 1, 2004, the Company adopted the CICA EIC-142 "Revenue Arrangements with Multiple Deliverables". This abstract addresses certain aspects of the accounting for arrangements under which a vendor will perform multiple revenue-generating activities. In particular, the Abstract addresses how to determine whether an arrangement contains more than one unit of accounting and how to allocate the arrangement consideration among separate units of accounting. Management evaluates the application of this abstract to these types of transactions on an individual basis when they occur. There has not been a significant change in the way management accounts for these types of arrangements.

Separately Priced Extended Warranty and Product Maintenance Contracts

Effective January 1, 2004, the Company adopted the CICA EIC-143 “Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts”. This abstract addresses how revenue and costs from separately priced extended warranty or product maintenance contracts be recognized. Revenues should be deferred and recognized in income on a straight-line basis over the contract period except in those circumstances in which sufficient historical evidence indicates that the costs of performing services under the contract are incurred on other than a straight-line basis. In those circumstances, revenue should be recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. The Company is continuing to recognize revenue for separately priced extended warranty or product maintenance contracts over the contract period in proportion to the costs expected to be incurred in performing the services under the contract.

RISKS AND UNCERTAINTIES

Refer to the Management’s Discussion and Analysis for the year ended December 31, 2003 included in the Company’s 2003 Annual Report.

OUTLOOK

The Company’s first quarter earnings were ahead of 2003 and management expects to deliver continued profit improvements for the balance of 2004 assuming no deterioration of the current economic environment. Each of the business segments will continue the implementation of specific initiatives described in the Management’s Discussion and Analysis for the year ended December 31, 2003 included in the Company’s 2003 Annual Report.

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.

Additional information, including the Company’s Annual Report and Annual Information Form, may be found on SEDAR at www.sedar.com.



WAJAX LIMITED

Unaudited Consolidated Financial Statements

For the three months ended March 31, 2004

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" Part 4.3(3) (a).

The attached consolidated financial statements have been prepared by Management of Wajax Limited and have not been reviewed by the auditors of Wajax Limited.

WAJAX LIMITED
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands of dollars)	March 31 2004	December 31 2003	March 31 2003
Current Assets			
Cash and cash equivalents	\$ 26,528	\$ 45,395	\$ 9,114
Accounts receivable	105,380	106,027	115,807
Inventories	149,769	143,682	164,053
Income taxes receivable	-	-	2,357
Future income taxes	6,239	6,257	7,845
Prepaid expenses and other recoverable amounts	2,262	2,353	2,422
	290,178	303,714	301,598
Non-Current Assets			
Rental equipment	16,845	16,205	15,290
Capital assets	31,458	31,855	34,001
Goodwill and other assets	52,980	53,137	55,402
Future income taxes	2,743	2,772	6,204
	104,026	103,969	110,897
	\$ 394,204	\$ 407,683	\$ 412,495
Current Liabilities			
Accounts payable and accrued liabilities	\$ 124,425	\$ 139,879	\$ 131,948
Income taxes payable	1,138	1,348	-
Current portion of long-term debt	4,356	4,267	14,469
	129,919	145,494	146,417
Non-Current Liabilities			
Future income taxes	2,861	2,745	2,680
Long-term debt	79,880	79,838	92,338
	82,741	82,583	95,018
Shareholders' Equity			
Share capital	102,212	102,212	102,212
Contributed surplus	119	63	-
Retained earnings	79,213	77,331	68,848
	181,544	179,606	171,060
	\$ 394,204	\$ 407,683	\$ 412,495

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

(in thousands of dollars, except per share data)	Three months ended March 31	
	2004	2003
Revenue	\$ 210,891	\$ 218,279
Cost of sales	161,625	170,257
Gross profit	49,266	48,022
Selling and administrative expenses	43,009	42,748
Earnings before interest and income tax	6,257	5,274
Interest expense	2,038	3,106
Earnings before income taxes	4,219	2,168
Income taxes - current	1,497	203
- future	212	875
Net earnings	2,510	1,090
Retained earnings, beginning of period	77,331	67,758
Dividends on common shares	(628)	
Retained earnings, end of period	\$ 79,213	\$ 68,848
Basic and diluted earnings per share (Note 3)	\$ 0.16	\$ 0.07
Number of common shares outstanding	15,696,960	15,696,960
Number of common share options outstanding	805,570	834,000

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Three months ended March 31	
	2004	2003
OPERATING ACTIVITIES		
Net earnings	\$ 2,510	\$ 1,090
Items not affecting cash flows:		
Amortization		
- Rental equipment	1,300	474
- Capital assets	1,335	1,900
- Deferred expenses	166	256
Pension expense	157	897
Stock compensation expense (Note 4)	56	
Future income taxes	212	875
Cash flows before changes in non-cash working capital	5,736	5,492
Changes in non-cash working capital:		
Accounts receivable	711	(2,002)
Inventories	(5,624)	13,823
Prepaid expenses and other recoverable amounts	97	5,346
Accounts payable and accrued liabilities	(13,020)	(9,385)
Income taxes receivable	(212)	1,037
	(18,048)	8,819
Cash flows (used) provided by operating activities	(12,312)	14,311
INVESTING ACTIVITIES		
Rental equipment additions	(2,695)	(1,262)
Rental equipment disposals	435	102
Capital asset additions	(983)	(841)
Proceeds on disposal of capital assets	70	2,102
	(3,173)	101
Cash flows before financing activities	(15,485)	14,412
FINANCING ACTIVITIES		
Decrease in long-term debt	-	(15,191)
Repayment of debentures	(815)	(734)
Hedging activities (Note 5)	(2,025)	(2,712)
Dividends paid	(628)	-
	(3,468)	(18,637)
Cash flows before effect of foreign exchange	(18,953)	(4,225)
Effect of foreign exchange on translation adjustment	86	(218)
Net change in cash and cash equivalents	\$ (18,867)	\$ (4,443)
Cash and cash equivalents – beginning of period	\$ 45,395	\$ 13,557
Cash and cash equivalents – end of period	\$ 26,528	\$ 9,114
Cash flows (used) provided by operating activities include the following:		
Interest paid	\$ 1,229	\$ 1,771
Income taxes paid (received)	\$ 1,708	\$ (835)
Significant non-cash transaction:		
Rental equipment transferred to inventory	\$ 320	\$ 165

WAJAX LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands of dollars)
(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, 2003.

Note 2 Change in accounting policies

a. Hedging Relationships

Effective January 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline ACG-13 "Hedging Relationships", which requires assessment of new and existing hedging relationships to determine whether they satisfy the conditions of hedge accounting. The Company is satisfied that all hedging relationships existing at January 1, 2004 and all new hedging relationships entered into during the quarter were documented and deemed effective at inception as well as effective on a prospective and retroactive basis at March 31, 2004. Hedge accounting has been applied for all hedging relationships.

b. Multiple Deliverables

Effective January 1, 2004, the Company adopted the CICA EIC-142 "Revenue Arrangements with Multiple Deliverables". This abstract addresses certain aspects of the accounting for arrangements under which a vendor will perform multiple revenue-generating activities. In particular, the Abstract addresses how to determine whether an arrangement contains more than one unit of accounting and how to allocate the arrangement consideration among separate units of accounting. Management evaluates the application of this abstract to these types of transactions on an individual basis when they occur. There has not been a significant change in the way management accounts for these types of arrangements.

c. Separately Priced Extended Warranty and Product Maintenance Contracts

Effective January 1, 2004, the Company adopted the CICA EIC-143 "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts". This abstract addresses how revenue and costs from separately priced extended warranty or product maintenance contracts be recognized. Revenues should be deferred and recognized in income on a straight-line basis over the contract period except in those circumstances in which sufficient historical evidence indicates that the costs of performing services under the contract are incurred on other than a straight-line basis. In those circumstances, revenue should be recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. The Company is continuing to recognize revenue for separately priced extended warranty or product maintenance contracts over the contract period in proportion to the costs expected to be incurred in performing the services under the contract.

Note 3 Earnings per share

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

Quarter	2004	2003
Numerator for basic and diluted earnings per share:		
– net income	\$ 2,510	\$ 1,090
Denominator for basic earnings per share :		
– weighted average shares	15,696,960	15,696,960
Denominator for diluted earnings per share:		
– weighted average shares	15,696,960	15,696,960
– effect of dilutive employee stock options	313,701	880
Denominator for diluted earnings per share	16,010,661	15,697,840
Basic earnings per share	\$ 0.16	\$ 0.07
Diluted earnings per share	\$ 0.16	\$ 0.07

Of the 805,570 (2003 – 834,000) stock options outstanding, 90,000 (2003 – 597,000) options with an exercise price range of \$9.25-\$11.50 (2003 - \$3.80-\$17.25) are excluded from the above calculations as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

Note 4 Stock-based compensation plans

During the quarter, the Company issued employee stock options to purchase 61,570 shares with a weighted-average exercise price of \$8.54 and weighted average life of 8 years as of the date of issuance. No options expired or were exercised during the current quarter.

The Company recorded a compensation cost of \$56 thousand for the quarter in respect of employee stock options granted after December 31, 2002. The Company had accounted for employee stock options using the intrinsic value method prior to 2003 and accordingly has not recorded compensation cost for grants prior to this year. There would have been a reduction in net earnings of \$31 thousand (2003 - \$70 thousand) for the quarter and a nominal reduction in earnings per share for the quarter if the Company had accounted for employee stock options issued in 2002 under the fair value method. The fair value of employee stock options is determined using the Black-Scholes option pricing model using the following weighted average assumptions:

Risk free interest rate	3.5%
Expected life	8 years
Expected volatility	32%
Expected dividends	2%

The weighted average fair value of the options issued during the year at the grant date was \$2.93 (2003 - nil)

Note 5 Financial Instruments

The Company hedges its foreign currency exposures on a portion of its U.S. dollar-denominated senior notes by entering into offsetting U.S. dollar forward contracts. During the quarter, the Company had a \$2.0 million loss on these hedging activities that was offset by a \$2.0 million foreign currency gain on the U.S. dollar-denominated senior notes. At March 31, 2004 the Company had entered into two short-term foreign currency forward contracts to buy a total \$30 million U.S. dollars on March 31, 2005. The foreign currency forward contracts, valued using prevailing currency exchange rates, have been recognized on the balance sheet.

Note 6 Segmented information:

	For the three months ended March 31	
	2004	2003
Revenue		
Mobile Equipment	98,043	106,890
Industrial Components		
- Canada	60,078	57,380
- United States	13,315	13,494
Total Industrial Components	<u>73,393</u>	<u>70,874</u>
Diesel Engines	39,944	40,884
Segment eliminations	<u>(489)</u>	<u>(369)</u>
Total Consolidated	<u><u>210,891</u></u>	<u><u>218,279</u></u>
Segment Earnings (Loss)		
Mobile Equipment	3,765	3,723
Industrial Components		
- Canada	568	1,195
- United States	146	(1,550)
Total Industrial Components	<u>714</u>	<u>(355)</u>
Diesel Engines	3,313	3,652
Corporate costs	<u>(1,535)</u>	<u>(1,746)</u>
Total Consolidated	<u><u>6,257</u></u>	<u><u>5,274</u></u>

Interest expense, income taxes and all other corporate costs are not allocated to business segments.

Note 7 Comparative information

Certain comparative numbers have been reclassified to conform with current presentation.



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