FIRST QUARTER REPORT TO SHAREHOLDERS

FOR THE THREE MONTHS ENDED
MARCH 31, 2016

WAJAX CORPORATION 2016	

WAJAX CORPORATION **TSX Symbol: WJX**
News Release

WAJAX ANNOUNCES 2016 FIRST QUARTER RESULTS, INCLUDING $12.5 MILLION OF RESTRUCTURING COSTS

(Dollars in millions, except per share data)	Three Months Ended March 31	
	2016	2015
CONSOLIDATED RESULTS		
Revenue	$285.0	$317.2
Net (loss) earnings	$(9.7)	$5.7
Basic (loss) earnings per share	$(0.49)	$0.34
Adjusted net (loss) earnings (1)(2)	$(0.6)	$5.7
Adjusted basic (loss) earnings per share (1)(3)	$(0.03)	$0.34
Revenue – Equipment	$128.0	$145.6
- Power Systems	$62.9	$74.6
- Industrial Components	$95.1	$97.9
Earnings (loss) – Equipment (4)	$6.7	$6.8
% margin	*5.2%*	*4.7%*
- Power Systems (4)	$(2.6)	$3.4
% margin	*(4.1)%*	*4.6%*
- Industrial Components (4)	$1.3	$3.4
% margin	*1.3%*	*3.5%*

Toronto, Ontario – May 3, 2016 – Wajax Corporation ("Wajax" or the "Corporation") today announced its 2016 first quarter results, including $12.5 million of restructuring costs.

First Quarter Highlights

- Consolidated first quarter revenue of $285.0 million decreased $32.2 million, or 10%, compared to last year. Compared to the previous year, segment revenue for the Equipment, Power Systems and Industrial Components segments declined 12%, 16% and 3% respectively. These declines were primarily attributable to reduced activity in the western Canada energy sector.

- A net loss for the quarter of $9.7 million, or $0.49 per share, included $12.5 million ($9.1 million after-tax) of restructuring costs (see Strategic Reorganization below). Excluding the restructuring costs, the corporation recorded an adjusted net loss for the quarter of $0.6 million, or $0.03 per share, compared to adjusted net earnings of $5.7 million, or $0.34 per share, recorded in 2015. Equipment segment earnings were down slightly from the previous year, as revenue declines were almost entirely offset by improved equipment margins and lower selling and administrative costs. Power Systems and Industrial Components segment earnings declined primarily on lower sales and gross margins.

- Consolidated backlog at March 31, 2016 of $205.8 million increased 22% compared to December 31, 2015 on increases in all three segments and includes two additional large mining shovel orders, expected to be delivered to customers this year. As a result, during 2016, the Equipment segment expects to deliver four large mining shovels, representing total revenue of more than $65 million**,** to customers in the oil sands and mining markets(1).

- Funded net debt of $158.2 million at March 31, 2016 increased $9.2 million in the quarter mainly as a result of cash used in operating activities and the payment of dividends(1).

Wajax declared a 2016 second quarter dividend of $0.25 per share, payable on July 5, 2016 to shareholders of record on June 15, 2016.

Strategic Reorganization

In March 2016 the Corporation announced that, during the current year, it will be transitioning from its current three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental health and safety and finance. The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. Excluding the $12.5 million of restructuring costs incurred in the first quarter of 2016, an estimated net benefit of between $6 million and $7 million is expected to occur in 2016, with anticipated annual cost savings of approximately $15 million to be realized in 2017. While ongoing cost reduction is necessary due to market conditions, the strategic reorganization is a byproduct of the Corporation's primary objective of re-aligning its structure to enhance the execution of its strategy. Upon successful completion of the reorganization, the Corporation will have reduced its headcount across Canada by approximately 10% since the beginning of 2015. This headcount reduction also reflects lower staffing levels related to reduced economic activity in western Canada, as well as the 2015 Power Systems segment restructuring.

Acquisition of Wilson Machine Co. Ltd.

Effective April 20, 2016, the Corporation completed the acquisition of the assets of Montreal-based Wilson Machine Co. Ltd ("Wilson") for $5.3 million, subject to post closing adjustments. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately $6 million and its major customers in eastern Canada align well with Wajax's existing customer base. Wilson's service offerings are an ideal fit for Wajax's 4 Points of Growth strategy and management believes it can leverage the Corporation's sales force and larger geographic footprint to significantly grow the business.

Outlook

Commenting on first quarter results and the outlook for the remainder of 2016, Mark Foote, President and CEO, stated:

"While western Canada market conditions continue to be challenging, first quarter segment earnings for the Equipment and Industrial Components segments met our expectations. However, results for the Power System segment were disappointing as the continuation of lower earnings in western Canada related to the energy sector were not offset by anticipated improvements in power generation and operations in central Canada.

The reorganization we announced last quarter is proceeding on schedule and we expect to realize savings in 2016 of between $6 million and $7 million, with the full $15 million in estimated cost savings to be realized in 2017. The $7.4 million of annualized savings realized in the Power Systems segment from its substantially completed restructuring, combined with personnel reductions related to lower economic activity, met our expectations,

Consistent with last quarter, our outlook for 2016 is that market conditions will remain very challenging. We continue to expect that earnings will be under significant pressure due to difficult market conditions in western

Canada and reductions in resource customer capital and operating expenditures. Excluding the impact of this quarter's $12.5 million restructuring costs, we expect lower year-over-year earnings in the first half of 2016. During the second half of the year, excluding the impact of the $41.2 million goodwill and intangible asset impairment recorded in 2015, earnings are expected to improve compared to the first half of 2016, driven by customer equipment deliveries and cost reductions. With respect to our dividend, the current quarterly amount of $0.25 per share was established in March 2015 at a level that is believed sustainable through expectations of a negative cycle. We will continue to consider the amount of our dividend quarterly, taking into account the Corporation's forecasted earnings, leverage and other investment opportunities.

While conditions remain challenging, we are very confident in the enhanced earnings potential from the execution of our 4 Points of Growth strategy by a reorganized Corporation."

Wajax Corporation

Wajax is a leading Canadian distributor engaged in the sale, rental and after-sale parts and service support of equipment, power systems and industrial components, through a network of 123 branches across Canada. The Corporation is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Notes

(1) "Adjusted net earnings (loss)", "Adjusted basic earnings (loss) per share", "Consolidated backlog" and "funded net debt" are financial measures which do not have a standardized meaning prescribed under generally accepted accounting principles (GAAP), and may not be comparable to similar measures presented by other issuers. The Corporation's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial measures, including definitions and reconciliations to the most comparable GAAP measures, under the heading "Non-GAAP and Additional GAAP Measures".
(2) Adjusted net (loss) earnings for the three months ended March 31, 2016: Net (loss) earnings excluding after tax restructuring costs in 2016 of $9.1 million, or $0.46 per share basic.
(3) For the three months ended March 31, 2016, the number of basic shares outstanding was 19,990,764 (2015 - 16,778,883).
(4) Segment earnings (loss) before finance costs and income taxes.

Cautionary Statement Regarding Forward Looking Information

This news release contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this news release are made as of the date of this news release, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this news release includes forward looking statements regarding, among other things, our expectation that we will deliver four large mining shovels to customers in 2016; our planned strategic reorganization and the benefits we expect to achieve therefrom, including, without limitation, improved operational leverage, estimated cost savings of between $6 and $7 million in 2016 and $15 million in 2017, and the enhanced ability to execute our growth strategy; our belief that we can leverage our sales force and larger geographic footprint to significantly grow the Wilson business; our outlook for 2016, including the expected effect of difficult market conditions in western Canada and reduced resource customer capital and operating expenditures, our expectation for earnings in the first and the second halves of 2016; the current amount of our dividend being sustainable throughout our expectations of a negative cycle; and our confidence in the enhanced earnings potential presented by the execution of our 4 Points of Growth strategy by the reorganized Wajax. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil and other commodities; financial market conditions, including interest rates; our ability to execute our 4 Points of Growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; our ability to execute our strategic reorganization and realize the benefits therefrom, including cost savings and productivity gains; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in our Annual Information Form for the year ended December 31, 2015, filed on SEDAR.

Management's Discussion and Analysis – Q1 2016

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the quarter ended March 31, 2016. This MD&A should be read in conjunction with the information contained in the unaudited condensed consolidated financial statements and accompanying notes for the quarter ended March 31, 2016, the annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2015 and the associated MD&A. Information contained in this MD&A is based on information available to management as of May 3, 2016.

Unless otherwise indicated, all financial information within this MD&A is in millions of Canadian dollars, except ratio calculations, share, share rights and per share data. Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

Responsibility of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A and the unaudited condensed 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. Wajax's Board of Directors has approved this MD&A and the unaudited condensed consolidated financial statements and accompanying notes. In addition, Wajax's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by Wajax and has reviewed this MD&A and the unaudited condensed consolidated financial statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Wajax's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

As at March 31, 2016, Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at March 31, 2016, Wajax's management, under the supervision of its CEO and CFO, had designed internal control 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 International Financial Reporting Standards ("IFRS"). In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

Effective January 1, 2016, Wajax combined its divisional payroll processing groups into a consolidated payroll function. As part of the combination, the Power Systems and Industrial Components segments adopted the payroll system used by the Equipment segment. Due to the dollar value of the Corporation's payroll expense, the consolidation was assessed by management to be a material change to ICFR.

In March 2016, Wajax announced that it will be transitioning from its current three independent product divisions to a leaner and more integrated organization based on three main functional groups (business development, service operations and vendor development) supported by centralized support functions (supply chain, information systems, human resources, environmental health and safety and finance). Wajax anticipates that there will be material changes to its ICFR as it implements the new structure throughout 2016. In particular, there will be changes to the current system of management oversight as managers transition to their new roles. Wajax also anticipates material changes to its ICFR when its Power Systems segment adopts the Equipment segment's computer system as part of the transition. Management will be assessing the impact of the transition on Wajax's ICFR as the changes occur.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this MD&A are made as of the date of this MD&A, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this MD&A includes forward looking statements regarding, among other things, our 4 Points of Growth Strategy and the goals for such strategy, including our goal of becoming Canada's leading industrial products and services provider; our planned strategic reorganization and the benefits we expect to achieve therefrom, including, without limitation, improved operational leverage, estimated cost savings of between $6 and $7 million in 2016 and $15 million in 2017, and the enhanced ability to execute our strategy; our expectation that we will deliver four large mining shovels to customers in 2016; our belief that we can leverage our sales force and larger geographic footprint to significantly grow the Wilson Machine Co. Ltd. business; our target leverage ratio range of 1.5 – 2.0 times; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our foreign exchange risks and exposures, including the impact of fluctuations in foreign currency values; the adequacy of our debt facilities; our intention and ability to access debt and equity markets should additional capital be required; our outlook for 2016, including the expected effect of difficult market conditions in western Canada and reduced resource customer capital and operating expenditures; our expectation for earnings in the first and the second halves of 2016; the current amount of our dividend being sustainable throughout our expectations of a negative cycle; and our confidence in the enhanced earnings potential presented by the execution of our 4 Points of Growth strategy by the reorganized Wajax. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil and other commodities; financial market conditions, including interest rates; our ability to execute our 4 Points of Growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; our ability to execute our strategic reorganization and realize the benefits therefrom, including cost savings and productivity gains; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2015, filed on SEDAR. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgements 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.

Non-GAAP and Additional GAAP Measures

This MD&A contains both non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. These measures are defined and reconciled to the most comparable GAAP measure in the Non-GAAP and Additional GAAP Measures section.

Wajax Corporation Overview

Wajax is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components through a network of 123 branches across Canada. Reflecting a diversified exposure to the Canadian economy, Wajax's customer base covers core sectors of the Canadian economy, including construction, industrial and commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

The Corporation's goal is to be Canada's leading industrial products and services provider, distinguished through: sales force excellence, breadth and efficiency of repair and maintenance operations and an ability to work closely with existing and new vendor partners to constantly expand its product offering to customers.

Consolidated Results

For the three months ended March 31		**2016**		2015
Revenue	**$**	**285.0**	$	317.2
Gross profit	**$**	**54.7**	$	64.0
Selling and administrative expenses	**$**	**52.7**	$	52.8
Restructuring costs	**$**	**12.5**	$	-
(Loss) earnings before finance costs and income taxes[1]	**$**	**(10.5)**	$	11.2
Finance costs	**$**	**2.7**	$	3.3
(Loss) earnings before income taxes[1]	**$**	**(13.2)**	$	7.9
Income tax (recovery) expense	**$**	**(3.4)**	$	2.2
Net (loss) earnings	**$**	**(9.7)**	$	5.7
- **Basic (loss) earnings per share[2]**	**$**	**(0.49)**	$	0.34
- **Diluted (loss) earnings per share[3]**	**$**	**(0.49)**	$	0.34
Adjusted net (loss) earnings[1][4]	**$**	**(0.6)**	$	5.7
- **Adjusted basic (loss) earnings per share[2][4]**	**$**	**(0.03)**	$	0.34
- **Adjusted diluted (loss) earnings per share[3][4]**	**$**	**(0.03)**	$	0.34

(1) These amounts do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.
(2) Weighted average shares for calculation of basic (loss) earnings per share 19,990,764 (2015 – 16,778,883)
(3) Weighted average shares for calculation of diluted (loss) earnings per share 19,990,764 (2015 – 17,062,996)
(4) Net (loss) earnings excluding after-tax restructuring costs of $9.1 million or $0.46 per share in 2016.

Ongoing weakness in oil prices continues to have a negative effect on Wajax customers in the oil and gas, construction and oil sands markets in western Canada. The impact was most significant in the Power Systems segment which experienced declines in off-highway, on-highway and power generation volumes due to the lower oil and gas activity in western Canada. The Equipment segment experienced lower demand for construction equipment and related parts and service in western Canada stemming directly and indirectly from lower energy sector activity. The Industrial Components segment's western Canada operation was also negatively impacted by the decline in oil and gas activity. Conversely, revenues in eastern Canada improved in all segments, compared to last year, with gains in various markets including construction, material handling, crane and utility, forestry and other industrial sectors.

Strategic Reorganization
On March 1, 2016, the Corporation announced one of its main objectives in 2016 will be the reorganization of the Corporation from three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental health and safety and finance. The Corporation will transition into the new structure throughout 2016. The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage and lower costs through productivity gains and the elimination of redundancy inherent in the current structure.

Restructuring costs of $12.5 million, consisting principally of severance costs, were recorded in the first quarter of 2016. The transition is anticipated to be completed by the end of 2016 and is expected to result in annualized personnel cost savings of approximately $15 million. The net benefit of the restructuring in 2016 is estimated to be between $6 million and $7 million, with the expected annualized cost savings to be realized beginning in 2017. Upon successful completion of the restructuring, the Corporation will have reduced headcount across its Canada-wide organization by approximately 10% since the beginning of 2015. This headcount reduction also reflects lower staffing levels related to reduced economic activity in western Canada, as well as the 2015 Power Systems segment restructuring. The net benefit of the restructuring for the quarter ending March 31, 2016 was approximately $0.4 million and headcount reduction as at March 31, 2016 was 5.5% since the beginning of 2015.

Revenue
Revenue in the first quarter of 2016 of $285.0 million decreased 10%, or $32.2 million, from $317.2 million in 2015. Equipment segment revenue decreased 12%, or $17.6 million, primarily due to lower market demand for construction equipment in western and central Canada. Power Systems segment revenue decreased 16%, or $11.7 million, driven by a reduction in oil and gas related revenues in western Canada. Industrial Components segment revenue decreased 3%, or $2.8 million, as lower sales to oil and gas customers in western Canada were offset partially by increased sales in eastern and central Canada.

Gross profit
Gross profit in the first quarter of 2016 decreased $9.3 million due to lower volumes and gross profit margins compared to the first quarter of 2015. The gross profit margin percentage of 19.2% decreased from 20.2% in the prior year as weaker margins in the Power Systems and Industrial Components segments were partially offset by higher equipment margins in the Equipment segment.

Selling and administrative expenses
Selling and administrative expenses decreased $0.1 million in the first quarter of 2016 compared to the same quarter last year. Lower bad debt and severance expenses, combined with the benefit of the 2015 Power Systems segment restructuring and the Corporation's 2016 strategic reorganization, were offset by increased annual incentive accruals and expenses related to the deployment of computer systems, including a customer relationship management application. Selling and administrative expenses as a percentage of revenue increased to 18.5% in 2016 from 16.6% in 2015.

Restructuring costs
Restructuring costs of $12.5 million ($9.1 million after-tax), consisting principally of severance costs, were recorded in the first quarter of 2016. The transition is anticipated to be completed by the end of 2016 and is expected to result in annualized cost savings of approximately $15 million. The net benefit of the restructuring in 2016 is estimated to be between $6 million and $7 million, with the expected annualized cost savings to be realized in 2017. The net benefit of the restructuring for the quarter ending March 31, 2016 was approximately $0.4 million.

Finance costs
Quarterly finance costs of $2.7 million decreased $0.6 million compared to 2015 due to lower funded net debt levels mainly as a result of the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015. See the Liquidity and Capital Resources section.

Income tax expense
The Corporation's effective income tax recovery rate of 25.9% for the first quarter of 2016 was lower compared to the statutory rate of 26.9% due to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 27.5% for the first quarter of 2015 was higher compared to the statutory rate of 26.1% due to the impact of expenses not deductible for tax purposes. The statutory income tax rate of 26.9% increased compared to 2015 due mainly to the increase in the Alberta provincial income tax rate.

Net (loss) earnings
In the first quarter of 2016, the Corporation incurred a net loss of $9.7 million, or $0.49 per share, compared to net earnings of $5.7 million, or $0.34 per share, in the same quarter of 2015. The $15.4 million decrease in net earnings resulted from the restructuring provision of $9.1 million after-tax, or $0.46 per share, and lower volumes offset partially by a reduction in finance costs. The $0.83 per share decrease in basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the first quarter 2016 basic loss per share by $0.09, or 16%.

Adjusted net (loss) earnings (See the Non-GAAP and Additional GAAP Measures section)
Adjusted net loss in the first quarter of 2016 excludes the restructuring provision of $9.1 million after-tax, or $0.46 per share.

As such, adjusted net earnings decreased $6.3 million to an adjusted net loss of $0.6 million, or $0.03 per share, in 2016 from adjusted net earnings of $5.7 million, or $0.34 per share, in 2015. The $6.3 million decrease in adjusted net earnings resulted primarily from lower volumes offset by a reduction in finance costs. The $0.37 per share decrease in adjusted basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the first quarter basic loss per share by $0.01, or 16%.

Comprehensive loss
Total comprehensive loss of $11.3 million in the first quarter of 2016 included a net loss of $9.7 million and an other comprehensive loss of $1.6 million. The other comprehensive loss resulted from $0.6 million of gains on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory and $1.0 million of losses on derivative instruments designated as cash flow hedges outstanding at the end of the quarter.

Funded net debt (See the Non-GAAP and Additional GAAP Measures section)
Funded net debt of $158.2 million at March 31, 2016 increased $9.2 million compared to $149.0 million at December 31, 2015. The increase during the quarter was due to cash used in operating activities of $2.3 million, dividends paid of $5.0 million and investing activities of $0.9 million.

Dividends
For the first quarter ended March 31, 2016, quarterly dividends declared totaled $0.25 per share. For the first quarter ended March 31, 2015, monthly dividends declared totaled $0.48 per share.

On May 3, 2016, Wajax announced a second quarter dividend of $0.25 per share payable on July 5, 2016 to shareholders of record on June 15, 2016. See the Dividends section below.

Backlog (See the Non-GAAP and Additional GAAP Measures section)
Consolidated backlog at March 31, 2016 of $205.8 million increased $36.6 million, or 22%, from $169.2 million at December 31, 2015 on increases in all segments and includes two additional large mining shovel orders, expected to be delivered to customers this year. As a result, during 2016, the Equipment segment expects to deliver four large mining shovels representing total revenue of more than $65 million to customers in the oil sands and mining markets. Consolidated backlog increased $32.5 million, or 19%, compared to March 31, 2015 on increases in the Equipment segment, offset partially by decreases in the Power Systems and Industrial Components segments. See the Results of Operations section for further backlog detail by segment.

Acquisition of Wilson
Effective April 20, 2016, the Corporation completed its acquisition of the assets of Montreal-based Wilson Machine Co. Ltd. ("Wilson") for approximately $5.3 million, subject to post-closing adjustments. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately $6 million and its major customers in eastern Canada align well with Wajax's existing customer base. Wilson's service offerings are an ideal fit for Wajax's 4 Points of Growth strategy and management believes it can leverage the Corporation's sales force and larger geographic footprint to significantly grow the business.

Results of Operations

Equipment

For the three months ended March 31		**2016**		2015
Equipment[(1)]	**$**	**73.6**	$	88.6
Parts and service	**$**	**54.4**	$	57.0
Segment revenue	**$**	**128.0**	$	145.6
Segment earnings[(2)]	**$**	**6.7**	$	6.8
Segment earnings margin		***5.2%***		*4.7%*

(1) Includes rental and other revenue.
(2) Earnings before finance costs and income taxes.

Revenue in the first quarter of 2016 decreased 12%, or $17.6 million, to $128.0 million, from $145.6 million in the same quarter of 2015. Segment earnings decreased 2%, or $0.1 million, to $6.7 million, compared to $6.8 million in the first quarter of 2015. The following factors contributed to the Equipment segment's first quarter results:

- Equipment revenue for the first quarter decreased $15.0 million compared to the same quarter last year with specific quarter-over-quarter variances by product type as follows:
  - Construction equipment revenue decreased $9.6 million, mainly as a result of decreases in Hitachi excavator and JCB equipment volumes in western and central Canada due to lower market demand.
  - Forestry equipment revenue decreased $1.4 million, as increases in Tigercat equipment volumes in all regions were more than offset by lower Hitachi equipment sales, primarily in western Canada.
  - Mining equipment sales decreased $1.9 million as a result of no Hitachi mining equipment deliveries in the quarter compared to the prior year.
  - Crane and utility equipment revenue decreased $2.1 million, mainly as a result of lower sales to utility customers in central Canada.
  - Material handling equipment revenue essentially remained unchanged from the prior year.

- Parts and service volumes for the first quarter decreased $2.6 million compared to the same quarter last year as lower volumes in western Canada, resulting from lower activity in the oil sands due to weak oil prices, were somewhat offset by higher mining sector volumes in central Canada.

- Segment earnings decreased $0.1 million in the first quarter compared to the same quarter of 2015 as the negative impact of the decline in volumes was almost entirely offset by higher overall equipment gross profit margins across the majority of product types and a $0.3 million reduction in selling and administrative expenses compared to last year.

Backlog of $132.3 million at March 31, 2016 increased $28.7 million compared to December 31, 2015 due mainly to two additional large mining shovel orders expected to be delivered to customers this year, one of which will be sold out of inventory, and higher forestry orders. As a result, during 2016, the Equipment segment expects to deliver four large mining shovels, representing total revenue of more than $65 million, to customers in the oil sands and mining markets. Backlog increased $39.0 million compared to March 31, 2015 due to increased orders in all market segments including the two mining shovel orders.

Power Systems

For the three months ended March 31		**2016**		2015
Equipment[1]	**$**	**18.3**	$	21.9
Parts and service	**$**	**44.6**	$	52.7
Segment revenue	**$**	**62.9**	$	74.6
Segment (loss) earnings[2]		**(2.6)**		3.4
Segment (loss) earnings margin		***(4.1%)***		*4.6%*

(1) Includes rental and other revenue.
(2) (Loss) earnings before finance costs and income taxes.

Revenue in the first quarter decreased $11.7 million, or 16%, to $62.9 million compared to $74.6 million in the same quarter of 2015. In the first quarter of 2016, the segment experienced a loss of $2.6 million compared to earnings of $3.4 million in the same quarter in the previous year. The following factors impacted quarter-over-quarter revenue and earnings:

- Equipment revenue decreased $3.6 million due to declines in off-highway equipment volumes to oil and gas customers in western Canada and lower power generation volumes in western Canada. These declines were somewhat offset by increases in power generation volumes in central and eastern Canada.

- Parts and service revenue decreased $8.1 million, attributable to significantly lower sales to on-highway and off-highway customers in western Canada resulting from the decline in oil and gas activity. These decreases were partially offset by higher sales to on-highway customers in central and eastern Canada.

- Segment earnings decreased $6.0 million to a segment loss of $2.6 million in the first quarter of 2016 compared to segment earnings of $3.4 million in the same period last year. The decrease was primarily due to lower revenue in western Canada, lower gross profit margins and a $0.1 million increase in selling and administrative expenses.

The Power Systems segment announced a restructuring in the second quarter of 2015 to realign branch support activities, including the centralization of supply chain management and certain other administrative support functions. These restructuring activities were substantially complete at March 31, 2016. In addition, since the beginning of 2015, the segment has continued to take steps to reduce personnel costs as a result of reduced economic activity in western Canada. Previously reported estimated annual savings of $7.4 million have been realized. These savings include $4.9 million of service department cost savings, included in gross profit, and $2.5 million of selling and administrative expense savings.

Backlog of $28.7 million as of March 31, 2016 increased $5.1 million compared to December 31, 2015 due to higher power generation orders in all regions. Backlog decreased $1.0 million compared to March 31, 2015 due to lower off-highway orders.

Industrial Components

For the three months ended March 31	2016	2015
Segment revenue	**$ 95.1**	$ 97.9
Segment earnings(1)	**$ 1.3**	$ 3.4
Segment earnings margin	***1.3%***	*3.5%*

(1) Earnings before finance costs and income taxes.

Revenue of $95.1 million in the first quarter of 2016 decreased $2.8 million, or 3%, from $97.9 million in the first quarter of 2015. Segment earnings decreased $2.1 million, to $1.3 million, compared to $3.4 million in the first quarter of 2015. The following factors contributed to the segment's first quarter results:

- Bearings and power transmission parts sales decreased $1.7 million primarily due to lower oil and gas sales in western Canada offset, in part, by increased forestry sector volumes in eastern Canada.

- Fluid power and process equipment products and service revenue, including the oil sands services business, decreased $1.1 million compared to the same quarter last year. Reduced activity in the oil and gas, oil sands and agriculture sectors in western Canada was partially offset by gains in various markets in eastern and central Canada, including forestry, utilities and transportation.

- Segment earnings in the first quarter of 2016 decreased $2.1 million compared to the same quarter last year. This reduction was attributable to the negative impact of lower volumes and gross profit margins offset partially by a $0.4 million decrease in selling and administrative expenses. The gross profit margins were negatively impacted by competitive market pressures in western and eastern Canada and a $0.9 million increase in inventory obsolescence.

Backlog of $44.8 million as of March 31, 2016 increased $2.8 million compared to December 31, 2015 primarily due to higher orders in central and eastern Canada. Backlog decreased $5.5 million compared to March 31, 2015 primarily due to lower orders in western Canada.

Selected Quarterly Information

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2015 annual audited consolidated financial statements.

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**$ 285.0**	$ 324.4	$ 290.9	$ 340.7	$ 317.2	$ 386.1	$ 359.5	$ 374.4
Net (loss) earnings	**$ (9.7)**	$ (33.3)	$ 7.5	$ 9.0	$ 5.7	$ 11.2	$ 11.1	$ 12.3
Net (loss) earnings per share								
- Basic	**$ (0.49)**	$ (1.66)	$ 0.38	$ 0.52	$ 0.34	$ 0.67	$ 0.66	$ 0.73
- Diluted	**$ (0.49)**	$ (1.64)	$ 0.37	$ 0.51	$ 0.34	$ 0.66	$ 0.65	$ 0.72

Although quarterly fluctuations in revenue and net earnings are difficult to predict, during times of weak energy sector activity, the first quarter will tend to have seasonally lower results. As well, large deliveries of mining trucks and shovels and power generation packages can shift the revenue and net earnings throughout the year.

The first quarter 2016 net loss of $9.7 million included an after-tax restructuring provision of $9.1 million. Excluding the restructuring provision, first quarter 2016 adjusted net loss was $0.6 million. The fourth quarter 2015 net loss of $33.3 million included after-tax goodwill and intangible assets impairment of $37.3 million. Excluding the goodwill and intangible assets impairment, fourth quarter 2015 adjusted net earnings was $4.0 million. See the Non-GAAP and Additional GAAP Measures section.

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

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	March 31 2016	December 31 2015
Shareholders' equity	**$ 272.4**	$ 288.5
Funded net debt(1)	**158.2**	149.0
Total capital	**$ 430.6**	$ 437.5
Funded net debt to total capital(1)	**36.7%**	34.1%
Leverage ratio(1)	**2.48**	2.05

(1) See the Non-GAAP and Additional GAAP Measures section.

The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside this range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles. See the Funded Net Debt section below.

Shareholders' Equity

The Corporation's shareholders' equity at March 31, 2016 of $272.4 million decreased $16.1 million from December 31, 2015, due to the net loss, other comprehensive loss and dividends declared during the quarter.

The Corporation's share capital, included in shareholders' equity on the balance sheet, consists of:

Issued and fully paid common shares as at March 31, 2016	**Number**	**Amount**
Balance at the beginning of the quarter	19,986,241	$ 179.8
Common shares issued to settle share-based compensation plans	5,880	0.1
Balance at the end of the quarter	**19,992,121**	**$ 179.9**

At the date of this MD&A, the Corporation had 19,992,121 common shares issued and outstanding.

At March 31, 2016, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP").

SOP and DDSUP rights are granted to the participants and are settled in treasury issued common shares on a one-for-one basis. As of March 31, 2016, there were 334,131 (2015 – 301,694) SOP and DDSUP rights outstanding.

2016 MTIP and DSUP rights are granted to the participants and will be settled in market purchased common shares on a one-for-one basis. As of March 31, 2016, there were 316,296 (2015 – Nil) 2016 MTIP and DSUP rights outstanding.

The MTIP and DSUP consist of annual grants that vest over three years and are subject to time and performance vesting criteria. Rights granted under the MTIP and DSUP prior to 2016 are cash settled and a portion of the MTIP and the full amount of the DSUP grants are determined by the price of the Corporation's shares.

Compensation expense for the SOP, DDSUP and 2016 MTIP and DSUP 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 contributed surplus. Compensation expense for the cash-settled DSUP and the cash settled share-based portion of the MTIP varies with the price of the Corporation's shares and is recognized over the vesting period. Wajax recorded compensation expense of $0.3 million for the quarter (2015 – $0.1 million) in respect of these plans.

Funded Net Debt (**See the Non-GAAP and Additional GAAP Measures section**)

		March 31 2016		December 31 2015
Cash	**$**	**(4.5)**	$	(13.6)
Obligations under finance lease		**10.9**		11.0
Long-term debt		**151.8**		151.6
Funded net debt(1)	**$**	**158.2**	$	149.0

(1) See the Non-GAAP and Additional GAAP Measures section.

Funded net debt of $158.2 million at March 31, 2016 increased $9.2 million compared to December 31, 2015. The increase during the quarter was due to cash used in operating activities of $2.3 million, dividends paid of $5.0 million and investing activities of $0.9 million.

The Corporation's ratio of funded net debt to total capital increased to 36.7% at March 31, 2016 from 34.1% at December 31, 2015 primarily due to the lower shareholders' equity as a result of the net loss, other comprehensive loss and dividends declared during the quarter.

The Corporation's leverage ratio of 2.48 times at March 31, 2016 increased from the December 31, 2015 ratio of 2.05 times due to the higher debt level and lower trailing 12-month Adjusted EBITDA. See the Non-GAAP and Additional GAAP Measures section.

See the Liquidity and Capital Resources section.

Financial Instruments

Wajax uses derivative financial instruments in the management of its foreign currency and interest rate exposures. Wajax's policy restricts the use of derivative financial instruments for trading or speculative purposes.

Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at March 31, 2016, Wajax had the following contracts outstanding:

- to buy U.S. $39.3 million (December 31, 2015 – to buy U.S. $31.8 million), and
- to sell U.S. $6.6 million (December 31, 2015 – to sell U.S. $2.0 million).

The U.S. dollar contracts expire between April 2016 and November 2016, with a weighted average U.S./Canadian dollar rate of 1.3482.

Wajax measures derivative instruments not accounted for as hedging items at fair value with subsequent changes in fair value being recorded in earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being recorded in other comprehensive income until the related hedged item is recorded and affects income or inventory. 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.

A change in foreign currency, relative to the Canadian dollar, on transactions with customers that include unhedged foreign currency exposures is not expected to have a material impact on the Corporation's results of operations or financial condition over the longer term.

Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

Wajax is exposed to the risk of non-performance by counterparties to short-term currency forward contracts. These counterparties are large financial institutions that maintain high short-term and long-term credit ratings. To date, no such counterparty has failed to meet its financial obligations to Wajax. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

Contractual Obligations

There have been no material changes to the Corporation's contractual obligations since December 31, 2015. See the Liquidity and Capital Resources section.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords, a portion of the long-term lift truck rental fleet in the Equipment segment and other equipment related mainly to office equipment. There have been no material changes to the Corporation's total obligations for all operating leases since December 31, 2015. See the Contractual Obligations section above.

Although Wajax's consolidated contractual annual lease commitments decline year-by-year, it is anticipated that existing leases will either be renewed or replaced, resulting in lease commitments being sustained at current levels. In the alternative, Wajax may incur capital expenditures to acquire equivalent capacity.

The Equipment segment had $48.8 million (December 31, 2015 – $61.1 million) of consigned inventory on-hand from a major manufacturer at March 31, 2016, net of deposits of $21.2 million (December 31, 2015 – $21.1 million). In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally rented or sold to customers or purchased by Wajax. Under the terms of the consignment program, Wajax is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to Wajax customers or on-hand for greater than nine months. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facilities.

Although management currently believes Wajax has adequate debt capacity, Wajax would have to access the equity or debt markets, or reduce dividends to accommodate any shortfalls in Wajax's credit facilities. See the Liquidity and Capital Resources section.

Liquidity and Capital Resources

The Corporation's liquidity is maintained through various sources, including bank and non-bank credit facilities, senior notes and cash generated from operations.

Bank and Non-bank Credit Facilities and Senior Notes

At March 31, 2016, Wajax had borrowed $30.0 million and issued $6.4 million of letters of credit for a total utilization of $36.4 million of its $250 million bank credit facility. In addition, Wajax had $125 million in senior notes outstanding bearing an interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At March 31, 2016, borrowing capacity under the bank credit facility was equal to $250 million.

The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and an interest coverage maintenance ratio, all of which were met as at March 31, 2016. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds 3.25 times. The senior notes are unsecured and contain customary incurrence based covenants that, although different from those under the bank credit facility described above, are not expected to be any more restrictive than under the bank credit facility. All covenants were met as at March 31, 2016.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of $15 million. As such, Wajax has up to $15 million of demand inventory equipment financing capacity with two non-bank lenders. At March 31, 2016, Wajax had no utilization of the interest bearing equipment financing facilities.

As of May 3, 2016, Wajax's $250 million bank credit facility, of which $213.6 million was unutilized at the end of the first quarter, along with the additional $15 million of capacity permitted under the bank credit facility, should be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At March 31, 2016, $125 million of the Corporation's funded net debt, or 79%, was at a fixed interest rate which is within the Corporation's interest rate risk policy.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and March 31, 2015.

	March 31 2016	March 31 2015	Change
Net (loss) earnings	**$ (9.7)**	$ 5.7	$ (15.4)
Items not affecting cash flow	**5.9**	10.4	(4.5)
Net change in non-cash operating working capital	**6.2**	(43.9)	50.1
Finance costs paid	**(0.5)**	(1.2)	0.7
Income taxes paid	**(1.6)**	(2.8)	1.2
Rental equipment additions	**(1.9)**	(6.1)	4.2
Other non-current liabilities	**(0.7)**	(0.8)	0.1
Cash used in operating activities	**$ (2.3)**	$ (38.7)	$ 36.4
Cash used in investing activities	**$ (0.9)**	$ (1.9)	$ 1.0
Cash (used in) generated from financing activities	**$ (5.9)**	$ 44.2	$ (50.1)

Cash Used In Operating Activities
Cash flows used in operating activities amounted to $2.3 million in the first quarter of 2016, compared to $38.7 million in the same quarter of the previous year. The decrease of $36.4 million was mainly attributable to cash generated from non-cash working capital of $6.2 million in the first quarter of 2016 compared to cash used for non-cash working capital of $43.9 million in the same quarter of the previous year, offset partially by lower earnings of $15.4 million.

Rental equipment additions in the first quarter of 2016 of $1.9 million (2015 – $6.1 million) related primarily to lift trucks in the Equipment segment.

Significant components of non-cash operating working capital, along with changes for the three months ended March 31, 2016 and March 31, 2015 include the following:

Changes in Non-cash Operating Working Capital[1]		**March 31 2016**		March 31 2015
Trade and other receivables	**$**	**5.0**	$	0.7
Contracts in progress		**3.3**		(1.0)
Inventories		**(6.2)**		(10.7)
Deposits on inventory		**(0.2)**		1.7
Prepaid expenses		**1.3**		(0.5)
Accounts payable and accrued liabilities		**3.8**		(33.7)
Provisions		**(0.7)**		(0.4)
Total Changes in Non-cash Operating Working Capital	**$**	**6.2**	$	(43.9)

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended March 31, 2016 compared to the quarter ended March 31, 2015 are as follows:

- Trade and other receivables decreased $5.0 million in 2016 compared to a decrease of $0.7 million in 2015. The decrease in 2016 resulted primarily from a reduction in the Equipment segment due to lower sales activity in the first quarter compared to the last quarter.

- Contracts in progress decreased $3.3 million in 2016 compared to an increase of $1.0 million in 2015. The decrease in 2016 was due to a reduction in contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment.

- Inventories increased $6.2 million in 2016 compared to an increase of $10.7 million in 2015. The increase in 2016 was due mainly to higher seasonal inventory levels in the Equipment segment, primarily forestry equipment, offset partially by lower parts inventory in the Industrial Components segment. The increase in 2015 was due mainly to higher seasonal inventory levels, the slowdown in western Canada including increased mining equipment in the Equipment segment, and increases due to the higher Canadian dollar value of U.S. sourced inventory.

- Accounts payable and accrued liabilities increased $3.8 million in 2016 compared to a decrease of $33.7 million in 2015. The increase in 2016 resulted from the restructuring cost provision recorded in the first quarter offset partially by lower trade payables in the Power Systems segment. The decrease in 2015 resulted from lower trade payables, due in part to the payment of equipment inventory on supplier financing in the Equipment segment and decreased purchasing activity, combined with lower accrued liabilities in all segments due principally to the payment of prior year annual incentive accruals.

Investing Activities
During the first quarter of 2016, Wajax invested $0.9 million in property, plant and equipment additions, net of disposals, compared to $1.9 million in the first quarter of 2015.

Financing Activities
The Corporation used $5.9 million of cash from financing activities in the first quarter of 2016 compared to cash generated from financing activities of $44.2 million in the same quarter of 2015. Financing activities in the first quarter of 2016 included dividends paid to shareholders totaling $5.0 million and finance lease payments of $1.1 million. Financing activities in the first quarter of 2015 included a net bank credit facility drawdown of $55.0 million, for general corporate purposes, offset by dividends paid to shareholders totaling $10.1 million and finance lease payments of $1.1 million.

Dividends

Dividends to shareholders were declared as follows:

Record Date	Payment Date	Per Share	Amount
March 15, 2016	April 4, 2016	$ 0.25	$ 5.0
Three months ended March 31, 2016		**$ 0.25**	**$ 5.0**

On May 3, 2016, Wajax announced a second quarter dividend of $0.25 per share ($1.00 per share annualized) payable on July 5, 2016 to shareholders of record on June 15, 2016.

Non-GAAP and Additional GAAP Measures

The MD&A contains certain non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings or to cash flow from operating, investing, and financing activities determined in accordance with GAAP as indicators of the Corporation's performance. The Corporation's management believes that:

(i) these measures are commonly reported and widely used by investors and management,

(ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance, profitability and ability to raise and service debt, and

(iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital, tax structures, goodwill and intangible assets impairment and restructuring costs.

(iv) "Adjusted net earnings (loss)" and "Basic and diluted adjusted net earnings (loss) per share" provide indications of the results by the Corporation's principal business activities prior to recognizing goodwill and intangible assets impairment and restructuring costs that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes goodwill and intangible assets impairment and restructuring costs which is consistent with the leverage ratio calculations under the Corporation's bank credit and senior note agreements.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, long-term debt and obligations under finance leases, net of cash. Funded net debt is a component relevant in calculating the Corporation's Funded Net Debt to Total Capital, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
Debt	Debt is funded net debt plus letters of credit. Debt is a component relevant in calculating the Corporation's Leverage Ratio, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
EBITDA	Net earnings (loss) before finance costs, income tax expense, depreciation and amortization.
Adjusted net earnings (loss)	Net earnings (loss) before after tax restructuring costs.
Basic and diluted adjusted earnings (loss) per share	Basic and diluted earnings per share before after tax restructuring costs.
Adjusted EBITDA	EBITDA before goodwill and intangible assets impairment and restructuring costs.

Leverage ratio	The leverage ratio is defined as debt at the end of a particular quarter divided by trailing 12-month Adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times. In previous quarters, the leverage ratio was calculated using funded net debt.
Funded net debt to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
Backlog	Backlog includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services.

Additional GAAP measures are identified and defined below:

Earnings (loss) before finance costs and income taxes (EBIT)	Earnings (loss) before finance costs and income taxes, as presented on the Consolidated Statements of Earnings.
Earnings (loss) before income taxes (EBT)	Earnings (loss) before income taxes, as presented on the Consolidated Statements of Earnings.

Reconciliation of the Corporation's net (loss) earnings to adjusted net (loss) earnings and basic and diluted adjusted (loss) earnings per share is as follows:

	Three months ended March 31	
	2016	2015
Net (loss) earnings	**$ (9.7)**	$ 5.7
Restructuring costs, after-tax	**9.1**	-
Adjusted net (loss) earnings	**$ (0.6)**	$ 5.7
Basic adjusted (loss) earnings per share(1)(2)	**$ (0.03)**	$ 0.34
Diluted adjusted (loss) earnings per share(1)(2)	**$ (0.03)**	$ 0.34

(1) At March 31, 2016 the numbers of basic and diluted shares outstanding were 19,990,764 for the three months ended.
(2) At March 31, 2015 the numbers of basic and diluted shares outstanding were 16,778,883 and 17,062,996, respectively for the three months ended.

Reconciliation of the Corporation's net loss to EBT, EBIT, EBITDA and Adjusted EBITDA is as follows:

	For the twelve months ended March 31	For the twelve months ended December 31
	2016	**2015**
Net loss	**$ (26.5)**	$ (11.0)
Income tax expense	**0.7**	6.3
EBT	**(25.8)**	(4.7)
Finance costs	**11.6**	12.2
EBIT	**(14.2)**	7.5
Depreciation and amortization	**24.7**	24.5
EBITDA	**10.5**	32.0
Goodwill and intangible assets impairment(1)	**41.2**	41.2
Restructuring costs(2)	**14.6**	2.1
Adjusted EBITDA	**$ 66.4**	$ 75.3

(1) Includes the goodwill and intangible assets impairment of $41.2 million recorded in the fourth quarter of 2015.
(2) For the twelve months ended March 31, 2016 - Includes the $12.5 million Wajax restructuring provision recorded in the first quarter of 2016 and the $2.1 million Power Systems segment restructuring provision recorded in the second quarter of 2015.
For the twelve months ended December 31, 2015 - Includes the $2.1 million Power Systems segment restructuring provision recorded in the second quarter of 2015.

Calculation of the Corporation’s funded net debt, debt and leverage ratio is as follows:

	March 31 2016		December 31 2015	
Cash	**$**	**(4.5)**	$	(13.6)
Obligations under finance leases		**10.9**		11.0
Long-term debt		**151.8**		151.6
Funded net debt	**$**	**158.2**	$	149.0
Letters of credit		**6.4**		5.1
Debt	**$**	**164.6**		154.1
Leverage ratio[(1)(2)]		**2.48**		2.05

(1) Calculation uses trailing four-quarter Adjusted EBITDA and finance costs. This leverage ratio contains some differences to the leverage ratio calculated under the Corporation’s bank credit facility and senior note agreements (“the agreements”). In particular, the leverage ratio under the agreements exclude finance lease obligations and cash from funded debt and exclude other non-cash items from EBITDA.

(2) In previous quarters, the leverage ratio was calculated using total net debt. The impact on the December 31, 2015 leverage ratio was an increase from 1.98 using funded net debt to 2.05 times using debt.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those judgements, estimates and assumptions. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

The areas where significant judgements and assumptions are used to determine the amounts recognized in the financial statements include the allowance for doubtful accounts, inventory obsolescence and goodwill and intangible assets.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for doubtful accounts

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation’s diversified customer base, of over 30,000 customers with no one customer accounting for more than 10% of the Corporation’s annual consolidated sales, which covers most business sectors across Canada. In addition, the Corporation’s customer base spans large public companies, small independent contractors, OEM’s and various levels of government. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management’s expectations. The provision for doubtful accounts is determined on an account-by-account basis. The $1.1 million provision for doubtful accounts at March 31, 2016 remained unchanged from December 31, 2015. As economic conditions change, there is risk that the Corporation could experience a greater number of defaults compared to 2015 which would result in an increased charge to earnings.

Inventory obsolescence

The value of the Corporation’s new and used equipment is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for the first quarter of 2016 was $2.7 million compared to $1.8 million in the first quarter of 2015. As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to prior periods which would result in an increased charge to earnings.

Goodwill and intangible assets
The Corporation performs annual impairment tests of its goodwill and intangible assets unless there is an early indication that the assets may be impaired in which case the impairment tests would occur earlier. There was no early indication of impairment in the quarter ending March 31, 2016.

Changes in Accounting Policies

No new standards have been adopted in the current period.

New standards and interpretations not yet adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not yet effective for the year ended December 31, 2016 and have not been applied in preparing these consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 15 Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Additional changes to the new standard will align hedge accounting more closely with risk management. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

On January 1, 2019, the Corporation will be required to adopt IFRS 16 Leases. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

Risk Management and Uncertainties

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk management assessment which is prepared by the Corporation's senior management and overseen by the board of directors and committees of the board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax. 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, 2015 which can be found on SEDAR at www.sedar.com. There have been no material changes to the business of Wajax that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2015.

Strategic Direction and Outlook

While western Canada market conditions continue to be challenging, first quarter segment earnings for the Equipment and Industrial Components segments met management's expectations. However, results for the Power System segment were disappointing as the continuation of lower earnings in western Canada related to the energy sector were not offset by anticipated improvements in power generation and operations in central Canada.

The reorganization announced last quarter is proceeding on schedule and the Corporation expects to realize savings in 2016 of between $6 million and $7 million, with the full $15 million in estimated cost savings to be realized in 2017. The $7.4 million of annualized savings realized in the Power Systems segment from its substantially completed restructuring, combined with personnel reductions related to lower economic activity, met management's expectations,

Consistent with last quarter, management's outlook for 2016 is that market conditions will remain very challenging. Management continues to expect that earnings will be under significant pressure due to difficult market conditions in western Canada and reductions in resource customer capital and operating expenditures. Excluding the impact of this quarter's $12.5 million restructuring costs, management expects lower year-over-year earnings in the first half of 2016. During the second half of the year, excluding the impact of the $41.2 million goodwill and intangible asset impairment recorded in 2015, earnings are expected to improve compared to the first half of 2016, driven by customer equipment deliveries and cost reductions. With respect to the Corporation's dividend, the current quarterly amount of $0.25 per share was established in March 2015 at a level that is believed sustainable through expectations of a negative cycle. The Corporation will continue to consider the amount of its dividend quarterly, taking into account the forecasted earnings, leverage and other investment opportunities.

While conditions remain challenging, Wajax is very confident in the enhanced earnings potential from the execution of our 4 Points of Growth strategy by a reorganized Corporation.

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

WAJAX CORPORATION

Unaudited Condensed Consolidated Financial Statements

For the three months ended March 31, 2016

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

The attached condensed consolidated financial statements have been prepared by Management of Wajax Corporation and have not been reviewed by the Corporation's auditors.

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (unaudited, in thousands of Canadian dollars)	Note		**March 31, 2016**		December 31, 2015
ASSETS					
CURRENT					
Cash		**$**	**4,481**	$	13,614
Trade and other receivables			**162,218**		167,176
Contracts in progress			**1,571**		4,842
Inventories			**313,002**		305,669
Deposits on inventory			**21,637**		21,419
Income taxes receivable			**5,580**		841
Prepaid expenses			**5,720**		6,978
Derivative instruments			**-**		1,611
			514,209		522,150
NON-CURRENT					
Rental equipment	3		**61,198**		64,104
Property, plant and equipment	4		**46,140**		46,217
Intangible assets			**41,480**		41,767
Deferred tax asset	9		**4,060**		3,230
			152,878		155,318
		$	**667,087**	$	677,468
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT					
Accounts payable and accrued liabilities	5	**$**	**210,037**	$	204,999
Provisions			**4,532**		5,244
Dividends payable			**4,998**		4,997
Obligations under finance leases			**4,206**		4,198
			223,773		219,438
NON-CURRENT					
Provisions			**2,806**		3,300
Employee benefits			**6,875**		6,752
Other liabilities			**817**		1,048
Obligations under finance leases			**6,739**		6,844
Derivative instruments			**1,939**		-
Long-term debt			**151,761**		151,582
			170,937		169,526
SHAREHOLDERS' EQUITY					
Share capital	6		**179,887**		179,829
Contributed surplus			**6,058**		5,930
Retained earnings			**87,171**		101,916
Accumulated other comprehensive (loss) income			**(739)**		829
Total shareholders' equity			**272,377**		288,504
		$	**667,087**	$	677,468

These condensed consolidated financial statements were approved by the Board of Directors on May 3, 2016.

W A J A X   C O R P O R A T I O N

C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F   E A R N I N G S

FOR THE THREE MONTHS ENDED MARCH 31 (unaudited, in thousands of Canadian dollars, except per share data)	Note		**2016**		2015
Revenue		**$**	**284,987**	$	317,216
Cost of sales			**230,262**		253,230
Gross profit			**54,725**		63,986
Selling and administrative expenses			**52,680**		52,768
Restructuring costs	13		**12,500**		-
(Loss) earnings before finance costs and income taxes			**(10,455)**		11,218
Finance costs			**2,697**		3,309
(Loss) earnings before income taxes			**(13,152)**		7,909
Income tax (recovery) expense	9		**(3,405)**		2,176
Net (loss) earnings		**$**	**(9,747)**	$	5,733
Basic (loss) earnings per share	10	**$**	**(0.49)**	$	0.34
Diluted (loss) earnings per share	10	**$**	**(0.49)**	$	0.34

W A J A X   C O R P O R A T I O N

C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F   C O M P R E H E N S I V E   I N C O M E

FOR THE THREE MONTHS ENDED MARCH 31 (unaudited, in thousands of Canadian dollars)		**2016**		2015
Net (loss) earnings	**$**	**(9,747)**	$	5,733
Items that may subsequently be reclassified to income				
Gains on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax expense of $231 (2015 – $135)		**(619)**		(382)
(Losses) gains on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax recovery of $349 (2015 – tax expense of $260)		**(949)**		731
Other comprehensive (loss) income, net of tax		**(1,568)**		349
Total comprehensive (loss) income	**$**	**(11,315)**	$	6,082

W A J A X   C O R P O R A T I O N

C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F

C H A N G E S   I N   S H A R E H O L D E R S ’   E Q U I T Y

For the three months ended March 31, 2016 (unaudited, in thousands of Canadian dollars)	Note		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income Cash flow hedges		Total
December 31, 2015		$	179,829	5,930	101,916	829	$	288,504
Net loss			-	-	(9,747)	-		(9,747)
Other comprehensive loss			-	-	-	(1,568)		(1,568)
Total comprehensive loss for the period			-	-	(9,747)	(1,568)		(11,315)
Shares issued to settle share-based compensation plans	8		58	(58)	-	-		-
Dividends	7		-	-	(4,998)	-		(4,998)
Share-based compensation expense	8		-	186	-	-		186
March 31, 2016		**$**	**179,887**	**6,058**	**87,171**	**(739)**	**$**	**272,377**

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2015 (unaudited, in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income Cash flow hedges	Total
December 31, 2014		$ 107,454	5,176	135,269	617	$ 248,516
Net earnings		-	-	5,733	-	5,733
Other comprehensive income		-	-	-	349	349
Total comprehensive income for the period		-	-	5,733	349	6,082
Dividends	7	-	-	(8,109)	-	(8,109)
Share-based compensation expense	8	-	251	-	-	251
March 31, 2015		**$ 107,454**	**5,427**	**132,893**	**966**	**$ 246,740**

W A J A X   C O R P O R A T I O N

C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F   C A S H   F L O W S

FOR THE THREE MONTHS ENDED MARCH 31 (unaudited, in thousands of Canadian dollars)	Note	**2016**	2015
OPERATING ACTIVITIES			
Net (loss) earnings		**$ (9,747)**	$ 5,733
Items not affecting cash flow:			
Depreciation and amortization			
Rental equipment		**3,626**	2,994
Property, plant and equipment		**2,024**	2,271
Intangible assets		**287**	389
(Gain) loss on disposal of property, plant and equipment	4	**(28)**	4
Share-based compensation expense	8	**186**	251
Non-cash rental expense		**12**	39
Employee benefits expense, net of payments		**123**	105
Change in fair value of non-hedge derivative instruments		**424**	(1,113)
Finance costs		**2,697**	3,309
Income tax (recovery) expense	9	**(3,405)**	2,176
		(3,801)	16,158
Changes in non-cash operating working capital	11	**6,220**	(43,902)
Rental equipment additions	3	**(1,903)**	(6,141)
Other non-current liabilities		**(725)**	(838)
Finance costs paid		**(539)**	(1,224)
Income taxes paid		**(1,585)**	(2,800)
Cash used in operating activities		**(2,333)**	(38,747)
INVESTING ACTIVITIES			
Property, plant and equipment additions	4	**(1,126)**	(1,984)
Proceeds on disposal of property, plant and equipment	4	**255**	111
Intangible assets additions		**-**	(48)
Cash used in investing activities		**(871)**	(1,921)
FINANCING ACTIVITIES			
Net increase in bank debt		**-**	55,000
Finance lease payments		**(1,145)**	(1,112)
Settlement of non-hedge derivative instruments		**213**	366
Dividends paid		**(4,997)**	(10,067)
Cash (used in) generated from financing activities		**(5,929)**	44,187
Change in cash and bank indebtedness		**(9,133)**	3,519
Cash (bank indebtedness) – beginning of period		**13,614**	(7,713)
Cash (bank indebtedness) – end of period		**$ 4,481**	$ (4,194)

MARCH 31, 2016

(unaudited, amounts in thousands of Canadian dollars, except share and per share data)

1. COMPANY PROFILE

Wajax Corporation (the "Corporation") is incorporated in Canada. The address of the Corporation's registered office is 3280 Wharton Way, Mississauga, Ontario, Canada. The Corporation is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components. Reflecting a diversified exposure to the Canadian economy, the Corporation has three distinct product divisions which operate through a network of 123 branches across Canada.

The Corporation's customer base covers core sectors of the Canadian economy, including construction, industrial and commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and do not include all of the disclosures required for full consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2015. The significant accounting policies follow those disclosed in the most recently reported audited consolidated financial statements.

Basis of measurement

The condensed financial statements have been prepared under the historical cost basis except for derivative financial instruments and liabilities for cash-settled share-based payment arrangements that have been measured at fair value. The defined benefit liability is recognized as the net total of the fair value of the plan assets and the present value of the defined benefit obligation.

Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated and except share and per share data.

3. RENTAL EQUIPMENT

During the three months ended March 31, 2016, the Corporation acquired rental equipment with a cost of $1,903 (2015 – $6,141). Equipment with a carrying amount of $1,784 (2015 - $553) was transferred from inventories to rental equipment. Equipment with a carrying amount of $2,967 (2015 - $2,489) was transferred from rental equipment to inventories.

4. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2016, the Corporation acquired property, plant and equipment with a cost of $1,126 (2015 – $1,984). Assets with a carrying amount of $227 (2015 – $115) were disposed of, resulting in a gain on disposal of $28 (2015 – loss of $4).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2016		December 31, 2015
Trade payables	**$**	**83,829**	$	91,090
Deferred income – contract revenue		**1,779**		270
Deferred income – other		**7,718**		7,431
Supplier payables with extended terms		**43,571**		44,255
Payroll, bonuses and incentives		**19,698**		19,902
Restructuring accrual		**11,229**		-
Accrued liabilities		**42,213**		42,051
Accounts payable and accrued liabilities	**$**	**210,037**	$	204,999

6. SHARE CAPITAL

		Number of Common Shares		Amount
Balance, December 31, 2015		19,986,241	$	179,829
Common shares issued to settle share-based compensation plans	8	5,880		58
Balance, March 31, 2016		**19,992,121**	**$**	**179,887**

7. DIVIDENDS DECLARED

During the three months ended March 31, 2016, the Corporation declared cash dividends of $0.25 per share or $4,998 (2015 – dividends of $0.4833 per share or $8,109).

On May 3, 2016, the Corporation declared a second quarter 2016 dividend of $0.25 per share or $4,998.

8. SHARE-BASED COMPENSATION PLANS

The Corporation has four share-based compensation plans: the Wajax Share Ownership Plan, the Directors' Deferred Share Unit Plan, the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP").

a) Share rights plans

The Corporation recorded compensation cost of $186 (2015 – $251) in respect of these plans.

	March 31, 2016			March 31, 2015		
	Number of Rights		Fair value at time of grant	Number of Rights		Fair value at time of grant
Outstanding at beginning of year	**325,144**	**$**	**6,009**	287,550	$	5,420
Granted in the period – new grants	**9,974**		**171**	7,165		177
– dividend equivalents	**4,893**		**-**	6,979		-
Settled in the period	**(5,880)**		**(58)**	-		-
Outstanding at end of period	**334,131**	**$**	**6,122**	301,694	$	5,597

At March 31, 2016, 328,455 share rights were vested (2015 – 278,725).

In March 2016, the MTIP and DSUP were amended such that all new grants will be comprised of restricted share units ("RSUs") and performance share units ("PSUs") which will be settled with market-purchased shares of the Corporation providing the time and performance vesting criteria are met. Whenever dividends are paid on the Corporation's shares, additional RSUs and PSUs with a value equal to the dividends are credited to the participants' accounts. Grants issued under these plans prior to March 2016 are settled in cash. No compensation cost was recorded in respect of grants under the amended plans, however the following RSUs and PSUs under the amended plans are outstanding:

	March 31, 2016		
	Number of Rights		Fair value at time of grant
Outstanding at beginning of year	**-**	**$**	**-**
Granted in the period – new grants	**316,296**		**5,405**
– dividend equivalents	**-**		**-**
Settled in the period	**-**		**-**
Outstanding at end of period	**316,296**	**$**	**5,405**

At March 31, 2016, no share settled RSUs or PSUs were vested.

b) Cash-settled rights plans

The Corporation recorded compensation cost of $119 (2015 – recovery of $132) in respect of the share-based portion of the MTIP and DSUP. At March 31, 2016, the carrying amount of the share-based portion of these liabilities was $977 (2015 – $612).

9. INCOME TAXES

Income tax (recovery) expense comprises current and deferred tax as follows:

For the three months ended March 31		**2016**		2015
Current	**$**	**(3,155)**	$	2,063
Deferred – Origination and reversal of temporary differences		**(250)**		113
Income tax (recovery) expense	**$**	**(3,405)**	$	2,176

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.9% (2015 – 26.1%). Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax rate is as follows:

		2016		2015
Combined statutory income tax rate		**26.9%**		26.1%
Expected income tax (recovery) expense at statutory rates	**$**	**(3,538)**	$	2,064
Non-deductible expenses		**133**		150
Other		**-**		(38)
Income tax (recovery) expense	**$**	**(3,405)**	$	2,176

10. EARNINGS PER SHARE

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

For the three months ended March 31		**2016**		2015
Numerator for basic and diluted earnings per share:				
– net (loss) earnings	**$**	**(9,747)**	$	5,733
Denominator for basic earnings per share: – weighted average shares		**19,990,764**		16,778,883
Denominator for diluted earnings per share:				
– weighted average shares		**19,990,764**		16,778,883
– effect of dilutive share rights		**-**		284,113
Denominator for diluted earnings per share		**19,990,764**		17,062,996
Basic (loss) earnings per share	**$**	**(0.49)**	$	0.34
Diluted (loss) earnings per share	**$**	**(0.49)**	$	0.34

Excluded from the above calculations are 636,698 outstanding share rights (2015 – nil) as they are currently anti-dilutive. These share rights could potentially dilute earnings per share in future periods.

11. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

For the three months ended March 31		2016		2015
Trade and other receivables	$	**4,958**	$	731
Contracts in progress		**3,271**		(1,003)
Inventories		**(6,150)**		(10,717)
Deposits on inventory		**(218)**		1,731
Prepaid expenses		**1,258**		(518)
Accounts payable and accrued liabilities		**3,813**		(33,701)
Provisions		**(712)**		(425)
Total	$	**6,220**	$	(43,902)

12. OPERATING SEGMENTS

The Corporation operates through a network of 123 branches in Canada in three core businesses which reflect the internal organization and management structure according to the nature of the products and services provided. The Corporation's three core businesses are: i) the distribution, modification and servicing of equipment; ii) the distribution, servicing and assembly of power systems; and iii) the distribution, servicing and assembly of industrial components.

For the three months ended March 31, 2016		Equipment		Power Systems		Industrial Components		Segment Eliminations		Total
Equipment	$	64,259	$	15,238	$	-	$	-	$	79,497
Parts		38,515		31,162		92,545		-		162,222
Service		15,863		13,429		2,534		-		31,826
Rental and other		9,378		3,069		-		(1,005)		11,442
Revenue	$	128,015	$	62,898	$	95,079	$	(1,005)	$	284,987
Earnings (loss) before restructuring costs, finance costs and income taxes	$	6,656	$	(2,567)	$	1,266	$	(3,310)	$	2,045
Restructuring costs		-		-		-		12,500		12,500
Earnings (loss) before finance costs and income taxes	$	6,656	$	(2,567)	$	1,266	$	(15,810)	$	(10,455)
Finance costs										2,697
Income tax recovery										(3,405)
Net loss									$	(9,747)

As at March 31, 2016		Equipment		Power Systems		Industrial Components		Segment Eliminations		Total
Segment assets excluding intangible assets	$	326,581	$	152,050	$	132,974	$	-	$	611,605
Intangible assets		21,547		-		19,933		-		41,480
Corporate and other assets		-		-		-		14,002		14,002
Total assets	$	348,128	$	152,050	$	152,907	$	14,002	$	667,087
Segment liabilities	$	118,507	$	37,473	$	57,105	$	-	$	213,085
Corporate and other liabilities		-		-		-		181,625		181,625
Total liabilities	$	118,507	$	37,473	$	57,105	$	181,625	$	394,710

For the three months ended March 31, 2015	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 77,941	$ 19,072	$ -	$ -	$ 97,013
Parts	39,347	35,123	95,350	-	169,820
Service	17,676	17,526	2,599	-	37,801
Rental and other	10,629	2,863	-	(910)	12,582
Revenue	$ 145,593	$ 74,584	$ 97,949	$ (910)	$ 317,216
Earnings before finance costs and income taxes	$ 6,815	$ 3,422	$ 3,399	$ (2,418)	$ 11,218
Finance costs					3,309
Income tax expense					2,176
Net earnings					$ 5,733

As at March 31, 2015					
Segment assets excluding intangible assets	$ 341,252	$ 167,830	$ 142,720	$ -	$ 651,802
Intangible assets	21,549	13,894	48,416	114	83,973
Corporate and other assets	-	-	-	2,501	2,501
Total assets	$ 362,801	$ 181,724	$ 191,136	$ 2,615	$ 738,276
Segment liabilities	$ 129,805	$ 41,076	$ 63,753	$ -	$ 234,634
Corporate and other liabilities	-	-	-	256,902	256,902
Total liabilities	$ 129,805	$ 41,076	$ 63,753	$ 256,902	$ 491,536

Segment eliminations include costs, assets and liabilities related to the corporate office. Corporate office assets and liabilities include deferred financing costs, income taxes, cash and bank indebtedness, bank debt, employee benefits, and dividends payable.

13. RESTRUCTURING COSTS

On March 1, 2016, the Corporation announced that it will be transitioning from its current three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental health and safety and finance. The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the Corporation's strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. During the first quarter of 2016, the Corporation recorded restructuring costs of $12,500 relating to the strategic reorganization.

14. COMPARATIVE INFORMATION

Certain comparative information have been reclassified to conform to the current year's presentation.

15. SUBSEQUENT EVENTS

On April 20, 2016, the Corporation acquired the assets of Montreal-based Wilson Machine Co. Ltd ("Wilson") for approximately $5,300. The consideration paid is subject to post-closing adjustments and therefore the purchase price equation has not yet been determined.