THIRD QUARTER REPORT TO UNITHOLDERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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WAJAX

ESTABLISHED | ÈTABLI 1858

WAJAX INCOME FUND
News Release

TSX Symbol: WJX.UN

WAJAX REPORTS SIGNIFICANTLY IMPROVED THIRD QUARTER 2010 RESULTS AND DECLARES A SPECIAL DISTRIBUTION FOR NOVEMBER

(Dollars in millions, except per unit data)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
CONSOLIDATED RESULTS				
Revenue	**$294.6**	**$234.6**	**$795.2**	**$748.1**
Net earnings	**$19.4**	**$6.8**	**$40.0**	**$25.9**
Basic earnings per unit	**$1.17**	**$0.41**	**$2.41**	**$1.56**
Distributable cash (1)	**$19.4**	**$9.6**	**$41.6**	**$32.3**
Basic distributable cash per unit (1)	**$1.17**	**$0.58**	**$2.51**	**$1.95**
SEGMENTS				
Revenue - Mobile Equipment	**$144.9**	**$112.9**	**$396.1**	**$369.5**
- Industrial Components	**$76.1**	**$66.6**	**$225.1**	**$213.5**
- Power Systems	**$74.6**	**$56.0**	**$177.1**	**$167.6**
Earnings - Mobile Equipment	**$9.8**	**$5.9**	**$27.5**	**$22.2**
% margin	*6.8%*	*5.2%*	*6.9%*	*6.0%*
- Industrial Components	**$4.2**	**$2.0**	**$9.4**	**$3.7**
% margin	*5.5%*	*2.9%*	*4.2%*	*1.7%*
- Power Systems	**$8.1**	**$1.5**	**$12.5**	**$7.4**
% margin	*10.8%*	*2.7%*	*7.1%*	*4.4%*

(1) Denotes non-GAAP measure. See Non-GAAP Measures section in the attached Management's Discussion and Analysis (MD&A).

Toronto, Ontario – November 4, 2010 – Wajax Income Fund today announced significantly improved third quarter 2010 results and declared a special distribution for November.

Third Quarter Highlights

- Consolidated revenue increased 26% compared to last year. Mobile Equipment revenues increased 28% on higher equipment and aftermarket volumes in all product categories. Power Systems sales were 33% higher mainly as a result of improved equipment and parts and service sales to energy sector customers in western Canada. Industrial Components segment revenue increased 14% year-over-year on improved market demand in a number of industry sectors, primarily oil and gas and metal processing.

- Consolidated net earnings in the quarter of $19.4 million, or $1.17 per unit represented a near three-fold increase from $6.8 million, or $0.41 per unit recorded last year. The increase in earnings is attributable to the higher revenues in all three businesses, as well as improved gross margins in Power Systems and Industrial Components.

- Basic distributable cash (see Non-GAAP Measures section in the MD&A) of $1.17 per unit substantially increased from the $0.58 per unit recorded the previous year as a result of the improved earnings.

- Funded debt, net of cash, declined $16.2 million in the quarter to $53.6 million at September 30, 2010 primarily as a result of earnings exceeding distributions and a $7.0 million reduction in non-cash working capital.

On February 26, 2010 the Fund announced as part of its plan to convert to a corporation effective January 1, 2011 that its objective was to maintain monthly distributions at $0.15 per unit throughout 2010 and into 2011 after conversion. In order to achieve this objective, it was anticipated that increases in earnings would be utilized to absorb, to the extent possible, the impact of the corporate tax burden Wajax will be subject to in 2011. Consistent with this objective, the Fund announced its regular monthly distributions for November and December will be maintained at $0.15 per unit ($1.80 annualized). In addition, unlike previous years when the Fund declared a special distribution at year-end equal to the excess of the Fund's taxable income over aggregate monthly distributions, the Fund began to declare monthly special distributions in August of this year for the excess taxable income it expects to generate in 2010. As a result, the Fund declared special monthly cash distributions of $0.20 per unit for each of August, September and October. In keeping with this policy, today the Fund announced a special cash distribution of $0.40 per unit for November. Any special distribution for December will be considered at the Fund's December 15 board meeting.

The $0.15 per unit regular monthly cash distribution for November and December will be paid on December 20, 2010 and January 20, 2011 to unitholders of record on November 30 and December 31 respectively. The $0.40 per unit special cash distribution for November will be paid on December 20 to unitholders of record on November 30.

There can be no assurance, however, that the Fund's objective to maintain monthly distributions by way of dividends into 2011 will be achieved, or that dividends will be paid in such amounts or at all. The board of Wajax Corporation after conversion will have the discretion to modify its dividend policy at any time. The ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of Wajax, fluctuations in working capital, the sustainability of margins, capital expenditures, any contractual restrictions on distributions or dividends, including any agreements with lenders to Wajax, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends.

The Fund also announced that Mr. Brian Dyck has been appointed Senior Vice President, Mobile Equipment to succeed Mr. Mark Whitman who has elected to retire effective March 1, 2011. Brian has been with Wajax for the past 17 years and over that time has assumed increased responsibilities and most recently was General Manager, Mobile Equipment, Western Region.

Commenting on the third quarter results and the outlook for the rest of the year, Neil Manning, President and CEO, stated "Third quarter consolidated earnings continued to be better than expected as market demand for our products and services continued to be stronger than the previous year.

In the Mobile Equipment business, demand for equipment and parts and service in all product categories was improved from last year. Daily sales in Industrial Components stabilized at levels ahead of 2009 across a number of industry sectors and Power Systems experienced significantly higher sales of engine and power generation packages to western Canada energy sector customers.

For the remainder of 2010 we expect sales for most of our products and services will continue to exceed the levels experienced last year in spite of the fact that we are experiencing equipment inventory shipment delays from certain suppliers. As well, even though backlogs are down largely as a result of significant order deliveries in the quarter, quoting activity for new equipment remains strong, particularly in the mining and resource sectors. Overall, we expect to continue to achieve positive revenue and earnings growth in the fourth quarter of this year compared to the fourth quarter of 2009."

Wajax is a diversified income fund that has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of over 110 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

This news release contains forward-looking information. Please refer to the “Forward-Looking Statements” section in the accompanying Management Discussion and Analysis.

Management's Discussion and Analysis – Q3 2010

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Income Fund (the "Fund" or "Wajax") for the quarter ended September 30, 2010. This MD&A should be read in conjunction with the information contained in the interim Unaudited Consolidated Financial Statements and accompanying notes for the quarter ended September 30, 2010, the annual Audited Consolidated Financial Statements and accompanying notes of the Fund for the year ended December 31, 2009 and the associated MD&A. Information contained in this MD&A is based on information available to management as of November 4, 2010.

Unless otherwise indicated, all financial information within this MD&A is in millions of dollars, except per unit data.

Additional information, including the Fund's Annual Report and Annual Information Form, are available at www.sedar.com.

Responsibility of Management and the Board of Trustees

Management is responsible for the information disclosed in this MD&A and the Consolidated Financial Statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The Fund's Board of Trustees has approved this MD&A and the interim Unaudited Consolidated Financial Statements and accompanying notes. In addition, the Fund's Audit Committee, on behalf of the Board of Trustees, provides an oversight role with respect to all public financial disclosures made by the Fund, and has reviewed this MD&A and the interim Unaudited Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Fund has designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to the Fund is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. The Fund has designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles.

Wajax Income Fund Overview

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated April 27, 2005. The Fund was created to indirectly invest, on June 15, 2005, in substantially all of the assets and business formerly conducted by Wajax Limited.

The Fund intends to make monthly cash distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on or about the 20th day of the following month. The Fund may make special cash and/or special non-cash distributions during or at the end of the year to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year are equal to its taxable income for the year. Cash distributions are dependent on, among other things, the cash flow of the Fund. See also the Conversion to corporate structure section.

The Fund's core distribution businesses are engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of over 110 branches across Canada. The Fund is a multi-line distributor and represents a number of leading worldwide manufacturers in its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

The Fund's strategy is to grow earnings in all segments through continuous improvement of operating margins and revenue growth while maintaining the Fund's strong balance sheet. Revenue growth will be achieved through market share gains, expansion into new geographic territories and the addition of new complementary product lines either organically or through acquisitions**.**

Forward-Looking Information

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward-looking information. In particular, but without limitation, this MD&A contains forward-looking statements relating to: the conversion of the Fund to a corporation, the timing of the effective date of the conversion, the potential for the continued payment of distributions by the Fund until the effective date of the conversion, and the potential for payment of dividends by Wajax Corporation following completion of the conversion. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of the Fund. In particular, forward-looking statements relating to the potential for the continued payment of distributions by the Fund until the effective date of the conversion and the potential payment of dividends by Wajax Corporation following completion of the conversion are based on: the financial and operating attributes of the Fund as at the date hereof, the anticipated operating and financial results of the Fund from the date hereof to the effective date, the anticipated operating and financial results of Wajax Corporation after the effective date, the views of management and the board of trustees of the Fund respecting the benefits associated with the conversion, and the views of management and the board of trustees of the Fund regarding current and anticipated market conditions. Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and **the risk that the expectations represented in such** forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include, among other things: changes in laws and regulations affecting the Fund and its business operations, changes in taxation of the Fund, general business conditions and economic conditions in the markets in which the Fund and its customers compete, fluctuations in commodity prices, the Fund's relationship with its suppliers and manufacturers and its access to quality products, the ability of the Fund to maintain and expand its customer base, failure of the parties to the proposed conversion of the Fund to a corporation by way of plan of arrangement to satisfy the conditions thereof, inability to obtain required consents, permits or approvals, actual future market conditions being different than anticipated by management and the board of trustees of the Fund, and actual future operating and financial results of the Fund and/or Wajax Corporation being different than anticipated by management and the board of trustees of the Fund. You are cautioned that the foregoing list is not exhaustive. You are further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Additional information on these and other factors is included in this MD&A under the heading "Risk and Uncertainties" and in other reports filed by the Fund with Canadian securities regulators and available at www.sedar.com. See also the full details of the conversion included in the Management Proxy Circular for the Fund's unitholder meeting held on May 7, 2010 and which is available at www.sedar.com .
The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date of this MD&A and neither the Fund nor Wajax Corporation undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Consolidated Results

	Three months ended September 30		Nine months ended September 30	
	2010	2009(3)	**2010**	2009(3)
Revenue	**$294.6**	$234.6	**$795.2**	$748.1
Gross profit	**$62.0**	$46.4	**$173.0**	$152.7
Selling and administrative expenses	**$42.5**	$39.0	**$131.6**	$124.9
Earnings before interest and income taxes	**$19.6**	$7.5	**$41.3**	$27.8
Interest expense	**$1.1**	$1.1	**$3.1**	$3.5
Income tax recovery	**(0.9)**	($0.4)	**($1.8)**	($1.6)
Net earnings	**$19.4**	$6.8	**$40.0**	$25.9
Distributable cash(1)	**$19.4**	$9.6	**$41.6**	$32.3
Cash distributions declared	**$14.1**	$8.3	**$29.1**	$33.5
Distributions paid				
- Monthly	**$10.8**	$9.1	**$25.7**	$37.0
Earnings per unit				
- Basic	**$1.17**	$0.41	**$2.41**	$1.56
- Diluted	**$1.15**	$0.40	**$2.37**	$1.54
Distributable cash per unit (1)				
- Basic(2)	**$1.17**	$0.58	**$2.51**	$1.95
- Diluted	**$1.15**	$0.57	**$2.47**	$1.92
Cash distributions declared per unit (2)	**$0.85**	$0.50	**$1.75**	$2.02
Distributions paid per unit (2)				
- Monthly	**$0.65**	$0.55	**$1.55**	$2.23

(1) Non-GAAP measure, see the Non-GAAP Measures and Distributable Cash sections.
(2) Based on actual number of units outstanding on the relevant record date.
(3) Certain 2009 comparative amounts have been reclassified to conform with the current period presentation. In particular, amounts recovered from customers or manufacturers in an amount of $7.8 million for the quarter and $25.9 million year to date have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of $15.3 million for the quarter and $49.9 million year to date have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications do not affect net earnings or cashflows.

Revenue
Revenue in the third quarter of 2010 increased 26% or $60.0 million to $294.6 million, from $234.6 million in 2009. Segment revenue increased 28% in Mobile Equipment, 14% in Industrial Components and 33% in Power Systems compared to last year. For the nine months ended September 30, 2010, revenue increased 6% or $47.1 million.

Gross profit
Gross profit in the third quarter of 2010 increased $15.6 million due to the positive impact of higher revenue and gross profit margins compared to last year. The gross profit margin percentage for the quarter increased to 21.1% in 2010 from 19.8% in 2009 due primarily to improved margins in Power Systems and Industrial Components compared to last year.

For the nine months ended September 30, 2010, gross profit increased $20.3 million due to the positive impact of higher revenue and gross profit margins compared to last year. The gross profit margin percentage increased to 21.8% in 2010 from 20.4% in 2009 on improved margins in all segments compared to last year.

Selling and administrative expenses

Selling and administrative expenses increased $3.5 million in the quarter compared to last year due mainly to higher personnel costs, including annual and long-term incentive accruals and other sales related expenses. Selling and administrative expenses as a percentage of revenue decreased to 14.4% in 2010 from 16.6% in 2009.

For the nine months ended September 30, 2010, selling and administrative expenses increased $6.7 million compared to last year. Increases in annual and long-term incentive accruals of $7.5 million and higher bad debt costs in Mobile Equipment were offset partially by reductions in personnel costs and other sales related expenses compared to last year. Selling and administrative expenses as a percentage of revenue decreased slightly to 16.6% in 2010 from 16.7% in 2009.

Interest expense

Quarterly interest expense of $1.1 million remained the same compared to last year.

For the nine months ended September 30, 2010, interest expense decreased $0.4 million compared to 2009 due mainly to lower funded debt net of cash ("funded net debt") outstanding in 2010.

Income tax expense

The effective income tax rate of negative 4.8% for the quarter decreased from negative 6.5% the previous year. Included in the quarter was a $0.9 million future tax recovery adjustment (2009 - $0.1 million). This reflects an adjustment to the amount of the Fund's taxable temporary differences that are estimated to reverse after 2010, tax effected at rates that will apply in the year the differences are expected to reverse. Last year, a $0.3 million recovery of current income tax expense resulted from a tax loss in the Fund's subsidiary, Wajax Limited.

For the nine months ended September 30, 2010, the effective income tax rate of negative 4.7% decreased from negative 6.5% the previous year and included a $1.8 million future tax recovery adjustment (2009 - $0.3 million). Last year, a $1.3 million recovery of current tax expense resulted from a tax loss in the Fund's subsidiary Wajax Limited.

The Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 29.4% as the majority of the Fund's income is not currently subject to tax in the Fund.

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and is not currently taxable on its income to the extent that it is distributed to its unitholders. Pursuant to the terms of the Declaration of Trust, all taxable income earned by the Fund is distributed to its unitholders. Accordingly, no provision for income taxes is required on income earned by the Fund that is distributed to its unitholders. The Fund's corporate subsidiaries are subject to tax on their taxable income.

Under legislation enacted on June 22, 2007, the Fund as a publicly traded income trust will pay tax on its income distributed commencing in 2011 at a rate that is substantially equivalent to the general corporate income tax rate. The Fund may become taxable on its distributions prior to 2011 if its equity capital grows beyond certain dollar limits measured by reference to the Fund's market capitalization on October 31, 2006. The Fund has not exceeded its growth limits at September 30, 2010.

On March 12, 2009 legislation was enacted to permit income funds to "convert" into public corporations without triggering adverse tax consequences to the income fund and its unitholders. See the Conversion to corporate structure section.

Net earnings

Quarterly net earnings of $19.4 million, or $1.17 per unit, increased $12.6 million from $6.8 million, or $0.41 per unit, in 2009. The positive impact of higher volumes and gross profit margins and increased income tax recoveries more than offset higher selling and administrative expenses compared to last year.

For the nine months ended September 30, 2010, net earnings increased $14.1 million to $40.0 million, or $2.41 per unit, from $25.9 million, or $1.56 per unit, in 2009. Higher volumes and gross profit margins, lower interest expense and increased income tax recoveries more than offset higher selling and administrative expenses compared to last year.

Comprehensive income

Comprehensive income for the quarter of $18.6 million increased from $6.7 million the previous year due to the $12.6 million increase in net earnings, offset partially by a $0.8 million increase in other comprehensive loss compared to last year. The increase in other comprehensive loss resulted from gains on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory and an increase in losses on derivative contracts designated as cash flow hedges outstanding at the end of the quarter.

For the nine months ended September 30, 2010, comprehensive income of $40.1 million increased $14.5 million from $25.6 million the previous year due to the $14.1 million increase in net earnings and a $0.4 million increase in other comprehensive income compared to last year. The increase in other comprehensive income resulted from losses on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory, partially offset by losses on derivative contracts designated as cash flow hedges outstanding at the end of the period.

Funded net debt

Funded net debt of $53.6 million decreased $16.2 million compared to June 30, 2010. Third quarter cash flows from operating activities before changes in non-cash working capital of $21.8 million and a decrease in non-cash working capital of $6.9 million were partially offset by cash distributions of $10.8 million and capital spending of $1.6 million. Compared to September 30, 2009 funded net debt decreased $47.2 million. The Fund's quarter-end debt-to-equity ratio of 0.25:1 at September 30, 2010 decreased from last quarter's ratio of 0.34:1 and last year's ratio of 0.51:1.

Distributable cash (see Non-GAAP Measures section) and distributions

For the quarter ended September 30, 2010 distributable cash was $19.4 million, or $1.17 per unit, compared to $9.6 million, or $0.58 per unit, the previous year. The increase was due to higher cash flows from operations before changes in non-cash working capital, offset partially by higher maintenance capital expenditures and a higher accrual for mid-term incentive compensation compared to last year.

For the nine months ended September 30, 2010 distributable cash of $41.6 million, or $2.51 per unit, compared to $32.3 million, or $1.95 per unit, the previous year. Higher cash flows from operations before changes in non-cash working capital were offset in part by a higher accrual for mid-term incentive compensation and higher maintenance capital expenditures compared to last year.

For the quarter ended September 30, 2010 monthly cash distributions declared totaled $0.85 per unit (2009 - $0.50 per unit) and included monthly distributions of $0.15 per unit for the months of July, August and September, and special distributions of $0.20 per unit for the months of August and September.

For the nine months ended September 30, 2010 monthly cash distributions declared totaled $1.75 per unit (2009 - $2.02 per unit). Distributable cash in excess of cash distributions declared for the nine months ended September 30, 2010 of $12.5 million, or $0.76 per unit, provides the Fund an amount for future capital requirements or distributions.

On November 4, 2010 the Fund announced a monthly distribution of $0.15 per unit ($1.80 annualized) and a special distribution of $0.40 per unit, for a total distribution of $0.55 per unit for the month of November payable on December 20, 2010 to unitholders of record on November 30, 2010. In addition, the Fund announced a monthly distribution of $0.15 per unit ($1.80 annualized) for the month of December payable on January 20, 2011 to unitholders of record on December 31, 2010. Any special distribution for December will be considered at the Fund's December 15, 2010 board meeting. See Conversion to corporate structure section.

Unitholder tax information relating to distributions is available on the Fund's website at www.wajax.com.

Backlog

Consolidated backlog at September 30, 2010 of $165.2 million decreased $20.8 million from $186.0 million at June 30, 2010 due mainly to significant deliveries in Mobile Equipment and Power Systems in the quarter out of backlog.

Conversion to corporate structure
On May 7, 2010, unitholders approved the conversion of the Fund to a corporation pursuant to a plan of arrangement under the CBCA effective on or about January 1, 2011. The arrangement will result in the reorganization of the Fund into a corporate structure and Unitholders will receive one common share of a new corporation to be called Wajax Corporation for each Unit of the Fund held. Wajax Corporation will continue to be managed by the existing management team.

Subsequent to the conversion, it is anticipated that Wajax Corporation will declare and pay a high proportion of net earnings in the form of monthly dividends. In particular, the Fund's objective is to maintain monthly distributions at $0.15 per unit into 2011 after conversion. In order to achieve this objective, it is anticipated that increases in earnings will be utilized to absorb, to the extent possible, the impact of the corporate tax burden Wajax will be subject to in 2011. Consistent with this objective, the Fund announced on November 4, 2010 its regular monthly distributions for November and December will be maintained at $0.15 per unit ($1.80 annualized).

In addition, unlike previous years when the Fund declared a special distribution at year-end equal to the excess of the Fund's taxable income over aggregate monthly distributions, in August 2010 the Fund began to declare monthly special distributions for the excess taxable income it expects to generate in 2010. As a result, on November 4, 2010 the Fund also announced the declaration of a special monthly cash distribution of $0.40 per unit for the month November. Any special distribution for December will be considered at the Fund's December 15, 2010 board meeting. See Distributions section.

There can be no assurance, however, that the Fund's objective to maintain monthly distributions by way of dividends of $0.15 per unit in 2011 will be achieved or that dividends will be paid in such amounts or at all. The board of Wajax Corporation after conversion will have the discretion to modify its dividend policy at any time. The ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of Wajax, fluctuations in working capital, the sustainability of margins, capital expenditures, any contractual restrictions on dividends, including any agreements with lenders to Wajax, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. See the Forward-Looking Information and Risks and Uncertainties sections.

Quarterly Results of Operations

Mobile Equipment

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Equipment	**$91.0**	$61.3	**$230.7**	$208.0
Parts and service	**$53.9**	$51.6	**$165.4**	$161.5
Segment revenue	**$144.9**	$112.9	**$396.1**	$369.5
Segment earnings	**$9.8**	$5.9	**$27.5**	$22.2
Segment earnings margin	***6.8%***	*5.2%*	***6.9%***	*6.0%*

Revenue in the third quarter of 2010 increased $32.0 million, or 28%, to $144.9 million from $112.9 million in the third quarter of 2009. Segment earnings for the quarter increased $3.9 million to $9.8 million compared to the third quarter of 2009. The following factors contributed to the Mobile Equipment segment's third quarter results:

- Equipment revenue increased $29.7 million compared to last year. Specific quarter-over-quarter variances included the following:
  - Forestry equipment sales increased $9.5 million attributable to higher market demand for all product lines across Canada, including Tigercat and forestry related Hitachi and Peterson Pacific products.
  - Construction equipment revenue increased $9.3 million on increased market demand for new Hitachi excavators and JCB equipment.

- Crane and utility equipment revenue increased $8.2 million due primarily to higher deliveries to a major hydro utility customer.
- Mining equipment sales increased $2.0 million on higher deliveries in western Canada.
- Material handling equipment revenue increased $0.7 million.

- Parts and service volumes increased $2.3 million compared to last year due primarily to higher construction sector sales in western and eastern Canada.

- Segment earnings increased $3.9 million to $9.8 million compared to last year as the positive impact of higher volumes outweighed a small increase in selling and administrative expenses.

Backlog of $72.4 million at September 30, 2010 decreased $11.6 million compared to June 30, 2010 due mainly to a large delivery to a major hydro utility customer in the quarter out of backlog.

Mr. Brian Dyck has been appointed Senior Vice President, Mobile Equipment to succeed Mr. Mark Whitman who has elected to retire effective March 1, 2011. Brian has been with Wajax for the past 17 years and over that time has assumed increased responsibilities and most recently was General Manager, Mobile Equipment, Western Region.

Industrial Components

	Three months ended September 30		**Nine months ended September 30**	
	2010	2009	**2010**	2009
Segment revenue	**$76.1**	$66.6	**$225.1**	$213.5
Segment earnings	**$4.2**	$2.0	**$9.4**	$3.7
Segment earnings margin	***5.5%***	*2.9%*	***4.2%***	*1.7%*

Revenue of $76.1 million increased $9.5 million, or 14%, from $66.6 million in the third quarter of 2009. Segment earnings increased $2.2 million to $4.2 million in the quarter compared to the previous year. The following factors contributed to the segment's third quarter results:

- Bearings and power transmission parts sales increased $4.9 million compared to last year due mainly to increased sales to metal processing, industrial and forestry customers in eastern Canada and Ontario. Higher mining sector sales in eastern Canada and oil and gas sector sales in western Canada also contributed to the increase.

- Fluid power and process equipment products and service revenue increased $4.6 million. Higher sales as a result of improved mining and oil and gas drilling activities in western Canada and increased sales to metal processing and construction customers in all regions accounted for most of the increase.

- Segment earnings increased $2.2 million compared to last year. The positive impact of higher volumes and gross margins outweighed a $1.5 million increase in selling and administrative expenses. Margins were higher on both bearings and power transmission parts, and fluid power and process equipment products compared to last year. Selling and administrative expenses increased due primarily to higher annual and long-term incentive accruals and sales related expenses.

Backlog of $29.3 million as of September 30, 2010 decreased $1.2 million compared June 30, 2010.

Power Systems

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Equipment	**$40.1**	$24.8	**$72.1**	$66.2
Parts and service	**$34.5**	$31.2	**$105.0**	$101.4
Segment revenue	**$74.6**	$56.0	**$177.1**	$167.6
Segment earnings	**$8.1**	$1.5	**$12.5**	$7.4
Segment earnings margin	***10.8%***	*2.7%*	***7.1%***	*4.4%*

Revenue in the third quarter increased $18.6 million, or 33%, to $74.6 million compared to $56.0 million in 2009. Segment earnings increased $6.6 million to $8.1 million in the quarter compared to the previous year. The following factors impacted quarterly revenue and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada increased $20.1 million compared to last year. Equipment sales increased $16.6 million due mainly to an increase in oil and gas related equipment sales. Parts and service revenue increased $3.5 million due primarily to higher sales to off-highway customers, including those in the mining and oil and gas sectors.

- Revenue at the eastern Canada operation, DDACE Power Systems ("DDACE") decreased by $1.5 million compared to 2009. Equipment sales decreased $1.3 million on lower new engine sales and parts and service revenue decreased $0.2 million.

- Segment earnings increased $6.6 million as the positive impact of higher volumes and gross margins at Waterous more than offset a $1.1 million increase in selling and administrative expenses.
  - Gross margins increased six percentage points compared to last year as a result of increases in equipment margins, due in part to cost overruns last year on generator set packages at Waterous, and higher parts and service margins.
  - Selling and administrative expenses increased due to higher annual and long-term incentive accruals, and other sales related expenses, offset partially by lower foreign exchange expenses compared to last year.

Backlog of $63.5 million as of September 30, 2010 decreased $8.0 million compared to June 30, 2010 due mainly to equipment deliveries in western Canada during the quarter out of backlog.

Selected Quarterly Information

	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**$294.6**	$272.3	$227.7	$259.1	$234.6	$248.7	$264.9	$317.3
Net earnings	**$19.4**	$12.2	$8.4	$8.3	$6.8	$9.8	$9.3	$19.4
Net earnings per unit								
- Basic	**$1.17**	$0.74	$0.50	$0.50	$0.41	$0.59	$0.56	$1.17
- Diluted	**$1.15**	$0.72	$0.50	$0.50	$0.40	$0.59	$0.55	$1.15
Distributable cash (1)	**$19.4**	$13.3	$9.0	$10.0	$9.6	$11.3	$11.4	$20.4
Distributable cash per unit (1)								
- Basic	**$1.17**	$0.80	$0.54	$0.60	$0.58	$0.68	$0.69	$1.23

(1) Non-GAAP measure, see the Non-GAAP Measures section.

A discussion of the Fund's previous quarterly results can be found in the Fund's quarterly MD&A reports available on SEDAR at www.sedar.com.

Cash Flow, Liquidity and Capital Resources

Cash Flows from Operating Activities

Cash flows from operating activities amounted to $28.7 million in the third quarter of 2010, compared to $18.0 million the previous year. The increase was due to higher cash flows from operations before changes in non-cash working capital of $12.2 million, offset partially by lower non-cash working capital reductions of $1.5 million.

For the nine months ended September 30, 2010, cash flows from operating activities amounted to $46.6 million, compared to $61.3 million the previous year. The decline was due to a small increase in non-cash working capital of $0.4 million in 2010 compared to a significant decrease of $27.4 million in 2009, offset partially by an increase in cash flows from operations before changes in non-cash working capital of $13.1 million.

Changes in non-cash working capital include the following components:

	Three months ended September 30		Nine months ended September 30	
Increase (decrease) in non-cash working capital	**2010**	2009	**2010**	2009
Accounts receivable	**$0.2**	($1.7)	**$23.7**	($33.9)
Inventories	**$11.9**	($12.2)	**$12.9**	($24.1)
Prepaid expenses and other recoverable amounts	**($6.7)**	($0.3)	**($2.0)**	($0.4)
Accounts payable and accrued liabilities	**($10.7)**	$5.8	**($32.5)**	$28.5
Income taxes payable	**($1.7)**	$0.1	**(1.7)**	$2.5
Total	**($6.9)**	($8.4)	**$0.4**	($27.4)

Significant components of the changes in non-cash working capital for the quarter ended September 30, 2010 are as follows:

- Inventory increased $11.9 million due primarily to increases in the Mobile Equipment and Power Systems segments.
- Accounts payable and accrued liabilities increased $10.7 million reflecting higher inventory trade payables and incentive accruals in all segments, offset partially by decreases in deferred income in Power Systems.

- Prepaid expenses decreased $6.7 million due mainly to lower deposits with suppliers in Power Systems.
- Income taxes payable increased $1.7 million as a result of the receipt of a prior year tax refund owing.

Significant components of non-cash working capital at September 30, 2010 and the changes from December 31, 2009 are as follows:

- Accounts payable and accrued liabilities increased $32.5 million reflecting higher trade payables in all segments resulting from increased sales activity.
- Accounts receivable increased $23.7 million due to higher sales activity in all segments.
- Inventory increased $12.9 million due primarily to increases in the Mobile Equipment and Power Systems segments.
- Prepaid expenses decreased $2.0 million due mainly to lower deposits with suppliers in Power Systems.
- Income taxes payable increased $1.7 million due to receipt of a prior year tax refund owing.

At September 30, 2010 the Fund had invested $150.4 million in working capital, exclusive of cash and bank indebtedness, compared to $150.9 million at December 31, 2009. The $0.5 million decrease was due to a $3.3 million increase in distributions payable related to the $0.20 per unit special distribution declared for September 2010 partially offset by a $1.7 million increase in future income tax assets, $0.7 million of rental equipment transferred to inventory and the cash flow factors listed above.

Investing Activities

The Fund invested a net amount of $1.6 million in the third quarter of 2010 compared to $0.9 million the previous year. During the quarter, investing activities included $0.5 million of lift truck rental fleet additions net of disposals and $1.1 million of other various capital asset additions net of disposals.

For the nine months ended September 30, 2010, the Fund invested a net amount of $4.0 million compared to $4.3 million the previous year. Investing activities included $1.6 million of lift truck rental fleet additions net of disposals and $2.4 million of other various capital asset additions net of disposals.

Financing Activities

The Fund used $10.8 million of cash in financing activities in the third quarter of 2010 compared to $14.0 million in the third quarter of 2009. Monthly cash distribution paid to unitholders totaled $10.8 million, or $0.65 per unit for the quarter ended September 30, 2010.

For the nine months ended September 30, 2010 the Fund used $25.8 million of cash in financing activities compared to $53.0 million in 2009. Monthly cash distribution paid to unitholders totaled $25.8 million, or $1.55 per unit for the nine months ended September 30, 2010.

Funded net debt of $53.6 million at September 30, 2010 decreased $16.2 million compared to June 30, 2010. Third quarter cash flows from operating activities before changes in non-cash working capital of $21.8 million and a decrease in non-cash working capital of $6.9 million were partially offset by cash distributions of $10.8 million and capital spending of $1.6 million. The Fund’s quarter-end debt-to-equity ratio of 0.25:1 at September 30, 2010 decreased from last quarter’s ratio of 0.34:1.

Funded net debt of $53.6 million at September 30, 2010 decreased $16.6 million compared to December 31, 2009. Cash flows from operating activities before changes in non-cash working capital of $47.0 million were offset by an increase in non-cash working capital of $0.4 million, cash distributions of $25.7 million and capital spending of $4.0 million. Compared to September 30, 2009 funded net debt decreased $47.2 million. The Fund’s period-end debt-to-equity ratio of 0.25:1 at September 30, 2010 decreased from the ratio of 0.35:1 at December 31, 2009 and 0.51:1 at September 30, 2009.

Liquidity and Capital Resources

At September 30, 2010 the Fund had borrowed $80.0 million and issued $5.1 million of letters of credit for a total utilization of $85.1 million of its $175 million bank credit facility and had no utilization of its $15 million equipment financing facility. Borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. At September 30, 2010 borrowing capacity under the bank credit facility was equal to $175 million.

The Fund's $175 million bank credit facility along with $15 million of capacity permitted in addition to the credit facility, should be sufficient to meet the Fund's short-term normal course working capital, maintenance capital and growth capital requirements. In the long-term the Fund may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures.

On May 7, 2010, unitholders approved the conversion of the Fund to a corporation pursuant to a plan of arrangement under the Canada Business Corporations Act effective January 1, 2011. The arrangement will result in the reorganization of the Fund into a corporate structure and unitholders will receive one common share of a new corporation to be called Wajax Corporation for each Unit of the Fund held. Lenders providing the Fund's $175 million bank credit facility have agreed to the conversion of Wajax to a corporation provided the Fund is otherwise in compliance with the terms of its credit facility.

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. The Fund is currently in the process of evaluating the impact of the change to IFRS. As a result of adopting IFRS, the Fund anticipates that the reported values of its net assets, equity and earnings will change. These changes could impact the calculation of covenants under the current bank credit facility, potentially resulting in an event of default. The Fund's management has discussed these possibilities with its bankers who have amended the definitive agreement allowing for modification of debt covenants to reflect changes in financial statement balances as a result of adopting IFRS. See the Accounting Changes section.

Financial Instruments

The Fund uses derivative financial instruments in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. Significant derivative financial instrument transactions and those outstanding at the end of the quarter were as follows:

- The Fund has entered into the following interest rate swaps that have effectively fixed the interest rate on $80 million of the Fund's debt at the combined rate of 2.925%, plus applicable margins, until December 31, 2011:
  - On June 7, 2008 the delayed interest rate swap the Fund entered into on May 9, 2007 with two of its lenders became effective. As a result, the interest rate on the $30 million non-revolving term portion of the bank credit facility was effectively fixed at 4.60% plus applicable margins until expiry of the facility on December 31, 2011.
  - On January 23, 2009 the delayed interest rate swap the Fund entered into on December 18, 2008 with two of its lenders became effective. As a result, the interest rate on the $50 million revolving term portion of the bank credit facility was effectively fixed at 1.92% plus applicable margins until expiry of the facility on December 31, 2011.
  - Margins on the debt associated with the interest rate swaps depend on the Fund's Leverage Ratio and range between 0.75% and 2.5%.

- The Fund enters into short-term currency forward contracts to fix the exchange rate on the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at September 30, 2010, the Fund had contracts outstanding to buy U.S.$37.7 million and €0.1 million and to sell U.S.$4.1 million (September 30, 2009 – to buy U.S.$20.6 million, December 31, 2009 – to buy U.S.$20.5 million and to sell U.S.$0.03 million). The U.S. dollar contracts expire between October 2010 and December 2012, with a weighted average U.S. dollar rate of 1.0521 and a weighted average Euro dollar rate of 1.4062.

The Fund measures financial instruments held for trading and not accounted for as hedging items, at fair value with subsequent changes in fair value being charged to earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. The fair value of derivative instruments is estimated based upon market conditions using appropriate valuation models. The carrying values reported in the balance sheet for financial instruments are not significantly different from their fair values.

Currency Risk

There have been no material changes to currency risk since December 31, 2009.

Contractual Obligations

There have been no material changes to contractual obligations since December 31, 2009.

Off Balance Sheet Financing

The Mobile Equipment segment had $20.6 million of consigned inventory on-hand from a major manufacturer as at September 30, 2010. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in the Fund's inventory as the manufacturer retains title to the goods.

The Fund's off balance sheet financing arrangements, with non-bank lenders, include operating lease contracts in relation to the Fund's long-term lift truck rental fleet in the Mobile Equipment segment. At September 30, 2010, the non-discounted operating lease commitment for the rental fleet was $7.1 million (December 31, 2009 - $11.5 million).

In the event the inventory consignment program was terminated, the Fund would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its bank credit facility. Although management currently believes the Fund has adequate debt capacity, the Fund would have to access the equity or debt markets, or temporarily reduce distributions to accommodate any shortfalls in the Fund's credit facility. See the Liquidity and Capital Resources section.

Non-GAAP Measures

To supplement the consolidated financial statements, the Fund uses non-GAAP financial measures that do not have standardized meanings prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures used by other entities.

“Distributable cash” and “Distributable cash per unit” are not recognized measures under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. Accordingly, “Distributable cash” and “Distributable cash per unit” as presented may not be comparable to similar measures presented by other entities. The Fund believes that “Distributable cash” and “Distributable cash per unit” are useful financial metrics as they represent the key determination of cash flow available for distribution to unitholders. “Distributable cash” and “Distributable cash per unit” should not be construed as an alternative to net earnings as determined by GAAP. Distributable cash is calculated as cash flows from operating activities adjusted for changes in non-cash working capital, less maintenance capital expenditures and amortization of deferred financing costs. Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a $175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable, and a $15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through an equipment finance company. See the Distributable Cash section below for the method of calculating the Fund's “Distributable cash”.

“Maintenance capital expenditures” is not a recognized measure under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. The Fund believes that “Maintenance capital expenditures” represents cash expenditures required to maintain normal operations. “Maintenance capital expenditures” exclude business acquisitions and land and building additions as they are not considered to be expenditures to maintain normal operations. See the Distributable Cash and Estimated Distributable Cash sections below for the method of calculating “Maintenance capital expenditures”.

“Standardized distributable cash” and “Standardized distributable cash per unit” are not recognized measures under GAAP. However, “Standardized distributable cash” has been calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure.* While the Fund has followed the principles of this guidance, the Fund has made assumptions and judgments in determining how such guidance is to be applied. In this respect, the Fund’s calculation may differ from similar calculations done by other entities. See the Standardized Distributable Cash and Reconciliation to Distributable Cash section for the method of calculating the Fund’s “Standardized distributable cash”.

Distributions

The Fund intends to make monthly cash distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on or about the 20th day of the following month. The Fund may make special cash and/or special non-cash distributions to ensure, as provided in the Fund’s Declaration of Trust, that the Fund’s total distributions for the year are equal to its taxable income for the year.

Distributions are based on distributable cash (see Non-GAAP Measures and Distributable Cash sections) and depend on, among other things, the cash flow generated from operations before changes in non-cash working capital and after providing for maintenance capital expenditures (see Non-GAAP Measures section) and any amount that the Trustees may reasonably consider to be necessary to provide for the payment of costs or other obligations that have been or are reasonably expected to be incurred by the Fund. See also the Conversion to corporate structure, Cash Flow, Liquidity and Capital Resources, and Distributable Cash sections.
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Cash distributions to unitholders were declared as follows:

Record Date	Payment Date	Per Unit	Amount
July 30, 2010	August 20, 2010	$0.15	$2.5
August 31, 2010 (2)	September 20, 2010	0.35	5.8
September 30, 2010 (2)	October 20, 2010	0.35	5.8
Three months ended September 30, 2010		**$0.85**	**$14.1**

(1) See Distributable Cash section below.
(2) Includes monthly distributions of $0.15 per unit and special distributions of $0.20 per unit.

Cash distributions paid by the Fund during the quarter were funded from cash generated by the Fund’s operations before changes in non-cash working capital.

For the nine months ended September 30, 2010 cash distributions declared totaled $1.75 per unit (2009 - $2.02 per unit) and included special distributions of $0.40 per unit (2009 – nil). Distributable cash in excess of cash distributions declared for the nine months ended September 30, 2010 of $12.5 million, or $0.76 per unit, provides the Fund an amount for future capital requirements or distributions.

On August 6, 2010 the Fund announced a monthly distribution of $0.15 per unit ($1.80 annualized) and a special distribution of $0.20 per unit, for a total distribution of $0.35 per unit, for the month of October payable on November 22, 2010 to unitholders of record on October 29, 2010.

On November 4, 2010 the Fund announced a monthly distribution of $0.15 per unit ($1.80 annualized) and a special distribution of $0.40 per unit, for a total distribution of $0.55 per unit for the month of November payable on December 20, 2010 to unitholders of record on November 30, 2010. In addition, the Fund announced a monthly distribution of $0.15 per unit ($1.80 annualized) for the month of December payable on January 20, 2011 to unitholders of record on December 31, 2010. Any special distribution for December will be considered at the Fund’s December 15, 2010 board meeting. See Conversion to corporate structure section.

Unitholder tax information relating to distributions is available on the Fund’s website at www.wajax.com.

Distributable Cash[1]

The Fund believes that distributable cash is a useful metric in determining distributions to unitholders. The following is a reconciliation of cash flows from operating activities before changes in non-cash working capital (a GAAP measure) to distributable cash (a non-GAAP measure).

	For the quarter ended		For the nine months ended		Last 12 months ended	
	September 30, 2010	September 30, 2009	**September 30, 2010**	September 30, 2009	**September 30, 2010**	September 30, 2009
Cash flows from operating activities	**$28.7**	$18.0	**$46.6**	$61.3	**$87.7**	$66.1
Changes in non-cash working capital[2]	**(6.9)**	(8.4)	**0.4**	(27.4)	**(29.4)**	(9.7)
Cash flows from operating activities before changes in non-cash working capital	**21.8**	9.6	**47.0**	33.9	**58.3**	56.4
Entity specific adjustments[3]:						
Maintenance capital expenditures[1] [3a]	**(1.4)**	0.2	**(3.1)**	(1.8)	**(3.7)**	(3.8)
Accrual for mid-term incentives[3b]	**(0.9)**	(0.2)	**(2.2)**	0.5	**(2.6)**	0.4
Amortization of deferred financing charges[3c]	**(0.1)**	(0.1)	**(0.2)**	(0.2)	**(0.4)**	(0.3)
Distributable Cash[1] - $	**19.4**	9.6	**41.6**	32.3	**51.6**	52.7
- per unit basic	**$1.17**	$0.58	**$2.51**	$1.95	**$3.11**	$3.18
- per unit fully diluted	**$1.15**	$0.57	**$2.47**	$1.92	**$3.06**	$3.14
Distributions Declared - $						
- Cash	**14.1**	8.3	**29.1**	33.5	**36.5**	51.4
- Non-cash	**-**	-	**-**	-	**-**	7.8
Distributions Declared – per unit						
- Cash	**$0.85**	$0.50	**$1.75**	$2.02	**$2.20**	$3.10
- Non-cash	**-**	-	**-**	-	**-**	$0.47
Payout Ratio [4]	**72.9%**	86.3%	**69.8%**	103.7%	**70.8%**	97.6%

(1) Non-GAAP measure, see Non-GAAP Measures section

(2) Changes in Non-cash Working Capital are excluded from the calculation of distributable cash as the Fund currently has a $175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements (subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable) and a $15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through an equipment finance company. See "Financing Strategies" section for discussion of bank credit facility financial covenants.

(3) Other Entity Specific Adjustments made in calculating distributable cash include the following:

a. Maintenance Capital Expenditures represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. "Maintenance capital expenditures" exclude business acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.

b. Accruals for Mid-Term Incentives: Changes in accruals for mid-term incentives are added back in determining cash flows from operating activities as they were treated as long-term liabilities effective January 1, 2007. These accruals are deducted in calculating distributable cash as the Fund believes it provides unitholders with a better indication of annual compensation costs and provides consistency with prior years.

c. Amortization of Deferred Financing Costs is a deduction in calculating distributable cash based on the amount included in the operating activities section of the statement of cash flow (in the years following the financing transaction) allocated over the term of the financing. The Fund believes this treatment provides a better indication of annual financing costs.

(4) Payout Ratio is equal to cash distributions declared as a percentage of distributable cash.

For the quarter ended September 30, 2010 distributable cash was $19.4 million, or $1.17 per unit, compared to $9.6 million, or $0.58 per unit, the previous year. The increase was due to higher cash flows from operations before changes in non-cash working capital, offset partially by higher maintenance capital expenditures and a higher accrual for mid-term incentive compensation compared to last year. For the quarter ended September 30, 2010 monthly cash distributions declared totaled $0.85 per unit (2009 - $0.50 per unit) and included special distributions of $0.40 per unit (2009 – nil).

For the nine months ended September 30, 2010 distributable cash of $41.6 million, or $2.51 per unit, compared to $32.3 million, or $1.95 per unit, the previous year. Higher cash flows from operations before changes in non-cash working capital were offset in part by a higher accrual for mid-term incentive compensation and higher maintenance capital expenditures compared to last year. For the nine months ended September 30, 2010 monthly cash distributions declared totaled $1.75 per unit (2009 - $2.02 per unit) and included special distributions of $0.40 per unit (2009 – nil). Distributable cash in excess of cash distributions declared for the nine months ended September 30, 2010 of $12.5 million, or $0.76 per unit, provides the Fund an additional amount for future capital requirements or distributions.

For the twelve months ended September 30, 2010 distributable cash was $51.6 million, or $3.11 per unit, compared to $52.7 million, or $3.18 per unit, the previous year. The decrease was due mostly to a higher accrual for mid-term incentive compensation, offset partially by higher cash flows from operations before changes in non-cash working capital compared to last year. For the twelve months ended September 30, 2010 monthly cash distributions declared totaled $2.20 per unit (2009 - $3.10 per unit) and included special distributions of $0.40 per unit (2009 – nil). In 2008, a $0.47 per unit special non-cash distribution was paid to ensure the Fund's total distributions for the year equaled its taxable income. Distributable cash in excess of cash distributions declared for the twelve months ended September 30, 2010 of $15.0 million, or $0.91 per unit, provides the Fund an amount for future capital requirements or distributions.

For the three months ended September 30, 2010, the payout ratio of cash distributions based on distributable cash was 73%, compared to 86% the previous year.

For the nine months ended September 30, 2010, the payout ratio of cash distributions based on distributable cash was 70%, compared to 104% the previous year.

For the twelve months ended September 30, 2010, the payout ratio of cash distributions based on distributable cash was 71%, compared to 98% the previous year.

The following shows the relationship between distributions and cash flows from operating activities, net earnings and distributable cash:

		For the quarter ended September 30, 2010	For the nine months ended September 30, 2010	For the year ended December 31, 2009	For the year ended December 31, 2008
A.	Cash flows from operating activities	**$28.7**	$46.6	$102.4	$58.7
B.	Net earnings	**19.4**	40.0	34.2	75.8
C.	Distributable cash (1)	**19.4**	41.6	42.3	77.0
D.	Cash distributions declared	**14.1**	29.1	41.0	68.5
E.	**Excess (shortfall) of cash flows from operating activities over cash distributions declared (A – D)**	**14.6**	17.5	61.4	(9.8)
F.	**Excess (shortfall) of net earnings over cash distributions declared (B – D)**	**5.3**	10.9	(6.8)	7.3
G.	**Excess of distributable cash over cash distributions declared (C – D)**	**5.3**	12.5	1.3	8.5

(1) Non-GAAP measure, see Non-GAAP Measures section

Significant variances between cash distributions declared by the Fund and cash flows from operating activities, net earnings and distributable cash include the following:

For the quarter ended September 30, 2010, the $14.6 million excess of cash flows from operating activities over cash distributions declared is comprised of a decrease in non-cash working capital of $6.9 million, maintenance capital expenditures, net of disposals, of $1.4 million, other entity specific adjustments totaling $1.0 million and $5.3 million available for future capital requirements or distributions.

For the nine months ended September 30, 2010, the $17.5 million excess of cash flows from operating activities over cash distributions declared is comprised of maintenance capital expenditures, net of disposals, of $3.1 million and other entity specific adjustments totaling $2.4 million, less an increase in non-cash working capital of $0.4 million. Distributable cash in excess of cash distributions declared of $12.5 million provides an amount available for future capital requirements or distributions.

For the twelve months ended December 31, 2009, the $61.4 million excess of cash flows from operating activities over cash distributions declared is comprised of a decrease in non-cash working capital of $57.3 million, maintenance capital expenditures, net of disposals, of $2.5 million, other entity specific adjustments totaling $0.3 million and $1.3 million available for future capital requirements or distributions. Cash distributions declared exceeded net earnings by $6.8 million, due mainly to amortization deducted in calculating net earnings exceeding maintenance capital expenditures and other non-cash items deducted in calculating distributable cash by $8.1 million, less the $1.3 million excess of distributable cash over cash distributions declared. The $1.3 million excess of distributable cash over cash distributions declared provided an amount for future working capital requirements or distributions.

For the year ended December 31, 2008, the $9.8 million shortfall of cash flows from operating activities over cash distributions declared is due primarily to an increase in non-cash working capital of $28.8 million and other entity specific adjustments totaling $0.6 million, less maintenance capital expenditures, net of disposals, of $11.1 million and $8.5 million available for future capital requirements or distributions. The $8.5 million excess of distributable cash over cash distributions, which included the $7.3 million excess of net earnings over cash distributions declared, provided an amount for future capital requirements or distributions.

The following is a reconciliation of net earnings to distributable cash.

	For the quarter ended		For the nine months ended		Last 12 months ended	
	September 30, 2010	September 30, 2009	**September 30, 2010**	September 30, 2009	**September 30, 2010**	September 30, 2009
Net earnings	**$19.4**	$6.8	**$40.0**	$25.9	**$48.3**	$45.2
Add (deduct)						
Amortization(1)	**2.1**	2.3	**6.3**	7.0	**8.7**	9.4
Maintenance capital expenditures(2) (3)	**(1.4)**	0.2	**(3.1)**	(1.8)	**(3.7)**	(3.8)
Non-cash items:						
- Pension expense, net of payments	**(0.2)**	0.1	**(0.7)**	0.3	**(1.2)**	0.3
- Non-cash rental expense	**0.1**	0.1	**0.1**	0.1	**0.1**	0.3
- Unit-based compensation expense	**0.3**	0.3	**0.9**	1.1	**1.2**	1.5
- Future income taxes	**(0.9)**	(0.1)	**(1.8)**	(0.3)	**(1.8)**	(0.2)
Distributable cash(2) - $	**19.4**	9.6	**41.6**	32.3	**51.6**	52.7

(1) Includes amortization of rental equipment; property, plant and equipment; and intangible assets.
(2) Non-GAAP measure, see Non-GAAP Measures section
(3) Maintenance capital expenditures represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. Maintenance capital expenditures exclude acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.

Standardized Distributable Cash[(1)] and Reconciliation to Distributable Cash[(2)]

The following is a calculation of standardized distributable cash calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. In addition, the table provides a reconciliation of standardized distributable cash to distributable cash (see Distributable Cash section).

	For the quarter ended		For the nine months ended		Last 12 months ended	
	September 30, 2010	September 30, 2009	**September 30, 2010**	September 30, 2009	**September 30, 2010**	September 30, 2009
Cash flows from operating activities	**$28.7**	$18.0	**$46.6**	$61.3	**$87.7**	$66.1
A. Capital expenditure outlays[(3)]:	**(2.1)**	(1.6)	**(5.3)**	(6.3)	**(8.9)**	(9.7)
B. Restriction on distributions [(4)]	**-**	-	**-**	-	**-**	-
Standardized Distributable Cash [(1)(2)] - $	**26.6**	16.5	**41.2**	55.0	**78.8**	56.3
- per unit basic	**$1.60**	$0.99	**$2.48**	$3.31	**$4.74**	$3.39
- per unit fully diluted	**$1.58**	$0.98	**$2.44**	$3.27	**$4.67**	$3.35
i. Capital adjustments made to reflect maintenance capital expenditures[(5)]:						
- Proceeds from disposals of capital expenditures	**0.5**	0.6	**1.4**	2.0	**1.9**	2.3
- Growth capital expenditures	**-**	0.8	**0.2**	1.4	**2.1**	2.2
- Rental fleet transferred to inventory	**0.2**	0.4	**0.7**	1.1	**1.2**	1.5
ii. Other entity specific adjustments[(6)]:						
- Changes in non-cash working capital[(6a)]	**(6.9)**	(8.4)	**0.4**	(27.4)	**(29.4)**	(9.7)
- Accrual for mid-term incentives[(6c)]	**(0.9)**	(0.2)	**(2.2)**	0.5	**(2.6)**	0.4
- Amortization of deferred financing charges[(6d)]	**(0.1)**	(0.1)	**(0.2)**	(0.2)	**(0.3)**	(0.3)
Distributable Cash[(2)] - $	**19.4**	9.6	**41.6**	32.3	**51.6**	52.7
- per unit basic	**$1.17**	$0.58	**$2.51**	$1.95	**$3.11**	$3.18
- per unit fully diluted	**$1.15**	$0.57	**$2.47**	$1.92	**$3.06**	$3.14
Distributions Declared - $						
- Cash	**14.1**	8.3	**29.1**	33.5	**36.5**	51.4
- Non-cash[(7)]	**-**	-	**-**	-	**-**	7.8
Distributions Declared - per unit						
- Cash	**$0.85**	$0.50	**$1.75**	$2.05	**$2.20**	$3.10
- Non-cash[(7)]	**-**	-	**-**	-	**-**	$0.47
Payout ratio[(8)]						
- based on standardized distributable cash	**53.2%**	50.4%	**70.5%**	61.0%	**46.4%**	91.3%
- based on distributable cash	**72.9%**	86.3%	**69.8%**	103.7%	**70.8%**	97.6%

(1) Standardized distributable cash is a non-GAAP measure calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*.

(2) Non-GAAP measure, see Non-GAAP Measures section.

(3) Capital expenditure outlays include both maintenance capital expenditure outlays and growth capital expenditure outlays deducted in calculating standardized distributable cash. See Productivity Capacity and Productivity Capacity Management section.

(4) There are currently no restrictions on distributions arising from compliance with financial covenants. See Financing Strategies section.

(5) Capital adjustments are made to adjust capital expenditure outlays (deducted in computing standardized distributable cash) to reflect maintenance capital expenditures, net of disposals, as a deduction in computing distributable cash. These adjustments include: the exclusion of growth capital, the inclusion of proceeds from the disposal of capital expenditures and rental fleet transferred to inventory. See Non-GAAP Measures and Productivity Capacity and Productivity Capacity Management sections for calculation of maintenance capital expenditures.
(6) Other Entity Specific Adjustments made in calculating distributable cash include the following:
   a. Changes in Non-cash Working Capital see Distributable Cash section.
   b. Accruals for Mid-Term Incentives see Distributable Cash section.
   c. Amortization of Deferred Financing Costs see Distributable Cash section.
(7) See Distributable Cash section.
(8) Payout ratio is equal to cash distributions declared as a percentage of distributable cash.

For the quarter ended September 30, 2010 standardized distributable cash was $26.6 million, or $1.60 per unit, compared to $16.5 million, or $0.99 per unit, the previous year. The $10.1 million increase was due to $10.7 million increase in cash flows from operating activities, offset partially by higher capital expenditures of $0.5 million.

For the nine months ended September 30, 2010 standardized distributable cash was $41.2 million, or $2.48 per unit, compared to $55.0 million, or $3.31 per unit, the previous year. The $13.8 million decrease was due to $14.7 million decrease in cash flows from operating activities, offset partially by lower capital expenditures of $1.0 million.

For the twelve months ended September 30, 2010 standardized distributable cash was $78.8 million, or $4.74 per unit, compared to $56.3 million, or $3.39 per unit, the previous year. The $22.5 million increase was due to an increase in cash flows from operating activities of $21.6 million and a $0.8 million reduction in capital expenditures. See the Cash Flow, Liquidity and Capital Resources section.

Since the conversion of Wajax Limited to Wajax Income Fund on June 15, 2005, the payout ratio of cash distributions based on standardized distributable cash and distributable cash is 97.3% and 92.2%, respectively. The difference is due primarily to capital adjustments, changes in non-cash working capital and other entity specific adjustments since conversion that have been funded through the Fund's bank credit facility. See Financing Strategies section.

Productive Capacity and Productive Capacity Management

There have been no material changes to the Fund's productive capacity and productive capacity management since December 31, 2009.

Financing Strategies

The Fund's $175 million bank credit facility along with the $15 million demand inventory equipment financing should be sufficient to meet the Fund's short-term normal course working capital, maintenance capital and growth capital requirements.

The Fund's short-term normal course working capital requirements can swing widely quarter-to-quarter due to the timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2006 and 2008. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels as was the case in 2009. This can result in standardized distributable cash increasing in years of declining activity and decreasing in years of growth. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities. Therefore, for the reasons noted the Fund adjusts for changes in non-cash working capital in calculating distributable cash in periods where the Fund has capacity under its credit facility to fund the changes in non-cash working capital.

In the long-term the Fund may also be required to access the equity or debt markets or reduce distributions in order to fund significant acquisitions and growth related working capital and capital expenditures.

Borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. At September 30, 2010 borrowing capacity under the bank credit facility was equal to $175 million.

The bank credit facility contains covenants that could restrict the ability of the Fund to make cash distributions, if (i) an event of default exists or would exist as a result of a cash distribution, and (ii) the leverage ratio (Debt to EBITDA) is greater than 3.0. If the leverage ratio is less than or equal to 3.0, then the aggregate cash distributions by the borrowers in each fiscal quarter may not exceed 115% of distributable cash for the trailing four fiscal quarters. Notwithstanding the restrictions relating to the leverage ratio, a special cash distribution in the first quarter of each fiscal year is permitted in an amount not to exceed the amount by which distributable cash for the preceding fiscal year exceeds declared cash distributions for the preceding fiscal year plus any excess cumulative distributable cash over cash distributions of prior years. In addition, borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. For further detail, the Fund's bank credit facility is available on SEDAR at www.sedar.com.

During the quarter, the Fund received consent from its lenders to declare a $0.40 per unit special cash distributions for the month of November 2010 provided the conditions noted in (i) and (ii) above are met. See Distributions section.

Unit Capital

The trust units of the Fund issued are included in unitholders' equity on the balance sheet as follows:

Issued and fully paid Trust Units as at September 30, 2010	Number	Amount
Balance at the beginning of quarter	16,603,423	$105.3
Rights exercised	26,021	0.6
Balance at end of quarter	**16,629,444**	**$105.9**

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The Fund has four unit-based compensation plans: the Wajax Unit Ownership Plan ("UOP"), the Deferred Unit Program ("DUP"), the Trustees' Deferred Unit Plan ("TDUP") and the Mid-Term Incentive Plan ("MTIP"). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Wajax Income Fund units, while the MTIP consists of an annual grant that vests over three years and is subject to time and performance vesting criteria. Compensation expense for the UOP, DUP and TDUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting adjustment to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the three year vesting period with an offsetting adjustment to accrued liabilities. The Fund recorded compensation cost of $275 thousand for the quarter (2009 - $343 thousand) and $867 thousand for the year to date (2009 - $1,093 thousand) in respect of these plans.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Fund has taken into account the current economic environment when determining the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets. The Fund makes a provision for doubtful accounts when there is evidence that a specific account may become uncollectible. The Fund does not provide a general reserve for bad debts. In the second quarter the Fund increased its provision for doubtful accounts largely to provide for a customer accounts receivable in the Mobile Equipment segment. As conditions change, actual results could differ from those estimates. Critical accounting estimates used by the Fund's management are discussed in detail in the MD&A for the year ended December 31, 2009 which can be found on SEDAR at www.sedar.com.

Accounting Changes

The following is a summary of the new standards which will impact the Fund:

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. IFRS uses a conceptual framework similar to current Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Fund's management has prepared a comprehensive IFRS conversion plan that addresses the changes in accounting policy, restatement of comparative periods, internal control over financial reporting, disclosure controls and procedures, modification of existing systems, staff training as well as other related business matters. The project consists of four phases: awareness, assessment, design and implementation. The awareness, assessment and design phases have substantially been completed and general IFRS and specific issues training has been conducted for the Fund's finance staff, board of trustees and audit committee. The Fund continues to monitor the development of new standards within IFRS as they are released. To date, the Fund has not identified any significant changes that will be required to its information systems, internal controls over financial reporting or disclosure controls and procedures.

While significant progress on the implementation phase has been made, the Fund is not yet in a position to definitively quantify the impact of adopting IFRS on its financial statements. However, the areas identified with the most potential to have significant effects upon the adoption of IFRS include employee benefits, leases, inventories, and classification of trust units. As well, extensive additional disclosures will be required under IFRS. Based on the work that has been completed to date, the Fund has identified the following potential adjustments to be made on January 1, 2010 to convert its Canadian GAAP balance sheet to its opening IFRS statement of financial position and estimated their potential impacts to be as follows:

Employee Benefits

Upon adopting IFRS, companies may elect to recognize unamortized gains and losses directly to retained earnings. In addition there are various options for recognizing actuarial gains and losses going forward. The Fund anticipates electing to recognize in retained earnings all cumulative actuarial gains and losses relating to employee pension plans at the date of transition resulting in a decrease to equity of $2.5 million. Under IFRS the Fund plans to recognize actuarial gains and losses in full in the consolidated statement of comprehensive income in the period in which they occur. The Fund is not expecting a material change to earnings as a result of this change.

Leases

Under IFRS the classification of leases as operating or financing type leases is more qualitative and less prescriptive than the standards under Canadian GAAP. As a result, on transition to IFRS, certain leases which are currently classified as operating leases under Canadian GAAP are expected to be classified as financing leases under IFRS. This will result in the recognition of fixed assets of $9.5 million and associated lease obligation liabilities of $9.0 million with a decrease to equity of $0.4 million on the statement of financial position. Thereafter, earnings will be affected by increased amortization and interest expense and decreased lease costs. The Fund is not expecting a material change to earnings as a result of this change.

There is uncertainty regarding the classification of certain lease transactions whereby the Fund leases lift trucks for rental to customers. The Fund has tentatively classified these agreements as operating leases under IFRS but has not yet made a final determination. Should these leases be treated as financing type leases, the Fund's assets and liabilities could be increased by approximately $10.0 million.

Inventory

Under Canadian GAAP, the Fund does not allocate overhead to work in process inventory related to customer work orders. Under IFRS the Fund expects that it will allocate overhead to work in process inventory related to customer work orders resulting in an increase to inventory and opening retained earnings of $0.5 million. The Fund is not expecting a material change to earnings as a result of this change.

Income Fund Trust Units

The Fund is currently assessing the classification of its trust units under IFRS. One interpretation of IAS 32 would result in the Fund's trust units being classified as debt and its distributions being classified as interest expense rather than the current Canadian GAAP equity classification. Debt classification would arise in situations where the Fund's trustees have a legal obligation to distribute cash to the unitholders as distributions. Because the Fund's trust agreement grants the trustees discretion to avoid paying cash distributions by issuing additional trust units in certain situations, the Fund has tentatively classified its trust units as equity. As the Fund expects to convert to a corporation effective January 1, 2011, the potential reclassification of the Fund's trust units as debt would only impact the opening IFRS statement of financial position and the 2010 comparative balances in the 2011 financial statements.

Reclassification of amounts under IFRS may impact the calculation of covenants under the Fund's current bank credit facility, potentially resulting in an event of default. The Fund's management has discussed these potential IFRS changes with its bankers who have amended the definitive agreement to allow for modification of debt covenants to reflect changes in financial statement balances as a result of adopting IFRS.

The Fund is working to implement the revised accounting policies based on the choices made, clarify the classification issues discussed above and execute communications programs as required. Performance targets for years after 2010 for the Mid Term Incentive Plan will need to be recalibrated to reflect the impact of IFRS. While the Fund will not actually be reporting under IFRS until the first quarter of 2011, it will prepare its opening IFRS statement of financial position and restate its Canadian GAAP financial statements to IFRS for internal purposes, subject to evolving IFRS standards and the remaining outstanding policy decisions, for each quarter of 2010.

Risks and Uncertainties

As with most businesses, the Fund is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results. The Fund attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2009 which can be found on SEDAR at www.sedar.com. For the period January 1, 2010 to November 4, 2010 there have been no material changes to the business of the Fund that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2009.

Outlook

Third quarter consolidated earnings continued to be better than expected as market demand for products and services continued to be stronger than the previous year.

In the Mobile Equipment business, demand for equipment and parts and service in all product categories was improved from last year. Daily sales in Industrial Components began to stabilize at levels ahead of 2009 across a number of industry sectors and Power Systems experienced significantly higher sales of engine and power generation packages to western Canada energy sector customers.

For the remainder of 2010 management expects sales for most products and services will continue to exceed the levels experienced last year in spite of the fact that the Fund is experiencing equipment inventory shipment delays from certain suppliers. As well, even though backlogs are down largely as a result of significant order deliveries in the quarter, quoting activity for new equipment remains strong, particularly in the mining and resource sectors. Overall, the Fund's expectations are to continue to achieve positive revenue and earnings growth in the fourth quarter of this year compared to the fourth quarter of 2009.

Additional information, including the Fund's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the three and nine months ended September 30, 2010

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 Income Fund and have not been reviewed by the Fund's auditors.

WAJAX INCOME FUND
CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of dollars)		**September 30 2010**		December 31 2009		September 30 2009
ASSETS						
Current						
Cash	**$**	**25,970**	$	9,207	$	-
Accounts receivable		**147,273**		123,537		128,796
Inventories (note 3)		**189,915**		176,230		203,993
Income taxes receivable		**-**		190		-
Future income taxes		**4,842**		3,191		3,125
Prepaid expenses and other recoverable amounts		**5,798**		7,800		4,529
		373,798		320,155		340,443
Non-current						
Rental equipment		**14,620**		16,370		17,596
Property, plant and equipment		**35,230**		36,164		34,551
Goodwill		**66,335**		66,335		66,300
Intangible assets		**6,756**		7,170		7,345
Deferred pension asset		**2,643**		2,013		2,140
		125,584		128,052		127,932
	$	**499,382**	$	448,207	$	468,375
LIABILITIES AND UNITHOLDERS' EQUITY						
Current						
Bank indebtedness	**$**	**-**	$	-	$	407
Accounts payable and accrued liabilities		**190,045**		157,532		158,393
Distributions payable to unitholders		**5,820**		2,491		2,491
Income taxes payable		**1,514**		-		193
		197,379		160,023		161,484
Non-current						
Future income taxes		**1,852**		1,883		1,762
Other liabilities		**2,999**		841		361
Long-term pension liability		**2,896**		2,995		2,529
Derivative instrument liability		**2,373**		2,643		2,976
Long-term debt		**79,600**		79,461		100,393
		89,720		87,823		108,021
Unitholders' equity						
Trust units (note 5)		**105,892**		105,307		105,307
Unit-based compensation (note 6)		**5,927**		5,645		5,322
Accumulated earnings		**102,537**		91,642		90,768
Accumulated other comprehensive loss (note 4)		**(2,073)**		(2,233)		(2,527)
		100,464		89,409		88,241
Total unitholders' equity		**212,283**		200,361		198,870
	$	**499,382**	$	448,207	$	468,375

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
AND ACCUMULATED EARNINGS

(unaudited, in thousands of dollars, except per unit data)	Three months ended September 30 **2010**	Three months ended September 30 2009	Nine months ended September 30 **2010**	Nine months ended September 30 2009
Revenue	**$ 294,593**	$ 234,562	**$ 795,249**	$ 748,101
Cost of sales	**232,557**	188,148	**622,275**	595,399
Gross profit	**62,036**	46,414	**172,974**	152,702
Selling and administrative expenses	**42,462**	38,956	**131,638**	124,925
Earnings before interest and income taxes	**19,574**	7,458	**41,336**	27,777
Interest expense	**1,067**	1,118	**3,143**	3,457
Earnings before income taxes	**18,507**	6,340	**38,193**	24,320
Income tax expense (recovery) – current	**5**	(274)	**15**	(1,299)
– future	**(901)**	(140)	**(1,793)**	(275)
Net earnings	**$ 19,403**	$ 6,754	**$ 39,971**	$ 25,894
Basic earnings per unit (note 7)	**$ 1.17**	$ 0.41	**$ 2.41**	$ 1.56
Diluted earnings per unit (note 7)	**1.15**	0.40	**2.37**	1.54
Accumulated earnings, beginning of period	**$ 97,266**	$ 92,315	**$ 91,642**	$ 98,407
Distributions	**(14,132)**	(8,301)	**(29,076)**	(33,533)
Net earnings	**19,403**	6,754	**39,971**	25,894
Accumulated earnings, end of period	**$ 102,537**	$ 90,768	**$ 102,537**	$ 90,768

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(unaudited, in thousands of dollars)	Three months ended September 30 **2010**	2009	Nine months ended September 30 **2010**	2009
Net earnings	**$ 19,403**	$ 6,754	**$ 39,971**	$ 25,894
(Gains) losses on derivative instruments designated as cash flow hedges in prior periods transferred to cost of inventory in the current period, net of tax (note 4)	**(182)**	170	**277**	(1,135)
(Losses) gains on derivative instruments designated as cash flow hedges, net of tax (note 4)	**(626)**	(179)	**(117)**	859
Other comprehensive (loss) income	**(808)**	(9)	**160**	(276)
Comprehensive income	**$ 18,595**	$ 6,745	**$ 40,131**	$ 25,618

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of dollars)	Three months ended September 30 **2010**	Three months ended September 30 2009	Nine months ended September 30 **2010**	Nine months ended September 30 2009
OPERATING ACTIVITIES				
Net earnings	**$ 19,403**	$ 6,754	**$ 39,971**	$ 25,894
Items not affecting cash flows:				
Amortization				
- Rental equipment	**875**	1,051	**2,611**	3,255
- Property, plant and equipment	**1,145**	1,117	**3,305**	3,244
- Intangible assets	**119**	176	**414**	544
- Deferred financing costs	**81**	68	**231**	196
Pension expense, net of payments	**(244)**	56	**(727)**	272
Long-term portion of mid-term incentive plan expense	**891**	165	**2,159**	(457)
Non-cash rental expense (recovery)	**106**	57	**(27)**	127
Unit-based compensation expense (note 6)	**275**	343	**867**	1,093
Future income taxes	**(901)**	(140)	**(1,793)**	(275)
Cash flows from operating activities before changes in non-cash working capital	**21,750**	9,647	**47,011**	33,893
Changes in non-cash working capital				
Accounts receivable	**(234)**	1,741	**(23,736)**	33,900
Inventories	**(11,912)**	12,239	**(12,948)**	24,050
Prepaid expenses and other recoverable amounts	**6,661**	314	**2,001**	437
Accounts payable and accrued liabilities	**10,687**	(5,821)	**32,540**	(28,510)
Income taxes payable (receivable)	**1,718**	(72)	**1,704**	(2,504)
	6,920	8,401	**(439)**	27,373
Cash flows from operating activities	**28,670**	18,048	**46,572**	61,266
INVESTING ACTIVITIES				
Rental equipment additions	**(935)**	(441)	**(2,796)**	(1,948)
Proceeds on disposal of rental equipment	**419**	621	**1,198**	1,837
Property, plant and equipment additions	**(1,167)**	(1,133)	**(2,534)**	(4,343)
Proceeds on disposal of property, plant and equipment	**71**	6	**163**	116
Cash flows used in investing activities	**(1,612)**	(947)	**(3,969)**	(4,338)
Cash flows before financing activities	**27,058**	17,101	**42,603**	56,928
FINANCING ACTIVITIES				
Increase (decrease) in long-term bank debt	**-**	4,000	**-**	(16,000)
Decrease in equipment notes payable	**-**	(8,896)	**-**	-
Increase in deferred financing costs	**-**	-	**(93)**	-
Distributions paid	**(10,803)**	(9,131)	**(25,747)**	(37,015)
Cash flows used in financing activities	**(10,803)**	(14,027)	**(25,840)**	(53,015)
Net change in cash and cash equivalents	**16,255**	3,074	**16,763**	3,913
Cash (bank indebtedness) - beginning of period	**9,715**	(3,481)	**9,207**	(4,320)
Cash (bank indebtedness) - end of period	**$ 25,970**	$ (407)	**$ 25,970**	$ (407)
Cash flows used in (from) operating activities include the following:				
Interest paid	**$ 1,033**	$ 944	**$ 3,043**	$ 2,940
Income tax (recovered) paid	**$ (1,717)**	$ (206)	**$ (1,778)**	$ 1,053
Significant non-cash transactions:				
Rental equipment transferred to inventory	**$ 223**	$ 395	**$ 737**	$ 1,072

WAJAX INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of dollars, except unit and per unit data)
(unaudited)

Note 1 Structure of the trust and basis of presentation

Wajax Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose investment trust established under the laws of Ontario pursuant to the declaration of trust dated April 27, 2005. The Fund was created to indirectly invest, on June 15, 2005, in substantially all of the assets and business formerly conducted by Wajax Limited.

These unaudited interim consolidated financial statements do not include all of the disclosures included in the audited annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the annual consolidated financial statements of the Fund for the year ended December 31, 2009. The significant accounting policies follow those disclosed in the most recently reported annual financial statements.

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

Note 2 New standards issued but not yet effective

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. The Fund is currently in the process of evaluating the impact of the change to IFRS.

As a result of adopting IFRS, the Fund anticipates that the reported values of its net assets, equity and earnings will change. These changes could impact the calculation of covenants under the current bank credit facility, potentially resulting in an event of default. The Fund's management has discussed these possibilities with its bankers who have amended the definitive agreement allowing for modification of debt covenants to reflect changes in financial statement balances as a result of adopting IFRS.

Note 3 Inventories

	Cost Formula	**September 30 2010**	December 31 2009	September 30 2009
Equipment	Specific item	**$ 85,844**	$ 74,623	$ 97,889
Parts	Weighted average	**86,068**	88,150	92,005
Work in process	Specific item	**18,003**	13,457	14,099
Total inventories		**$ 189,915**	$ 176,230	$ 203,993

All amounts shown are net of applicable reserves.

The Fund recognized $218,010 of inventory as an expense which is included in cost of sales during the quarter (2009 - $167,452) and $561,511 year to date (2009 - $530,928). During the quarter $202 was recorded in cost of sales for the write-down of inventory to estimated net realizable value (2009 - $851). Year to date, the write-down of inventory was $2,497 (2009 - $2,106).

All of the Fund's inventory is pledged as security under the bank credit facility and other equipment financing facilities.

Note 4 Accumulated other comprehensive loss

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Balance beginning of period	**$ (1,265)**	$ (2,518)	**$ (2,233)**	$ (2,251)
(Gains) losses on derivative instruments designated as cash flow hedges in prior periods transferred to cost of inventory in the current period, net of tax	**(182)**	170	**277**	(1,135)
(Losses) gains on derivative instruments designated as cash flow hedges, net of tax	**(626)**	(179)	**(117)**	859
Accumulated other comprehensive loss	**$ (2,073)**	$ (2,527)	**$ (2,073)**	$ (2,527)

During the quarter ending September 30, 2010, $201 ($182 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods, 2009 – losses of $188 ($170 net of tax), were reclassified out of comprehensive income into cost of inventory, while the change in the fair value of the outstanding contracts at September 30, 2010 resulted in a loss of $653 ($626 – net of tax) being recorded in other comprehensive loss, 2009 – loss of $175 ($179 – net of tax). In 2009, there was an ineffective portion of the outstanding contracts recognized in earnings of $(255).

Year to date, $307 ($277 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods, 2009 – gain of $1,254 ($1,135 – net of tax), were reclassified out of comprehensive loss into cost of inventory, while the change in the fair value of the outstanding contracts at September 30, 2010 resulted in a loss of $36 ($117 – net of tax), 2009 – gain of $1,048 ($859 – net of tax) being recorded in other comprehensive loss. In 2009, there was an ineffective portion of the outstanding contracts recognized in earnings of $35.

As at September 30, 2010, the fair value of the interest rate swap agreements is estimated to be a loss of $1,532 (2009 – loss of $2,488), and the currency forward contracts, a loss of $841 (2009 – loss of $488).

Note 5 Trust units

At the end of the quarter the number of trust units outstanding was 16,629,444 (December 2009 – 16,603,423, September 2009 – 16,603,423). There were 106,400 rights outstanding under the Wajax Unit Ownership Plan (“UOP”) (December 2009 – 126,125, September 2009 – 119,492), 23,315 rights outstanding under the Deferred Unit Program (“DUP”) (December 2009 – 21,944, September 2009 – 21,447) and 139,187 rights outstanding under the Trustees’ Deferred Unit Plan (“TDUP”) (December 2009 – 117,518, September 2009 – 108,229). No options or unit rights were excluded from the earnings per unit calculations as none were anti-dilutive.

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Balance beginning of period	**$ 105,307**	$ 105,307	**$ 105,307**	$ 104,871
Unit rights plans exercised	**585**	-	**585**	436
Balance end of period	**$ 105,892**	$ 105,307	**$ 105,892**	$ 105,307

Note 6 Unit-based compensation plans

The Fund has four unit-based compensation plans: the UOP, the DUP, the TDUP and the Mid-term Incentive Plan ("MTIP"). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Fund units. The UOP and DUP are subject to certain time and performance vesting criteria. The MTIP consists of an annual grant that is settled in cash, vests over three years and is based upon performance vesting criteria, a portion of which is determined by the price of Fund units. Compensation expense for the UOP, the DUP and the TDUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight-line basis over the vesting period, with an offsetting adjustment to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the 3 year vesting period.

During the quarter 2,699 rights (2009 – 3,780) were granted, 18,034 rights (2009 – nil) were exercised and 9,130 rights (2009 – nil) were forfeited under the UOP, 545 rights (2009 – 678) were granted under the DUP and 7,733 rights (2009 – 10,659) were granted under the TDUP.

Year to date 7,439 rights (2009 – 15,284) were granted, 18,034 rights (2009 – 5,351) were exercised and 9,130 rights (2009 – nil) were forfeited under the UOP, 1,371 rights (2009 – 2,725) were granted under the DUP and 21,669 rights (2009 – 37,385) were granted and no rights (2009 – 12,866) were exercised under the TDUP.

The Fund recorded compensation expense of $275 for the quarter (2009 – $343) and $867 for the year to date (2009 – $1,093) in respect of unit rights plans and $827 for the quarter (2009 – $127) and $2,163 for the year to date (2009 – recovery of $138) in respect of the unit-based MTIP.

Note 7 Earnings per unit

The following table sets forth the computation of basic and diluted earnings per unit:

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Numerator for basic and diluted earnings per unit:				
– net earnings	**$ 19,403**	$ 6,754	**$ 39,971**	$ 25,894
Denominator for basic earnings per unit: – weighted average units	**16,610,751**	16,603,423	**16,604,561**	16,594,638
Denominator for diluted earnings per unit:				
– weighted average units	**16,610,751**	16,603,423	**16,604,561**	16,594,638
– effect of dilutive unit rights	**255,914**	203,377	**256,280**	195,779
Denominator for diluted earnings per unit	**16,866,665**	16,806,800	**16,860,841**	16,790,417
Basic earnings per unit	**$ 1.17**	$ 0.41	**$ 2.41**	$ 1.56
Diluted earnings per unit	**$ 1.15**	$ 0.40	**$ 2.37**	$ 1.54

Note 8 Financial instruments and capital management

There has been no significant change to the financial instruments and related risks or the Fund's capital management since December 31, 2009. In the second quarter the allowance for credit losses increased by $1,200 largely to provide for a customer accounts receivable in the Mobile Equipment segment.

Note 9 Employees' pension plans

Net pension plan expenses are as follows:

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Defined benefit plans	**$ 147**	$ 264	**$ 468**	$ 746
Defined contribution plans	**1,214**	1,138	**3,596**	3,611
Net pension plan expense	**$ 1,361**	$ 1,402	**$ 4,064**	$ 4,357

Note 10 Segmented information

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Revenue				
Mobile Equipment	**$ 144,862**	$ 112,850	**$ 396,091**	$ 369,528
Industrial Components	**76,115**	66,646	**225,135**	213,518
Power Systems	**74,590**	56,036	**177,143**	167,600
Segment eliminations	**(974)**	(970)	**(3,120)**	(2,545)
	$ 294,593	$ 234,562	**$ 795,249**	$ 748,101
Segment Earnings				
Mobile Equipment	**$ 9,799**	$ 5,850	**$ 27,466**	$ 22,156
Industrial Components	**4,187**	1,956	**9,364**	3,719
Power Systems	**8,066**	1,511	**12,511**	7,402
Corporate costs and eliminations	**(2,478)**	(1,859)	**(8,005)**	(5,500)
	19,574	7,458	**41,336**	27,777
Interest expense	**1,067**	1,118	**3,143**	3,457
Income tax recovery	**(896)**	(414)	**(1,778)**	(1,574)
Net earnings	**$ 19,403**	$ 6,754	**$ 39,971**	$ 25,894

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

Note 11 Comparative information

Certain comparative amounts have been reclassified to conform with the current period presentation.

In particular, amounts recovered from customers or manufacturers in an amount of $7,846 for the quarter and $25,918 year to date have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of $15,347 for the quarter and $49,920 year to date have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications have no impact on net earnings.