

**THIRD QUARTER
REPORT TO SHAREHOLDERS**
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2004





WAJAX LIMITED
News Release

TSX Symbol: WJX

WAJAX ANNOUNCES ANOTHER QUARTER OF SIGNIFICANTLY IMPROVED EARNINGS

(Dollars in millions, except per share data)	<u>Three Months</u> <u>Ended September 30</u>		<u>Nine Months</u> <u>Ended September 30</u>	
	2004	2003	2004	2003
Revenue	\$230.0	\$207.8	\$679.0	\$653.1
Net earnings	\$5.2	\$2.6	\$12.3	\$6.1
Basic earnings per share	\$0.33	\$0.17	\$0.78	\$0.39

Toronto, Ontario – November 2, 2004 – Wajax Limited today announced significantly improved third quarter 2004 earnings of \$5.2 million or \$0.33 per share compared to \$2.6 million or \$0.17 per share for the corresponding period in 2003. For the nine months ended September 30, 2004 the Company earned \$12.3 million or \$0.78 per share compared to \$6.1 million or \$0.39 per share recorded in the prior year.

Third Quarter Highlights

- Third quarter revenues increased 11% (13% after excluding the negative impact of the declining U.S. dollar) with gains experienced in all three core businesses. Industrial Components led the way with a 15% increase in revenues with particular strength in western Canada. Revenues in Mobile Equipment and Diesel Engines increased by 10% and 5% respectively, largely as a result of strong oil sector related sales in western Canada.
- Quarterly earnings in Industrial Components almost tripled to \$3.3 million, while Mobile Equipment recorded a 43% earnings increase compared to 2003. These increases were primarily attributable to the higher revenues in both businesses and improved margins in Industrial Components.

- Interest expense decreased \$0.7 million in the quarter mainly as a result of lower debt, net of cash compared to last year.
- On October 7, 2004 the Company acquired the shares of XR Equipment Ltd., a JCB construction equipment dealer in southwestern Ontario. Annual revenue impact from this acquisition is estimated to be more than \$4.0 million.
- The Company declared a quarterly dividend of \$0.04 per share payable on December 31, 2004, to shareholders of record on December 13, 2004.

Commenting on the third quarter earnings and the outlook for the rest of the year, Neil Manning, President and CEO, stated “Third quarter earnings were again ahead of our expectations. We are particularly pleased with the earnings increase in our Industrial Components business. Its volume and margin enhancement initiatives are gaining momentum and we look forward to further improvements. We remain confident that fourth quarter results will also exceed the previous year.”

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.

Financial statements, management’s discussion and analysis and company news releases 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 Quarterly Consolidated Financial Statements and accompanying Notes and the Company's Management's Discussion and Analysis for the first and second quarters of 2004 and 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 September 30	2004	2003
Gross revenue	\$230.0	\$207.8
Net earnings	\$5.2	\$2.6
Earnings per share – basic	\$0.33	\$0.17
– diluted	\$0.33	\$0.16

for the nine months ended September 30	2004	2003
Gross revenue	\$679.0	\$653.1
Net earnings	\$12.3	\$6.1
Earnings per share – basic	\$0.78	\$0.39
– diluted	\$0.77	\$0.39

Revenues increased \$22.2 million to \$230.0 million in the third quarter of 2004 from \$207.8 million in the third quarter of 2003. Net quarterly earnings of \$5.2 million, or \$0.33 per share, increased \$2.6 million compared to the \$2.6 million, or \$0.17 per share, recorded the previous year. For the nine months ended September 30, 2004 revenue increased \$25.9 million to \$679.0 million and the strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing consolidated revenues by \$22.8 million. Canadian operations realized lower sales dollars per unit on U.S. sourced products and Spencer's U.S. dollar revenues were translated to Canadian dollars at a lower exchange rate. Net earnings for the nine months ended September 30, 2004 more than doubled to \$12.3 million, or \$0.78 per share, from \$6.1 million, or \$0.39 per share, the previous year. The following factors contributed to the change in year-over-year quarterly results from operations:

- Mobile Equipment revenues increased 10% and earnings increased \$1.9 million compared to last year due primarily to an increase in equipment sales.
- Industrial Components revenues increased \$10.2 million or 15%. Earnings increased \$2.2 million as the impact of increased volumes and higher margins, mainly on hydraulics parts, were offset in part by higher selling and administrative expenses compared to last year.
- Diesel Engines revenues increased \$2.1 million while earnings remained flat at \$3.4 million. A 17% increase in revenues from Alberta operations, were offset in part by a 9% reduction in sales from operations in Quebec and the Maritimes.

- The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing consolidated revenues by \$4.5 million.
- The Company's debt, net of cash, decreased \$9.1 million compared to June 30, 2004 and \$32.8 million compared to September 30, 2003. As a result, the Company's quarter-end debt to equity ratio of 0.26:1 was improved from last year's ratio of 0.47:1.
- Interest expense decreased \$0.7 million quarter-over-quarter mainly as a result of a \$39.1 million reduction in the average amount of funded debt, net of cash, 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 fourth quarter.

Mobile Equipment

for the three months ended September 30	2004	2003
Gross revenue	\$110.6	\$100.6
Segment earnings	\$6.2	\$4.3

for the nine months ended September 30	2004	2003
Gross revenue	\$324.2	\$321.6
Segment earnings	\$15.7	\$13.1

Revenues increased \$10.0 million, or 10%, to \$110.6 million in the third quarter of 2004 from \$100.6 million in 2003. Segment earnings increased \$1.9 million, or 43%, to \$6.2 million in the third quarter of 2004 from \$4.3 million in the previous year. For the nine months ended September 30, 2004, revenues increased \$2.6 million to \$324.2 million and segment earnings of \$15.7 million increased \$2.6 million compared to last year. The following factors contributed to the third quarter results:

- Revenues in western Canada increased 17% or \$7.1 million in the quarter. Equipment revenues increased \$3.7 million, or 14%, quarter over quarter. A \$2.7 million increase in mining equipment revenues resulting from the sale of a large mining package, a 12% increase in forestry and construction equipment volumes driven by a \$1.8 million increase in Hitachi excavator sales and a \$0.8 million increase in crane & utility equipment sales more than offset a \$1.8 million reduction in material handling equipment revenues due to fewer large truck sales and a \$0.8 million decrease due to the impact of the stronger Canadian dollar on products imported from the U.S. compared to last year. Parts and service revenues increased \$3.4 million, or 25%, as a result of targeted revenue building initiatives in all sectors which included a \$1.3 million rebuild of a large mining machine during the quarter. Earnings increased \$1.5 million due primarily to higher volumes compared to last year. Margins were in line with last year as an increase in mining equipment margins was offset by a decrease in service margins due to the large mining machine rebuild.
- In eastern Canada revenues increased \$2.9 million quarter-over-quarter due to a \$3.7 million increase in equipment revenues offset in part by a \$0.8 million reduction in parts

and service volumes. Equipment revenues included a \$6.4 million, or 50%, increase in forestry and construction sales, a \$1.8 million or 14% increase in material handling revenues, offset in part by a \$4.5 million reduction in crane and utility volumes resulting from fewer deliveries to provincial hydro utilities. Parts revenues declined principally as a result of reduced activity in the construction and forestry sectors and several strikes in the mining sector. Earnings increased by \$0.4 million as the positive impact of increased volumes more than offset the impact of lower margins due to a higher percentage of revenues derived from lower margin equipment sales compared to last year.

The Mobile Equipment segment expanded its distribution territory of the JCB construction equipment line in British Columbia to include the lower mainland and Vancouver Island, effective August 4, 2004. In addition, on October 7, 2004, the Company completed the acquisition of a JCB distributor based in southwestern Ontario. It is anticipated this acquisition will increase revenues by more than \$4 million annually. The JCB line supplements the segment's Canada-wide distribution of the Hitachi construction excavator line. The Company continues to evaluate alternatives to its regional presence in the forestry sector.

Industrial Components

for the three months ended September 30	2004	2003
Canada – Kinacor	\$63.4	\$55.1
United States – Spencer	\$15.0	\$13.1
Gross revenue	\$78.4	\$68.2
Canada – Kinacor	\$2.8	\$0.9
United States – Spencer	\$0.5	\$0.2
Segment earnings	\$3.3	\$1.1
for the nine months ended September 30	2004	2003
Canada – Kinacor	\$187.6	\$171.5
United States – Spencer	\$44.3	\$39.9
Gross revenue	\$231.9	\$211.4
Canada – Kinacor	\$4.8	\$3.1
United States – Spencer	\$0.8	(\$1.9)
Segment earnings	\$5.6	\$1.2

Revenues increased 15% to \$78.4 million in the third quarter of 2004 from \$68.2 million and earnings of \$3.3 million compared to \$1.1 million the previous year. For the nine months ended September 30, 2004, revenue increased 10% to \$231.9 million and segment earnings increased \$4.4 million to \$5.6 million. The following factors contributed to the quarterly results:

- Total revenues in Kinacor increased 15% to \$63.4 million in 2004 including a 22% increase in western Canada. Bearings and power transmission parts volumes increased \$4.7 million across Canada resulting from an increased sales force, several new long term supply contracts, stronger sales in eastern Canada's steel and forestry sectors, and new branches in Rimouski, Quebec and Guelph, Ontario compared to last year. Hydraulics parts and service revenues increased by \$3.6 million as strong results in the western Canada oil and gas sector were supplemented by an increase in eastern Canada through the acquisition of PMDF in late 2003 and the opening of the Guelph branch. Earnings increased \$1.9 million to \$2.8 million as improved volumes combined with higher margins, in eastern and central Canada, more than offset the negative impact of higher selling and administrative expenses. Selling and administrative expenses increased by \$0.7 million quarter over quarter as additional personnel costs, due to staff required to support the increased volumes, and additional headcount associated with the PMDF acquisition offset, in part, lower bad debt expense and other cost reductions compared to last year.
- Revenues in Spencer, a hydraulics business, increased 14% (20% on a U.S. dollar basis) to \$15.0 million compared to \$13.1 million last year due principally to higher parts sales to OEMs and increased mining parts and service revenues. Earnings for the quarter increased \$0.3 million to \$0.5 million as the positive volume variance more than offset lower margins due to higher OEM sales and higher selling and administrative expenses due to increased personnel costs compared to last year.

Diesel Engines

for the three months ended September 30	2004	2003
Gross revenue	\$41.5	\$39.4
Segment earnings	\$3.4	\$3.4

for the nine months ended September 30	2004	2003
Gross revenue	\$124.5	\$121.2
Segment earnings	\$10.6	\$10.6

Revenue increased \$2.1 million, or 5%, to \$41.5 million in the third quarter of 2004 while earnings remained flat at \$3.4 million. For the nine months ended September 30, 2004, revenues increased \$3.3 million to \$124.5 million, while earnings remained at last year's level of \$10.6 million. The following events affected quarterly revenue and earnings:

- Revenues at the Waterous operation in Alberta were 17% or \$3.7 million ahead of 2003 resulting from higher equipment sales in the oil and gas sector and higher parts and service revenues from increased truck shop activity, offset, in part, by the negative impact of fewer engine rebuilds compared to last year.
- Revenues from the Company's Quebec and Maritimes operation, Detroit Diesel-Allison Canada East, decreased \$1.6 million due mainly to lower parts sales to Freightliner truck dealers and a \$0.7 million decrease due to the impact of the stronger Canadian dollar on products imported from the U.S.
- Segment earnings of \$3.4 million for the quarter remained flat compared to last year as the positive impact of higher sales was offset by a decrease in margins and higher selling

and administration expenses. The decrease in margins was due to a higher percentage of total revenues being derived from lower margin equipment sales.

SELECTED QUARTERLY INFORMATION

	2004				2003			2002
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$230.0	\$238.1	\$210.9	\$230.9	\$207.8	\$227.0	218.3	\$223.2
Net earnings (loss)	5.2	4.6	2.5	3.4	2.6	2.5	1.1	(0.8)
Basic net earnings (loss) per share	\$0.33	\$0.29	\$0.16	\$0.22	\$0.17	\$0.16	\$0.07	(\$0.51)

A discussion of the Company's previous quarterly results can be found in the Company's quarterly Management's Discussion & Analysis reports available on SEDAR at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated \$6.8 million of cash before financing activities in the third quarter of 2004 compared to \$10.9 million in the third quarter of 2003. For the nine months ended September 30, 2004 cash outflows before financing activities amounted to \$7.8 million compared to cash inflows of \$28.0 million in 2003.

Cash provided by operating activities amounted to \$8.4 million in the third quarter of 2004, with \$8.6 million coming from operating earnings, offset by changes in non-cash working capital of \$0.2 million. Significant components of the \$0.2 million increase in working capital are described as follows:

- Accounts receivable increased by \$6.9 million as a result of increased sales.
- Inventory increased by \$8.7 million due mainly to an increase in construction equipment and parts to support the new JCB line, and overall increases in Industrial Components parts.
- Accounts payable and accrued liabilities increased by \$13.0 million as a result of higher inventory levels of which \$5.4 million relates to increased supplier financing in the Mobile Equipment segment.
- Income taxes payable increased \$2.1 million due to current taxes payable exceeding tax installments made in the quarter.

For the nine months ended September 30, 2004 cash used in operating activities amounted to \$1.5 million and included \$22.9 million of increases in non-cash working capital, net of \$21.4 million of cash from operating earnings and before the impact of changes in foreign currency translation.

Working capital, exclusive of funded debt and cash, decreased \$2.7 million to \$141.0 million at September 30, 2004 from \$143.7 million at June 30, 2004. The decrease is due to the

cash flow factors listed above and the decrease in the quarter-end foreign exchange rate compared to the June 30, 2004 rate.

The Company invested a net amount of \$1.7 million of the cash provided by operating activities into operations during the third quarter of 2004. The most significant investing activity was \$1.0 million of lift truck rental fleet additions in Mobile Equipment and \$0.7 million for other capital asset additions.

Debt, net of cash, of \$49.3 million decreased \$9.1 million compared to June 30, 2004. Of this decrease, \$3.8 million resulted from the translation of the U.S. senior notes into Canadian dollars at a lower exchange rate compared to last quarter. The Company's debt to equity ratio decreased to 0.26:1 at September 30, 2004 compared to 0.31:1 at June 30, 2004.

At September 30, 2004, the Company had utilized \$4.0 million (represented entirely by letters of credit) of its \$20.0 million 364-day revolving secured bank borrowing facility, which expires December 18, 2004. It is expected that the cash on-hand of \$30.5 million at September 30, 2004 along with the \$20.0 million bank facility and cash generated from earnings during the fourth quarter 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 \$46.7 million of consigned inventory from a major manufacturer at September 30, 2004 compared to \$37.9 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. 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. The foreign currency forward contracts, valued using prevailing currency exchange rates, have been recognized on the balance sheet.

During the quarter the Company paid a dividend of \$0.04 per share and will pay a dividend of \$0.04 per share on December 31, 2004, to shareholders of record on December 13, 2004. No dividends on common shares were paid in 2003.

SHARE CAPITAL

During the quarter, 2,500 stock options were exercised with a weighted-average exercise price of \$3.80 per share. The following is a summary of the changes in share capital and options.

Issued and fully paid common shares:	Number of Shares	Amount
June 30, 2004	15,718,960	\$102.3
Issued	2,500	0.0
September 30, 2004	15,721,460	\$102.3

Year to date, the Company has issued employee stock options to purchase 86,570 shares with a weighted-average exercise price of \$9.03 and weighted average life of 8.6 years as of the date of issuance. No options have expired during the year. The following table summarizes the status of the stock option plan:

	Number of Shares	Weighted Average Exercise Price
Outstanding as at September 30, 2004	806,070	\$5.79

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 and year were documented and deemed effective at inception as well as effective on a prospective and retroactive basis at September 30, 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 are to 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 unless insufficient historical evidence exists to support an other than straight-line pattern.

Vendor Rebates

Effective September 30, 2004 the Company adopted CICA EIC-144 "Accounting by a Customer (Including a Reseller) For Certain Consideration Received From a Vendor". The EIC abstract requires a customer to record cash consideration received from a vendor as a reduction in the price of the vendor's products and reflect it as a reduction to cost of goods sold and related inventory when recognized in the income statement and balance sheet. The EIC Abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. As a result the company has restated its 2003 comparative results and balances in its financial statements. The results for the 3 months ending September 30, 2003 reflect a \$31 thousand increase in reported earnings and a nominal increase in earnings per share. The results for the 9 months ending September 30, 2003 reflect a nominal increase in both earnings and earnings per share. The implementation of the new standard has resulted in a reduction to 2002 and 2003 ending retained earnings of \$491 thousand and \$482 thousand respectively. The impact on balances as of December 31, 2002 and December 31, 2003 was a decrease in inventory of \$790 thousand and \$777 thousand, respectively, and an increase in future income taxes of \$299 thousand and \$295 thousand, respectively.

RISKS AND UNCERTAINTIES

A Statement of Claim has been served naming the Company and its subsidiary Wajax Industries Limited as defendants in proceedings under the Class Proceedings Act of British Columbia. The action arises out of the conversion on January 1, 2001 of the Employee Pension Plan from defined benefit to defined contribution, the taking of contribution holidays and the payment of pension administration expenses from the pension fund. The Company had previously evaluated the claims it anticipated could be articulated and concluded such claims would be unlikely to succeed. Management has assessed the facts and arguments pleaded and continues to believe the claims would be unlikely to succeed.

For further details about the Company's risks and uncertainties, please refer to the Management's Discussion & Analysis for the year ended December 31, 2003 included in the Company's 2003 Annual Report.

OUTLOOK

The Company's third quarter results were ahead of management's expectations. Assuming a continuation of current economic conditions management expects the fourth quarter results to exceed the previous year.

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 nine months ended September 30, 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)	September 30 2004	December 31 2003	September 30 2003
Current Assets			
Cash and cash equivalents	\$ 30,548	\$ 45,395	\$ 6,950
Accounts receivable	116,741	106,027	111,875
Inventories	156,272	142,905	160,706
Future income taxes	5,960	6,552	8,123
Prepaid expenses and other recoverable amounts	2,426	2,353	2,414
	311,947	303,232	290,068
Non-Current Assets			
Rental equipment	16,049	16,205	16,994
Capital assets	30,170	31,855	32,357
Goodwill and other assets	52,190	53,137	53,748
Future income taxes	3,070	2,772	4,950
	101,479	103,969	108,049
	\$ 413,426	\$ 407,201	\$ 398,117
Current Liabilities			
Accounts payable and accrued liabilities	\$ 134,955	\$ 139,879	\$ 129,103
Income taxes payable	5,928	1,348	1,600
Current portion of long-term debt	4,564	4,267	4,158
	145,447	145,494	134,861
Non-Current Liabilities			
Future income taxes	2,808	2,745	2,680
Long-term debt	75,299	79,838	84,953
	78,107	82,583	87,633
Shareholders' Equity			
Share capital	102,305	102,212	102,212
Contributed surplus	294	63	-
Retained earnings	87,273	76,849	73,411
	189,872	179,124	175,623
	\$ 413,426	\$ 407,201	\$ 398,117

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	
	2004	2003	2004	2003
Revenue	\$ 229,961	\$ 207,795	\$ 678,980	\$ 653,063
Cost of sales	176,422	159,845	523,036	507,140
Gross profit	53,539	47,950	155,944	145,923
Selling and administrative expenses	42,870	40,854	129,464	126,389
Earnings before interest and income taxes	10,669	7,096	26,480	19,534
Interest expense	1,862	2,598	5,792	8,490
Earnings before income taxes	8,807	4,498	20,688	11,044
Income tax expense – current	3,067	1,387	8,101	2,730
– future	500	520	278	2,170
Net earnings	\$ 5,240	\$ 2,591	\$ 12,309	\$ 6,144
Retained earnings, beginning of period as reported	83,144	71,341	77,331	67,758
Impact of new accounting standard (Note 2)	(482)	(521)	(482)	(491)
Dividends on common shares	(629)	-	(1,885)	-
Retained earnings, end of period	\$ 87,273	\$ 73,411	\$ 87,273	\$ 73,411
Earnings per share (Note 3) – basic	\$ 0.33	\$ 0.17	\$ 0.78	\$ 0.39
– diluted	\$ 0.33	\$ 0.16	\$ 0.77	\$ 0.39
Number of common shares outstanding	15,721,460	15,696,960	15,721,460	15,696,960
Number of common share stock options outstanding	806,070	894,000	806,070	894,000

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Three months ended September 30

(in thousands of dollars)	2004		2003	
OPERATING ACTIVITIES				
Net earnings	\$	5,240	\$	2,591
Items not affecting cash flows:				
Amortization				
- Rental equipment		1,104		833
- Capital assets		1,251		1,501
- Deferred expenses		241		262
Pension expense		190		772
Stock compensation expense (Note 4)		107		-
Future income taxes		502		520
Cash flows before changes in non-cash working capital		8,635		6,479
Changes in non-cash working capital:				
Accounts receivable		(6,853)		(579)
Inventories		(8,748)		403
Prepaid expenses and other recoverable amounts		295		439
Accounts payable and accrued liabilities		13,035		3,128
Income taxes payable		2,051		2,254
		(220)		5,645
Cash flows provided by operating activities		8,415		12,124
INVESTING ACTIVITIES				
Rental equipment additions		(974)		(931)
Rental equipment disposals		255		136
Capital asset additions		(722)		(432)
Proceeds on disposal of capital assets		33		13
Acquisition of business		(250)		-
		(1,658)		(1,214)
Cash flows before financing activities		6,757		10,910
FINANCING ACTIVITIES				
Issuance of common shares on exercise of stock options (Note 4)		10		-
Decrease in long-term debt		-		(10,500)
Repayment of debentures		(858)		(773)
Dividends paid		(629)		-
		(1,477)		(11,273)
Cash flows (used) before effect of foreign exchange		5,280		(363)
Effect of foreign exchange on translation adjustment		(786)		138
Net change in cash and cash equivalents	\$	4,494	\$	(225)
Cash and cash equivalents – beginning of period	\$	26,054	\$	7,175
Cash and cash equivalents – end of period	\$	30,548	\$	6,950
Cash flows provided by operating activities include the following:				
Interest paid	\$	623	\$	969
Income taxes paid (received)	\$	997	\$	(843)
Significant non-cash transaction:				
Rental equipment transferred to inventory	\$	185	\$	68

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Nine months ended September 30
2004 **2003**

(in thousands of dollars)

	2004	2003
OPERATING ACTIVITIES		
Net earnings	\$ 12,309	\$ 6,144
Items not affecting cash flows:		
Amortization		
- Rental equipment	3,248	1,800
- Capital assets	3,915	5,173
- Deferred expenses	880	777
Pension expense	537	2,469
Stock compensation expense (Note 4)	231	-
Future income taxes	278	1,630
Cash flows before changes in non-cash working capital	21,398	17,993
Changes in non-cash working capital:		
Accounts receivable	(10,869)	1,356
Inventories	(13,851)	15,036
Prepaid expenses and other recoverable amounts	(70)	5,311
Accounts payable and accrued liabilities	(2,670)	(12,092)
Income taxes payable	4,581	4,955
	(22,879)	14,566
Cash flows (used) provided by operating activities	(1,481)	32,559
INVESTING ACTIVITIES		
Rental equipment additions	(4,885)	(4,647)
Rental equipment disposals	1,066	626
Capital asset additions	(2,363)	(2,688)
Proceeds on disposal of capital assets	115	2,168
Acquisition of business	(250)	-
	(6,317)	(4,541)
Cash flows (used) before financing activities	(7,798)	28,018
FINANCING ACTIVITIES		
Issuance of common shares on exercise of stock options (Note 4)	94	-
Decrease in long-term debt	-	(25,691)
Repayment of debentures	(2,942)	(2,672)
Hedging activities (Note 5)	(2,025)	(6,336)
Dividends paid	(1,885)	-
	(6,758)	(34,699)
Cash flows (used) before effect of foreign exchange	(14,556)	(6,681)
Effect of foreign exchange on translation adjustment	(291)	74
Net change in cash and cash equivalent	\$ (14,847)	\$ (6,607)
Cash and cash equivalent – beginning of period	\$ 45,395	\$ 13,557
Cash and cash equivalent – end of period	\$ 30,548	\$ 6,950
Cash provided by operating activities included the following:		
Interest paid	\$ 4,650	\$ 6,662
Income taxes paid (received)	\$ 3,537	\$ (1,567)
Significant non-cash transaction:		
Rental equipment transferred to inventory	\$ 726	\$ 451

WAJAX LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabulated 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 and year were documented and deemed effective at inception as well as effective on a prospective and retroactive basis at September 30, 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 are to 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 unless insufficient historical evidence exists to support an other than straight-line pattern.

d. Vendor Rebates

Effective September 30, 2004 the Company adopted CICA EIC-144 "Accounting by a Customer (Including a Reseller) For Certain Consideration Received From a Vendor". The EIC abstract requires a customer to record cash consideration received from a vendor as a reduction in the price of the vendor's products and reflect it as a reduction to cost of goods sold and related inventory when recognized in the income statement and balance sheet. The EIC Abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. As a result the company has restated its 2003 comparative results and balances in its financial statements. The results for the 3 months ending September 30, 2003 reflect a \$31 thousand increase in reported earnings and a nominal increase in earnings per share. The results for the 9 months ending September 30, 2003 reflect a nominal increase in both earnings and earnings per share. The implementation of the new standard has resulted in a reduction to 2003 and 2002 opening retained earnings of \$491 thousand and \$482 thousand respectively. The impact on balances as of December 31, 2002 and December 31, 2003 was a decrease in inventory of \$790 thousand and \$777 thousand, respectively, and an increase in future income taxes of \$299 thousand and \$295 thousand, respectively.

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	2004	2003
Numerator for basic and diluted earnings per share: – net income	\$ 5,240	\$ 2,591
Denominator for basic earnings per share : – weighted average shares	15,720,196	15,696,960
Denominator for diluted earnings per share: – weighted average shares	15,720,196	15,696,960
– effect of dilutive employee stock options	333,921	149,200
Denominator for diluted earnings per share	16,054,117	15,846,160
Basic earnings per share	\$ 0.33	\$ 0.17
Diluted earnings per share	\$ 0.33	\$ 0.16

Of the 806,070 (2003 – 894,000) stock options outstanding at the end of the period, 65,000 (2003 – 352,000) options with an exercise price range of \$10.22-\$11.50 (2003 - \$7.40-\$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.

Year-to-date	2004		2003	
Numerator for basic and diluted earnings per share: – net income	\$	12,309	\$	6,144
Denominator for basic earnings per share : – weighted average shares		15,706,916		15,696,960
Denominator for diluted earnings per share: – weighted average shares		15,706,916		15,696,960
– effect of dilutive employee stock options		319,018		66,537
Denominator for diluted earnings per share		16,025,934		15,763,497
Basic earnings per share	\$	0.78	\$	0.39
Diluted earnings per share	\$	0.77	\$	0.39

Of the 806,070 (2003 – 894,000) stock options outstanding at the end of the period, 65,000 (2003 – 397,000) options with an exercise price range of \$10.22-\$11.50 (2003 - \$5.10-\$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 2,500 stock options were exercised with a weighted-average exercise price of \$3.80. The company amended the stock options related to one grant of 5,000 options, the value for these amended options have been included in compensation cost for the quarter.

Year to date, the Company issued employee stock options to purchase 86,570 (2003 – 60,000) shares with a weighted-average exercise price of \$9.03 (2003 – \$3.96) and weighted average life of 8.6 (2003 – 5.0) years as of the date of issuance. Employees of the Company exercised 24,500 stock options with a weighted-average exercise price of \$3.80. No options expired during the year.

The Company recorded a compensation cost of \$107 thousand for the quarter and \$231 thousand year to date 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 \$93 thousand (2003 - \$210 thousand) year to date and a nominal reduction in earnings per share 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, adjusted for performance vesting criteria, using the following weighted average assumptions:

Risk free interest rate	4.6% - 2.8%
Expected life	8.2 years
Expected volatility	32%
Expected dividends	2%

The weighted average fair value of the options issued during the year at the grant date was \$3.23 (2003 – \$1.42).

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 year, 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 September 30, 2004 the Company has two short-term foreign currency forward contracts outstanding to buy a total of \$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 Employees' pension plans

Net pension plan expenses are as follows:

Quarter	2004		2003	
Net pension plan expense – defined benefit plans	\$	235	\$	83
Net pension plan expense – defined contribution plans		920		766
	\$	1,155	\$	849
Year-to-date				
Net pension plan expense – defined benefit plans	\$	672	\$	206
Net pension plan expense – defined contribution plans		2,878		2,285
	\$	3,550	\$	2,491

Note 7 Segmented information

Quarter	2004		2003	
Revenue				
Mobile Equipment	\$	110,613	\$	100,584
Industrial Components				
- Canada		63,483		55,092
- United States		14,953		13,152
Total Industrial Components		78,436		68,244
Diesel Engines		41,489		39,379
Segment eliminations		(577)		(412)
Total consolidated	\$	229,961	\$	207,795
Segment Earnings				
Mobile Equipment	\$	6,154	\$	4,316
Industrial Components				
- Canada		2,846		878
- United States		459		271
Total Industrial Components		3,305		1,149
Diesel Engines		3,380		3,446
Corporate costs		(2,170)		(1,815)
Total consolidated	\$	10,669	\$	7,096

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

Year-to-date	2004		2003	
Revenue				
Mobile Equipment	\$	324,155	\$	321,623
Industrial Components				
- Canada		187,648		171,501
- United States		44,286		39,903
Total Industrial Components		231,934		211,404
Diesel Engines		124,495		121,231
Segment Eliminations		(1,604)		(1,195)
Total consolidated	\$	678,980	\$	653,063
Segment Earnings (Loss)				
Mobile Equipment	\$	15,671	\$	13,084
Industrial Components				
- Canada		4,848		3,127
- United States		788		(1,936)
Total Industrial Components		5,636		1,191
Diesel Engines		10,581		10,606
Corporate costs		(5,408)		(5,347)
Total consolidated	\$	26,480	\$	19,534

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

Note 8 Contingencies

A Statement of Claim has been served naming the Company and its subsidiary Wajax Industries Limited as defendants in proceedings under the Class Proceedings Act of British Columbia. The action arises out of the conversion on January 1, 2001 of the Employee Pension Plan from defined benefit to defined contribution, the taking of contribution holidays and the payment of pension administration expenses from the pension fund. The Company had previously evaluated the claims it anticipated could be articulated and concluded such claims would be unlikely to succeed. Management has assessed the facts and arguments pleaded and continues to believe the claims would be unlikely to succeed.

Note 9 Subsequent Event

Effective October 7, 2004, the company's Mobile Equipment segment acquired all of the outstanding shares of XR Equipment Ltd, a JCB distribution business in London Ontario, for a total purchase price, including assumed debt, of \$1.2 million.

Note 10 Comparative information

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



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