

FIRST QUARTER REPORT TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED
MARCH 31, 2005

W A J A X L I M I T E D 2 0 0 5





WAJAX LIMITED
News Release

TSX Symbol: WJX

WAJAX EARNINGS DOUBLE IN FIRST QUARTER 2005; DISTRIBUTABLE CASH ESTIMATE FOR WAJAX INCOME FUND INCREASES TO \$2.20

Toronto, Ontario – May 2, 2005 - Wajax Limited today announced two significant developments:

- First quarter 2005 earnings doubled to \$5.0 million or \$0.32 per share on 20% higher revenue compared to \$2.5 million or \$0.16 per share last year.
- The Board of Directors approved a proposal to convert Wajax to an income fund. Estimated annual distributable cash increased from \$2.04 for the twelve months ended December 31, 2004 at the time of announcement of conversion on March 23, 2005, to \$2.20 per unit for the twelve months ended March 31, 2005.

First Quarter 2005 Results

	Three Months Ended March 31	
	2005	2004
<i>(Dollars in millions, except per share data)</i>		
Revenue	\$254.1	\$210.9
Net earnings	\$5.0	\$2.5
Earnings per share (basic)	\$0.32	\$0.16

Highlights

- Revenues increased \$43.2 million or 20% (23% after excluding the negative impact of the declining U.S. dollar) to \$254.1 million in the quarter as substantially higher sales were recorded in all three core businesses. Revenues in Mobile Equipment, Industrial Components and Diesel Engines increased 27%, 14% and 15%, respectively. Higher sales were recorded in most regions of Canada and the U.S. with particular strength continuing in the energy sector of Alberta.

- The increased revenues led to significantly higher segment earnings in all three core businesses. Earnings in Mobile Equipment were up 53% to \$5.8 million and Diesel Engines were up 21% to \$4.0 million from strong results in western Canada. Widespread revenue gains in Industrial Components resulted in a more than four-fold increase in segment earnings to \$3.1 million.
- Interest expense decreased \$0.5 million quarter-over-quarter as a result of reduced debt, net of cash.
- The Company used \$19.7 million of cash before financing activities mainly as a result of increased working capital required to support the increase in sales.
- The estimated value of the two long-term mining supply and service orders announced in March 2005 has increased from approximately \$157 million to \$165 million over the life of the agreements, as two additional LeTourneau loaders have been added to the Elk Valley Coal Corporation order.
- The Company declared a dividend of \$0.07 per share, payable on May 31, 2005 to shareholders of record on May 16, 2005.

Income Fund Conversion

The Board of Directors today formally approved the previously announced proposal to convert Wajax to an income fund pursuant to a plan of arrangement (the "Arrangement") under the Canada Business Corporations Act. The Board has concluded the conversion would be in the best interests of Wajax and its shareholders and has accordingly recommended shareholders vote in favour of the Arrangement. In addition, LECG Canada Limited, an independent valuation firm, has provided the Board with an opinion that the Arrangement is fair, from a financial point of view, to shareholders.

An Information Circular providing full details of the Arrangement and proposed income fund conversion will be mailed to shareholders the week of May 9. At the same time, the Information Circular will be filed with SEDAR and may be viewed at www.sedar.com or on Wajax's website at www.wajax.com. An annual and special meeting of shareholders will be held on June 6, 2005 to consider the Arrangement. If the Arrangement is approved by shareholders, and subject to approval by the Ontario Superior Court Justice and certain other conditions, Wajax shareholders will receive one fund unit of Wajax Income Fund for every Wajax share held.

It is anticipated that if the Arrangement is approved, Wajax Income Fund will make its first distribution on August 22, 2005. The initial distribution will relate to the period from the effective date of the Arrangement (expected to occur on or about June 15, 2005) to July 31, 2005. Based on the Company's most recent quarterly results, management estimates that on a pro forma basis, after giving effect to certain adjustments and subject to certain

assumptions, cash available for distributions by Wajax Income Fund for the twelve months ended March 31, 2005 would have been \$36.7 million or \$2.20 per unit. Full details of the assumptions used by management to estimate cash available for distributions will be contained in the Information Circular.

Empire Company Limited, the holder of approximately 47.5% of Wajax's outstanding shares, has indicated it will vote in favour of the Arrangement. In addition, the Company has been advised that shortly following completion of the Arrangement, Empire anticipates selling through a secondary offering, subject to market conditions, approximately 2.5 to 3.0 million of the units that it will receive as a result of the Arrangement. Following the secondary offering, Empire will hold approximately 27% to 30% of the outstanding units of Wajax Income Fund.

Commenting on the Company's results and the proposed income fund conversion, Neil Manning, President and CEO stated, "We are very pleased with our performance in the first quarter as significant earnings improvements were realized in all three businesses. We are also looking forward to our income fund conversion which is expected to result in higher levels of cash distributions to fund unitholders than would be available to shareholders under the current corporate structure. Going into the second quarter we remain optimistic about the Company's prospects for continued improvements in profitability as demand in most market sectors remains strong."

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 for the current quarter and the accompanying Notes and the Company's Management's Discussion and Analysis for the year ended December 31, 2004. 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	2005	2004*
Revenue	\$254.1	\$210.9
Net earnings	\$5.0	\$2.5
Earnings per share – basic	\$0.32	\$0.16
– diluted	\$0.31	\$0.16

* Restated. See Note 2 in the Q1 2005 Quarterly Financial Statements.

Revenues increased 20%, or \$43.2 million, to \$254.1 million in the first quarter of 2005 from \$210.9 million in the first quarter of 2004. Net earnings of \$5.0 million, or \$0.32 per share, were recorded in the first quarter of 2005 compared to \$2.5 million, or \$0.16 per share recorded the previous year. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2005 consolidated revenues by approximately \$6.2 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 compared to last year.

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

- Mobile Equipment's revenues increased 27%, or \$26.9 million, and earnings increased \$2.0 million due to higher equipment and parts and service revenues in both eastern and western Canada.
- Industrial Components' revenues increased 14% due to increased volumes in both Kinacor and Spencer. Revenues and earnings increased \$10.4 million and \$2.4 million, respectively, compared to 2004.
- Diesel Engines' revenues increased 15%, or \$6.1 million, and earnings increased \$0.7 million as the strong oil and gas sector continued to drive sales in western Canada.
- Corporate costs and eliminations increased \$1.6 million compared to last year due mainly to accruals for long-term incentive costs based on changes in the Company's share price.
- Funded debt, net of cash, increased \$24.6 million compared to December 31, 2004 and decreased \$6.9 million compared to March 31, 2004. As a result, the Company's quarter-end debt to equity ratio decreased to 0.26:1 from last year's ratio of 0.32:1.
- Interest expense decreased \$0.5 million quarter-over-quarter. This resulted principally from a \$19.9 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 \$0.07 per share. The Company has declared a dividend of \$0.07 per share payable on May 31, 2005. There was a \$0.04 per share dividend paid in the first quarter of 2004.

Mobile Equipment

for the three months ended March 31	2005	2004
Equipment	\$82.2	\$61.0
Parts and service	\$42.7	\$37.0
Gross revenue	\$124.9	\$98.0
Segment earnings	\$5.8	\$3.8

Revenues increased \$26.9 million, or 27%, to \$124.9 million in the first quarter of 2005 from \$98.0 million in 2004. Segment earnings increased \$2.0 million to \$5.8 million from \$3.8 million in the previous year. The following events contributed to these quarterly results:

- Revenues in western Canada increased \$15.7 million compared to last year due to a 34%, or \$10.6 million, increase in equipment sales and a 33%, or \$5.1 million, increase in parts and service revenues. The equipment sales increase was driven by a 53% increase in forestry and construction volumes mainly attributed to an \$8.5 million gain in Hitachi excavator sales and a \$2.2 million increase in equipment rental revenues, reflecting the strong demand for equipment and rentals in western Canada. Mining equipment and crane and utility equipment sales increases of \$1.1 million and \$0.4 million respectively, were offset by a \$1.5 million decrease in material handling equipment sales. Improved mining parts and service revenues combined with the continued focus on revenue building initiatives resulted in a 33% increase in overall parts and service revenues. Earnings more than doubled during the quarter to \$3.8 million from \$1.6 million, as higher volumes and higher equipment and parts margins more than offset increased selling and administrative expenses resulting from the increased sales activity.
- Revenues in eastern Canada increased \$11.2 million compared to last year due to a 36%, or \$10.7 million, increase in equipment volumes and a \$0.5 million increase in parts and service revenues. Equipment revenue improvements were experienced in all sectors compared to last year with a \$4.6 million increase in mining equipment revenue, due mainly to the delivery of a large LeTourneau loader, and a \$3.9 million increase in the strong forestry and construction equipment market. Material handling equipment revenues increased \$1.1 million over last year while crane and utility equipment sales improved by \$1.2 million as a result of an increase in deliveries to a major utility customer. Earnings decreased by \$0.2 million as the impact of higher volumes was more than offset by increased selling and administrative costs compared to last year.

During the quarter the Company received two large mining equipment supply and service orders. Wajax has received an order from North American Construction Group ("NACG") for fifteen 320 ton Hitachi mining trucks and two 800 ton Hitachi hydraulic shovels over the next sixteen months for use in a major oil sands project in the Fort McMurray, Alberta area. The Company also expects to enter into a long-term parts support agreement with NACG for this equipment. The Company will also supply Elk Valley Coal Corporation six pieces of LeTourneau mining equipment over the next six months. In addition the equipment will be operated through an eight year product support program. Total sales value for the equipment and product support for both of these customers is estimated to be approximate \$165 million over the life of the agreements, with the equipment sales value equal to approximately one half of the total.

Effective March 1, 2005, the Company began phasing out its distribution of Timberjack forestry products in northern Ontario, Manitoba and the Maritimes. To replace this line, the Company has secured distribution rights for the Direct Technologies line of tracked feller bunchers and harvesters, and the Logset forwarder and wheeled harvester line for most of Canada. As these two lines are relatively new to the Canadian market place, replacing the Timberjack revenues will not be immediate; however, they give the Company access to a much larger portion of the Canadian forestry market. Revenues from the Timberjack forestry line in the first quarter of \$9.8 million were comparable to last year.

Industrial Components

for the three months ended March 31	2005	2004
Canada - Kinecor	\$68.9	\$60.1
United States - Spencer	\$14.9	\$13.3
Gross revenue	\$83.8	\$73.4
Canada - Kinecor	\$2.4	\$0.6
United States - Spencer	\$0.7	\$0.1
Segment earnings	\$3.1	\$0.7

Revenues increased 14%, or \$10.4 million, to \$83.8 million in the first quarter of 2005 from \$73.4 million in 2004. Earnings of \$3.1 million increased \$2.4 million compared to \$0.7 million the previous year. The following factors contributed to the quarterly results:

- Revenues in Kinecor increased \$8.8 million to \$68.9 million as all regions in Canada continued to achieve volume gains. Bearings and power transmission sales increased \$5.4 million due to stronger sales in all regions including improvements in eastern Canada's steel and forestry sectors, gains in western Canada's mining sector and a new branch in Rimouski, Quebec. Hydraulic parts and service revenues increased by \$3.4 million, or 18%, as Kinecor benefited from the strong oil and gas sector in western Canada and increased mining activity in eastern Canada. Earnings increased \$1.8 million to \$2.4 million as improved volumes and slightly higher margins offset the negative impact of increased selling and administrative expenses, due to higher personnel costs compared to last year.
- Revenues in Spencer, a U.S. based hydraulics business, increased \$1.6 million or 12% (20% on a U.S. dollar basis) to \$14.9 million compared to \$13.3 million last year due mainly to higher parts sales to OEMs and increased mining parts and service revenues. Earnings for the quarter increased \$0.6 million to \$0.7 million as increased volumes and improved margins, primarily from growth related supplier rebates, offset higher selling and administrative expenses.

On May 2, 2005 the Board decided that Spencer would not be a significant part of the Company's future business plans and that strategic alternatives, including a disposition, would be explored.

Diesel Engines

for the three months ended March 31	2005	2004
Equipment	\$21.2	\$14.5
Parts and service	\$24.8	\$25.4
Gross revenue	\$46.0	\$39.9
Segment earnings	\$4.0	\$3.3

Revenues increased 15%, or \$6.1 million, to \$46.0 million in the first quarter of 2005 compared to \$39.9 million in 2004. Earnings increased \$0.7 million to \$4.0 million compared to \$3.3 million in the previous year. The following events affected revenues and earnings:

- Revenues at the Waterous Power Systems operation in Alberta were \$5.9 million ahead of 2004 due to a \$5.6 million increase in equipment sales and a \$0.3 million increase in parts and service revenues. These increases were due mainly to higher new and used engine and transmission sales in the oil and gas sector.
- Revenues from the Company's Quebec and Atlantic Canada operation, Detroit Diesel-Allison Canada East, increased \$0.2 million to \$17.9 million. A \$1.1 million increase in equipment sales, from higher engine and generator set volumes, combined with a \$0.5 million increase in service revenues due mainly to a stronger on-highway retail market, more than offset a \$1.4 million decrease in parts revenue resulting primarily from lower parts sales to Freightliner truck dealers compared to last year. (Effective March 31, 2004, DaimlerChrysler implemented a change to its parts distribution system allowing Freightliner truck dealers the option to buy Detroit Diesel parts directly from Freightliner if they meet certain operational requirements.)
- Earnings increased \$0.7 million to \$4.0 million as the higher sales volumes more than offset higher selling and administrative expenses resulting primarily from increased personnel costs compared to last year.

SELECTED QUARTERLY INFORMATION

	2005		2004*		2003*			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$254.1	\$249.2	\$230.0	\$238.1	\$210.9	\$230.9	\$207.8	\$227.0
Net earnings	5.0	6.0	5.2	4.6	2.5	3.4	2.6	2.5
Earnings per share								
- Basic	\$0.32	\$0.38	\$0.33	\$0.29	\$0.16	\$0.22	\$0.17	\$0.16
- Diluted	\$0.31	\$0.37	\$0.33	\$0.28	\$0.16	\$0.22	\$0.16	\$0.16

* Restated. See Note 2 in the Q1 2005 Quarterly Financial Statements and Note 2 in the Q4 2004 Quarterly Financial Statements.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company used \$19.7 million of cash before financing activities in the first quarter of 2005 compared to \$15.6 million of cash used in the first quarter of 2004.

Cash used in operating activities amounted to \$16.7 million, with \$25.0 million of cash used in changes in non-cash working capital offset by \$8.3 million of cash generated from operating earnings. Significant components of the \$25.0 million increase in working capital were as follows:

- Accounts receivable increased \$15.9 million during the quarter as a result of the higher sales activity.
- Inventory increased by a total of \$16.3 million compared to the fourth quarter of 2004 to support the higher sales volumes in all segments and to support the new JCB, Direct Technologies and Logset product lines added by Mobile Equipment in 2004.
- Accounts payable and accrued liabilities increased by \$13.4 million during the quarter due mainly to the increased inventory levels and accruals.
- Income taxes payable decreased by \$6.3 million as a result of final tax payments made in the quarter relating to the 2004 taxation year.

Working capital, exclusive of funded debt and cash, increased \$28.3 million to \$151.0 million at March 31, 2005 from \$122.7 million at December 31, 2004. 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, 2004 rate.

The Company invested a net amount of \$3.0 million of cash in operations during the first quarter of 2005. The most significant investing activities were \$2.4 million of lift truck rental fleet additions in Mobile Equipment and \$1.0 million of capital asset additions.

Debt, net of cash, of \$50.8 million increased \$24.6 million compared to December 31, 2004 due principally to the increase in working capital. The Company's debt-to-equity ratio increased to 0.26:1 at March 31, 2005 compared to 0.13:1 at December 31, 2004. Compared to March 31, 2004, the debt-to-equity ratio decreased from 0.32:1 to 0.26:1.

At March 31, 2005 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, 2005. See New Credit Facilities section below.

It is expected that the cash on-hand of \$24.2 million at quarter-end along with the \$20 million bank facility and cash generated from earnings will provide sufficient cash flow to meet the Company's short-term cash requirements and growth initiatives.

The Mobile Equipment segment had possession of \$64.9 million of consigned inventory from a major manufacturer at March 31, 2005 compared to \$39.9 million the previous year. This inventory is not included in the Company's inventory as the manufacturer has title to the inventory.

The Company's off balance sheet financing arrangements include operating lease contracts in relation to the Company's long-term lift truck rental fleet in the Mobile Equipment segment. At March 31, 2005, the non-discounted operating lease commitment for the rental fleet was \$26.7 million.

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 \$3.5 million loss on these hedging activities that was offset by a \$3.5 million unrealized foreign currency gain on the U.S. dollar-denominated senior notes. On March 31, 2005 the Company entered into a short-term foreign currency forward contract to buy \$30 million U.S. dollars on May 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 \$0.07 per share. In the second quarter of 2005, the Company will pay a dividend of \$0.07 per share on May 31, 2005 to shareholders of record on May 16, 2005. A dividend of \$0.04 per share was paid in the first quarter of 2004.

SHARE CAPITAL

During the quarter, 5,000 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
December 31, 2004	15,739,460	\$102.4
Issued	5,000	-
March 31, 2005	15,744,460	\$102.4

During the quarter no stock options were issued or expired. The following table summarizes the status of the stock option plan:

	Number of Shares	Weighted Average Exercise Price
Outstanding as at March 31, 2005	838,070	\$6.32

CHANGES IN ACCOUNTING POLICY

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 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 abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. The company has restated its 2004 comparative results and balances in its financial statements. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending March 31, 2004 of \$482 thousand. The impact on balance sheet accounts as of March 31, 2004 was a decrease in inventory of \$777 thousand and an increase in future income taxes of \$295 thousand. The net earnings for the 3 months ending March 31, 2004 were not impacted by the adoption of the abstract.

Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the CICA Handbook section 3110 "Asset Retirement Obligations". This section requires a company to capitalize the fair market value of the costs to decommission an asset, with an offsetting liability. The asset retirement obligations pertain to operating leases of branch facilities where certain clauses require premises to be returned to their original state at the end of the lease term. The total estimated undiscounted cash flows required to settle these obligations amount to \$1,025 thousand. The Company adopted the section on a retroactive basis beginning on October 1, 2004. As a result, figures for the consolidated balance sheets as at March 31, 2004 were restated as follows: a \$11 thousand increase in fixed assets, an increase in future income taxes of \$279 thousand, an increase in accrued liabilities of \$743 thousand and a decrease in retained earnings of \$450 thousand.

RISKS AND UNCERTAINTIES

For information on risks and uncertainties refer to the Management's Discussion and Analysis for the year ended December 31, 2004 included in the Company's 2004 Annual Report which may be found on SEDAR at www.sedar.com.

WAJAX INCOME FUND

Conversion to an Income Fund

The Company has announced that its board of directors has approved a process for the conversion of Wajax into an income fund by way of a plan of arrangement (the "Conversion"). Pursuant to the Conversion, the current shareholders of Wajax will exchange their common shares for fund units in the new income trust on a one-for-one basis, to be known as the Wajax Income Fund (the "Fund"), and will continue to indirectly own, through the Fund, the same pro rata economic interest in Wajax's businesses. The Company intends to hold a special meeting of shareholders to consider the proposed Conversion on June 6, 2005 in conjunction with its annual general meeting of shareholders. The Conversion is subject to certain approvals, including approval of the Ontario Superior Court of Justice, a favourable vote of Wajax shareholders at the annual and special meeting, receipt of a fairness opinion, finalization of the new credit facilities and approval of the TSX to list the Fund units.

Distributable Cash

Based on actual results for the twelve months ended March 31, 2005, the Company estimates that, organized as an income fund, it would have initially generated annual distributions of approximately \$2.20 per unit on a pro forma basis, after adjustments, and assuming approximately 16.7 million units are outstanding. Holders of fund units will be entitled to receive monthly payments of distributable cash from the Fund.

New Credit Facilities

As part of the Conversion, the Company expects to retire the \$50 million U.S. dollar-denominated senior notes and approximately \$15 million of debentures using cash on hand and an amount to be drawn down under proposed new \$95 million bank term credit facilities. The debt retirement will result in a pre-payment penalty and unamortized deferred financing costs of approximately \$5.2 million which will be charged to earnings in the period of the pre-payment.

Additional information regarding the Conversion can be found on the Company's website at www.wajax.com.

OUTLOOK

Results for the first quarter of 2005 were ahead of management's expectations. The Company benefited from strength in a number of important market sectors, particularly the petroleum sector in western Canada, and the mining and construction industries in most regions of the country. Going into the second quarter management expects to maintain improved profitability compared to 2004, assuming the continuation of strong market demand.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of Wajax. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include and are not restricted to the risks identified in this Management's Discussion and Analysis. The Company's Annual Management's Discussion and Analysis is filed with the Canadian securities regulatory authorities and risk factors included in that filed document are incorporated herein by reference. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. These forward-looking statements are made as of the date hereof and Wajax does not assume any obligation to update or revise them to reflect new events or circumstances.

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

Mississauga, Canada
May 2, 2005



WAJAX LIMITED

Unaudited Consolidated Financial Statements

For the three months ended March 31, 2005

WAJAX LIMITED
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands of dollars)	March 31 2005	December 31 2004	March 31 2004
			(restated note 2)
Current Assets			
Cash and cash equivalents	\$ 24,234	\$ 49,409	\$ 26,528
Accounts receivable	131,230	115,207	105,380
Inventories	177,148	161,046	148,992
Future income taxes	6,108	6,132	6,813
Prepaid expenses and other recoverable amounts	3,837	3,963	2,262
	342,557	335,757	289,975
Non-Current Assets			
Rental equipment	17,154	16,362	16,845
Capital assets	30,058	30,251	31,469
Goodwill and other assets	54,698	54,621	55,077
Future income taxes	2,673	2,851	2,743
	104,583	104,085	106,134
	\$ 447,140	\$ 439,842	\$ 396,109
Current Liabilities			
Accounts payable and accrued liabilities	\$ 165,623	\$ 155,730	\$ 125,348
Income taxes payable	1,655	7,935	1,138
Current portion of long-term debt	4,782	4,683	4,356
	172,060	168,348	130,842
Non-Current Liabilities			
Future income taxes	3,726	3,545	2,861
Long-term pension liability	2,155	2,080	1,917
Long-term debt	70,223	70,884	79,880
	76,104	76,509	84,658
Shareholders' Equity			
Share capital	102,409	102,390	102,212
Contributed surplus	428	373	119
Retained earnings	96,139	92,222	78,278
	198,976	194,985	180,609
	\$ 447,140	\$ 439,842	\$ 396,109

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

(in thousands of dollars, except per share data)	Three months ended March 31	
	2005	2004
		(restated note 2)
Revenue	\$ 254,099	\$ 210,891
Cost of sales	195,330	161,625
Gross profit	58,769	49,266
Selling and administrative expenses	49,013	43,014
Earnings before interest and income taxes	9,756	6,252
Interest expense	1,528	2,038
Earnings before income taxes	8,228	4,214
Income taxes – current	2,810	1,497
– future	399	210
Net earnings	\$ 5,019	\$ 2,507
Retained earnings, beginning of period as reported	92,222	77,331
Impact of new accounting standards: (Note 2)		
Vendor rebates	-	(482)
Asset retirement obligations	-	(450)
Retained earnings, beginning of period, as restated	92,222	76,399
Dividends on common shares	(1,102)	(628)
Retained earnings, end of period	\$ 96,139	\$ 78,278
Earnings per share (Note 3) – basic	\$ 0.32	\$ 0.16
– diluted	\$ 0.31	\$ 0.16
Number of common shares outstanding	15,744,460	15,696,960
Number of common share stock options outstanding	838,070	805,570

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Three months ended March 31

(in thousands of dollars)	2005		2004
			(restated note 2)
OPERATING ACTIVITIES			
Net earnings	\$	5,019	\$ 2,507
Items not affecting cash flows:			
Amortization			
- Rental equipment		961	1,300
- Capital assets		1,213	1,337
- Deferred expenses and intangible assets		231	386
Pension expense – net of payments		170	157
Stock-based compensation expense (Note 4)		55	56
Future income taxes		399	210
Other		192	-
Cash flows before changes in non-cash working capital		8,240	5,953
Changes in non-cash working capital:			
Accounts receivable		(15,860)	711
Inventories		(16,349)	(5,624)
Prepaid expenses and other recoverable amounts		128	97
Accounts payable and accrued liabilities		13,396	(13,361)
Income taxes payable		(6,280)	(212)
		(24,965)	(18,389)
Cash flows used by operating activities		(16,725)	(12,436)
INVESTING ACTIVITIES			
Rental equipment additions		(2,351)	(2,695)
Rental equipment disposals		370	435
Capital asset additions		(1,024)	(983)
Proceeds on disposal of capital assets		12	70
		(2,993)	(3,173)
Cash flows before financing activities		(19,718)	(15,609)
FINANCING ACTIVITIES			
Issuance of common shares on exercise of stock options (Note 4)		19	-
Repayment of debentures		(904)	(815)
Hedging activities (Note 5)		(3,476)	(2,025)
Dividends paid		(1,102)	(628)
		(5,463)	(3,468)
Cash flows before effect of foreign exchange		(25,181)	(19,077)
Effect of foreign exchange on translation adjustment		6	210
Net change in cash and cash equivalents	\$	(25,175)	\$ (18,867)
Cash and cash equivalents – beginning of period	\$	49,409	\$ 45,395
Cash and cash equivalents – end of period	\$	24,234	\$ 26,528
Cash flows provided by operating activities include the following:			
Interest paid	\$	800	\$ 1,229
Income taxes paid	\$	9,092	\$ 1,708
Significant non-cash transactions:			
Rental equipment transferred to inventory	\$	228	\$ 320
Note receivable transferred from inventory	\$	377	\$ -

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.

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, 2004.

Note 2 Change in accounting policies

a. 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 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 abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. The company has restated its 2004 comparative results and balances in its financial statements. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending March 31, 2004 of \$482 thousand. The impact on balance sheet accounts as of March 31, 2004 was a decrease in inventory of \$777 thousand and an increase in future income taxes of \$295 thousand. The net earnings for the 3 months ending March 31, 2004 were not impacted by the adoption of the abstract.

b. Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the CICA Handbook section 3110 "Asset Retirement Obligations". This section requires a company to capitalize the fair market value of the costs to decommission an asset, with an offsetting liability. The asset retirement obligations pertain to operating leases of branch facilities where certain clauses require premises to be returned to their original state at the end of the lease term. The total estimated undiscounted cash flows required to settle these obligations amount to \$1,025 thousand. The Company adopted the section on a retroactive basis beginning on October 1, 2004. As a result, figures for the consolidated balance sheets as at March 31, 2004 were restated as follows: a \$11 thousand increase in fixed assets, an increase in future income taxes of \$279 thousand, an increase in accrued liabilities of \$743 thousand and a decrease in retained earnings of \$450 thousand.

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	2005		2004
			(restated note 2)
Numerator for basic and diluted earnings per share: – net income	\$	5,019	\$ 2,507
Denominator for basic earnings per share : – weighted average shares		15,739,516	15,696,960
Denominator for diluted earnings per share: – weighted average shares		15,739,516	15,696,960
– effect of dilutive employee stock options		495,414	313,701
Denominator for diluted earnings per share		16,234,930	16,010,661
Basic earnings per share	\$	0.32	\$ 0.16
Diluted earnings per share	\$	0.31	\$ 0.16

Of the 838,070 (2004 – 805,570) stock options outstanding at the end of the period, no options (2004 – 90,000 with a price range of \$9.25-\$11.50) are excluded from the above calculations as they are not currently anti-dilutive.

Note 4 Stock-based compensation plans

During the quarter 5,000 (2004 – nil) stock options were exercised with a weighted-average exercise price of \$3.80. The Company did not issue any employee stock options (2004 – 61,570 with an exercise price of \$8.54 and a weighted average life of 8 years).

The Company recorded a compensation cost of \$55 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 nominal reduction in both net earnings and earnings per share if the Company had accounted for employee stock options issued in 2002 under the fair value method.

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 \$3.5 million loss on these hedging activities that was offset by a \$3.5 million foreign currency gain on the U.S. dollar-denominated senior notes. At March 31, 2005 the Company has two short-term foreign currency forward contracts outstanding to buy a total of \$30 million U.S. dollars on May 31, 2005.

Note 6 Employees' pension plans

Net pension plan expenses are as follows:

Quarter	2005		2004	
Net pension plan expense – defined benefit plans	\$	215	\$	202
Net pension plan expense – defined contribution plans		1,059		974
	\$	1,274	\$	1,176

Note 7 Segmented information

Quarter	2005		2004	
Revenue			(restated note 2)	
Mobile Equipment	\$	124,898	\$	98,043
Industrial Components				
- Canada		68,880		60,078
- United States		14,933		13,315
Total Industrial Components		83,813		73,393
Diesel Engines		46,038		39,944
Segment eliminations		(650)		(489)
Total consolidated	\$	254,099	\$	210,891

Segment Earnings

Mobile Equipment	\$	5,757	\$	3,765
Industrial Components				
- Canada		2,406		568
- United States		683		146
Total Industrial Components		3,089		714
Diesel Engines		3,999		3,308
Corporate costs and eliminations		(3,089)		(1,535)
Total consolidated	\$	9,756	\$	6,252

Interest expense, income taxes and 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 Comparative information

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



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