



GLOBAL RAILWAY INDUSTRIES LTD.

Keeping our Customers On Track

THIRD QUARTER REPORT TO SHAREHOLDERS
Nine months ended September 30, 2006



PERFORMANCE DATA

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	(unaudited)	(restated)	(unaudited)	(restated)
	\$	\$	\$	\$
Sales	7,817,343	7,397,049	24,324,039	22,766,440
Net (loss) earnings				
Continuing Operations	603,867	503,167	2,889,433	1,830,486
Discontinued Operations	13,127	(1,119,074)	(509,958)	(2,195,666)
Net (loss) earnings for the period	616,994	(615,907)	2,379,475	(365,180)
Earnings per share				
Continuing Operations				
Basic	0.04	0.03	0.19	0.13
Fully diluted	0.04	0.03	0.19	0.12
Net Earnings				
Basic	0.04	(0.04)	0.16	(0.03)
Fully diluted	0.04	(0.04)	0.16	(0.03)
Common shares outstanding – weighted average	#	#	#	#
Basic	14,883,118	14,851,744	14,865,568	14,414,565
Diluted	15,083,325	14,956,408	14,994,511	14,792,469

GLOBAL RAILWAY INDUSTRIES LTD.

FOR NINE MONTHS ENDED SEPTEMBER 30, 2006

REPORT TO SHAREHOLDERS

Global Railway Industries Ltd. (the Company or Global) is pleased to present the consolidated financial statements for the third quarter ending September 30, 2006.

During the third quarter of 2006, we continued to improve the results of our operations through strong organic growth and streamlining our operations. As of September 30, 2006 the Company had \$4.9 million in cash and no operating loan or long-term debt. Our cash balances have increased \$4.3 million year to date. Our strong financial position will enable us to make the right acquisition, at the right time, and at the right price.

During the third quarter of 2006, net earnings from continuing operations were \$0.6 million compared with \$0.5 million in the same quarter of 2005; an increase of 20%. Earnings per share for the third quarter of 2006 were 4 cents versus 3 cents in the third quarter of 2005; a 33% increase. During the nine months ending September 30, 2006, net earnings from continuing operations were \$2.9 million compared with \$1.8 million in the same period of 2005; a 61% increase. Earnings per share were 19 cents during the first nine months of 2006 versus 13 cents in the same period of 2005; a 46% increase. All of our subsidiaries contributed to these excellent results.

During the third quarter, Bill Sturtz joined the Global team as Chief Operating Officer. Bill comes to us with many years of experience in the railway supply industry. As Chief Operating Officer, Bill will enable us to continue the optimization of our current operations and will assist in the identification and evaluation of acquisition opportunities. Early in the fourth quarter, Lew Griffiths retired from the Board of Directors. Mr. Griffiths was the founder/owner of G&B Specialties, Inc. prior to its acquisition by Global. Mr. Griffiths was a valued contributor to the success of Global. We wish him a long healthy retirement.

As a result of the buying patterns of our customers, we experience our highest sales and gross margin in the second quarter followed by the first, third and finally fourth quarters. This buying pattern is common in the railroad industry for trackside and related equipment and we expect it will continue. The Company results will generally follow this pattern as well.

Financial reports issued by our major customers point to continued strong orders in the fourth quarter and in 2007. We expect that the Company will benefit from these strong markets.

Thank you for your continued support of Global Railway Industries Ltd.

Yours truly,

“Signed”

Terry McManaman
President and CEO
November 13, 2006

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
	2006	2005
	(unaudited)	(audited)
Assets		
Current		
Cash	\$ 4,926,117	\$ 564,237
Accounts receivable	4,070,907	3,835,534
Inventories	7,092,911	7,286,468
Prepaid assets	210,724	95,315
Assets of discontinued operations (Note 3)	-	9,310,574
Income taxes recoverable	188,832	210,864
	16,489,491	21,302,992
Other assets		
Property, plant and equipment	4,063,440	3,902,982
Future income tax asset	414,032	1,838,258
Goodwill (Note 4)	11,749,831	11,668,378
	\$ 32,716,794	\$ 38,792,409
Liabilities		
Current		
Operating loan (Note 5)	\$ -	\$ 1,836,366
Accounts payable and accrued liabilities	2,540,141	2,245,941
Current portion of long-term debt (Note 5)	-	3,426,342
Liabilities of discontinued operations (Note 3)	-	3,812,004
	2,540,141	11,320,653
Shareholders' Equity		
Share capital (Note 2)	25,256,300	25,068,800
Contributed surplus	935,230	649,299
Cumulative translation adjustment	(1,643,278)	(1,495,269)
Retained earnings	5,628,401	3,248,926
	30,176,653	27,471,756
	\$ 32,716,794	\$ 38,792,409

The accompanying notes are an integral part of these financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Three months ended September 30,

Nine months ended September 30,

	2006	2005	2006	2005
	(Unaudited)	(Restated/Unaudited)	(Unaudited)	(Restated/Unaudited)
Sales	\$ 7,817,343	\$ 7,397,049	\$ 24,324,039	\$ 22,766,440
Cost of sales	4,870,877	4,740,694	14,748,671	14,255,819
Gross margin	2,946,466	2,656,355	9,575,368	8,510,621
Operating expenses				
Salaries	946,265	925,628	2,772,206	2,861,696
General and administrative	528,582	624,329	1,785,333	1,766,556
Operating income before the undernoted	1,471,619	1,106,398	5,017,829	3,882,369
Amortization	121,763	140,163	363,603	407,201
Interest – net	(35,411)	162,691	(25,724)	408,821
Foreign exchange gain	(8,329)	(547,846)	(75,544)	(565,345)
Plant closure costs	-	(1,134)	-	804,030
Earnings before income taxes – continuing operations	1,393,596	1,352,524	4,755,494	2,827,662
Income tax expense (Note 6)	789,729	849,357	1,866,061	997,176
Net earnings – continuing operations	603,867	503,167	2,889,433	1,830,486
Net income (loss) from discontinued operations (Note 3)	13,127	(1,119,074)	(509,958)	(2,195,666)
Net earnings	616,994	(615,907)	2,379,475	(365,180)
Retained earnings, beginning of period	5,011,407	7,217,985	3,248,926	6,967,258
Retained earnings, end of period	\$ 5,628,401	\$ 6,602,078	\$ 5,628,401	\$ 6,602,078
Earnings per share – from continuing operations				
Basic	\$ 0.04	\$ 0.03	\$ 0.19	\$ 0.13
Fully diluted	\$ 0.04	\$ 0.03	\$ 0.19	\$ 0.12
Earnings per share				
Basic	\$ 0.04	\$ (0.04)	\$ 0.16	\$ (0.03)
Fully diluted	\$ 0.04	\$ (0.04)	\$ 0.16	\$ (0.03)

The accompanying notes are an integral part of these financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	(Unaudited)	(Restated/Unaudited)	(Unaudited)	(Restated/Unaudited)
Cash provided by (used in)				
Operating activities				
Net earnings for period	\$ 616,994	\$ (615,907)	\$ 2,379,475	\$ (365,180)
Items not involving cash				
Income taxes recoverable	103,593	-	22,032	-
Future income tax provision (recovery)	728,506	(327,715)	1,424,226	302,413
Stock based compensation expense	29,927	103,991	285,931	158,192
Change in goodwill	-	-	(81,453)	-
Amortization	121,763	140,163	363,603	407,201
	983,789	(83,561)	2,014,339	867,806
Change in working capital				
Accounts receivable	208,950	(214,676)	(235,373)	(1,003,379)
Inventory	12,560	331,750	193,557	(94,273)
Prepays	28,898	(209,011)	(115,409)	(167,352)
Accounts payable	212,691	(340,675)	(57,580)	(1,451,369)
Foreign currency change on working capital balances	229,799	(1,054,438)	(148,009)	(1,256,193)
	692,898	(1,487,050)	(362,814)	(3,972,566)
Investing activities				
Purchase of property, plant and equipment	(401,287)	(193,804)	(524,061)	(1,012,479)
Other assets	-	3,472	79,799	2,176
	(401,287)	(190,332)	(444,262)	(1,010,303)
Financing activities				
Issuance of share capital	187,500	-	187,500	1,963,714
Change in operating loan	-	(497,375)	(1,836,366)	2,651,208
Repayment of long-term debt	-	(203,415)	(3,074,562)	(702,250)
	187,500	(700,790)	(4,723,428)	3,912,672
Change in cash from continuing operations	2,079,894	(3,077,640)	(1,136,690)	(567,571)
Change in cash from discontinued operations	176,674	2,935,749	5,498,570	(223,335)
Increase (decrease) in cash	2,256,568	(141,891)	4,361,880	(790,906)
Cash, beginning of period	2,669,549	351,966	564,237	1,000,981
Cash, end of period	\$ 4,926,117	\$ 210,075	\$ 4,926,117	\$ 210,075

The accompanying notes are an integral part of these financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

The interim financial statements of Global Railway Industries Ltd. ("the Company") have been prepared in accordance with Canadian Generally Accepted Accounting Principles. Certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2005. The interim financial statements have been prepared following the same accounting policies and methods of computation as used in the financial statements for the year ended December 31, 2005. The Annual Report and continuous disclosure documents are available through the SEDAR website at www.sedar.com.

1. Business of the Company

Global Railway Industries Ltd. designs, manufactures, and markets railway maintenance products, equipment and services to the railway industry.

2. Share Capital

Authorized
 Unlimited number of common voting shares
 Unlimited number of preferred redeemable shares

	Issued		Amount
Common Shares, December 31, 2005	14,856,744	\$	25,068,800
Options Exercised	75,000		187,500
Common shares, September 30, 2006	14,931,744	\$	25,256,300

The Company issued 410,000 options in the first nine months of 2006, 50,000 of which have been cancelled. There are a total of 705,000 options outstanding at September 30, 2006 (December 31, 2005: 645,000). If all of the outstanding options were exercised, Global would have 15,636,744 shares outstanding.

3. Discontinued Operations

Results for 2005 have been restated to reflect YSD Industries (2004), Inc. (YSD) as a discontinued operation. In the first three quarters of 2006, all remaining YSD equipment, inventory and product lines were sold for \$ 6.2 million. YSD year to date expenses for 2006 were \$0.5 million. This includes an adjustment booked in the first quarter of 2006 for \$0.3 million, to reduce the net realizable assets of discontinued operations. This was a non- cash charge included in loss from discontinued operations. In the third quarter of 2006, a 2005 accrual was reversed and an adjustment was booked to income tax expense resulting in net income from discontinued operations of \$13 thousand.

4. Goodwill

In the second quarter of 2006, the Company made the final payment required under the G & B Specialties, Inc. (G&B) Purchase and Sale Agreement. The effect was an addition of \$ 81 thousand to goodwill. The Company regularly assesses whether there has been an impairment to the carrying value of its goodwill. There are no circumstances which indicated that a potential impairment exists.

5. Operating Loan and Current Portion of Long-Term Debt

In the first quarter of 2006, the Company repaid its outstanding operating loan and current portion of long-term debt.

6. Income Tax

Included in the income tax expense is a future income tax provision of \$ 245 thousand related to the final non-compete payments made to the former owners of G&B. The Company has made all payments required in connection with the G&B acquisition.

7. Related Party Transactions

The G&B office building is leased from previous owners of G&B; one of which sits on Global's Board of Directors. The lease term expires in 2010 and lease payments are \$79 thousand per year.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

The following is the Management's Discussion and Analysis ("MD&A") of the Company's financial results of operations for the period ended September 30, 2006. This MD&A has been prepared as of November 13, 2006. Except where otherwise indicated, all financial information is expressed in Canadian dollars. There have been no significant accounting policy or procedural changes made in the third quarter of 2006. This discussion should be read in conjunction with the Company's annual financial statements and MD&A for the year ended December 31, 2005.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements for Global Railway Industries Ltd.(Global) have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements conform to Canadian Generally Accepted Accounting Principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

The Board of Directors, which is comprised of a majority of independent directors, acts to ensure that the management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Board of Directors acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management. In reliance on reviews and discussions with management, and in light of its roles and responsibilities, the Board of Directors has approved the financial statements for the period ended September 30, 2006.

OPERATING RESULTS

Sales

Global's sales are derived primarily from the sales of track switching components, event recorders, crash hardened modules, rail gear, freight car parts and boxcar doors through three subsidiaries: G&B Specialties, Inc., Bach-Simpson Corporation and Prime Rail Inc. Services. In the first nine months of 2006, sales from continuing operations increased by 7% compared with the same period of 2005. Sales for the third quarter increased by 6% compared with the third quarter of 2005. All three subsidiaries achieved sales increases in the third quarter of 2006 as compared to 2005.

The sales growth year to date reflects continued strong demand in the railroad and transit markets served by the Company. The effect of the weakening United States dollar relative to the Canadian dollar had less of an impact in the third quarter of 2006 than in the first six months of the year. Had the exchange rate remained constant year to date, 2006 sales would have increased by 8%.

Fluctuations in the value of the Canadian dollar affect Global's results when the United States dollar denominated sales and expenses are translated into Canadian dollars. A stronger Canadian dollar reduces the United States dollar denominated sales and expenses. It also reduces net income because a higher percentage of sales than expenses is generated in United States dollars.

Cost of Sales/Gross Margins

Gross margins for the first nine months of 2006 were 39%; compared with 37% in the same period of 2005. The improved margins in 2006 versus 2005 resulted from tight expense control and strategic sourcing of materials and components. Margins for the third quarter 2006 were 38%; compared with 36% in the third quarter of 2005 and 39% in the second quarter of 2006. Reduced margins in the third quarter of 2006 compared with the second quarter of 2006 resulted from a change in product mix.

Operating Expenses

Salary expenses for the first nine months of 2006 were in line with management expectations. General and administrative expenses increased slightly compared with the first nine months of 2005. The general and administrative expenses were impacted by closure costs for the Calgary corporate office. In the third quarter, general and administrative expenses were 15% lower than in 2005 due primarily to differences in accruals for professional fees.

Interest Income/Expense

In the first nine months of 2006, net interest income was \$26 thousand compared with net interest expense in 2005 of \$0.4 million. The Company repaid all of its outstanding bank debt in the first quarter of 2006. In the third quarter, interest income was \$35 thousand, compared with interest expense of \$0.2 million in the third quarter of 2005.

GLOBAL RAILWAY INDUSTRIES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

Income Tax

The effective tax rate on income earned from continuing operations was 39% in the first nine months of 2006. The effective tax rate was 35% for the first nine months of 2005. Without the provision for future taxes of \$245 thousand on the final non-compete payments related to the acquisition of G&B, the effective tax rate on income earned from continuing operations in the third quarter of 2006 was 39%.

Net Earnings

Net earnings from continuing operations for the first nine months of 2006 increased by \$1.1 million as compared with the first nine months of 2005. In the third quarter of 2006, operating income before amortization, interest, foreign exchange gain and plant closure costs from continuing operations increased by 33% as compared with the third quarter of 2005. Earnings before income taxes from continuing operations increased by \$1.9 million, or 68% from 2005 as the subsidiaries benefited from their increased sales and held spending below 2005 levels.

Segment Information

The Company's operations are based primarily on the manufacture and sale of railway maintenance equipment. These products include high rail gear, event recorders, crash hardened modules, freight car doors and signal and track switching components. Amounts for property, plant and equipment and goodwill are as of September 30, 2006 and December 31, 2005.

	2006 \$			2005 Restated \$		
	United States	Canada	Total	United States	Canada	Total
Sales – 9 months	16,947,992	7,376,047	24,324,039	16,049,677	6,716,763	22,766,440
Property, Plant and Equipment	3,429,839	633,601	4,063,440	3,439,386	463,596	3,902,982
Goodwill	8,194,136	3,555,695	11,749,831	8,112,683	3,555,695	11,668,378

FINANCIAL RESULTS - CONTINUING OPERATIONS

From this point forward in the MD&A, the financial results of the continuing operations are discussed. That is, the results of YSD Industries (2004), Inc. (YSD) have been removed unless otherwise stated.

	Q3 2006 \$	Q2 2006 \$	Q1 2006 \$	Q4 2005 \$	Q3 2005 \$	Q2 2005 \$	Q1 2005 \$	Q4 2004 \$
Sales	7,817,343	8,683,781	7,822,915	7,114,866	7,397,049	8,270,271	7,099,120	5,810,518
Net earnings	616,994	1,200,103	1,085,463	(40,431)	503,167	537,153	790,166	227,821
Basic	.04	0.08	0.07	(0.01)	0.03	0.04	0.06	0.01
Fully Diluted	.04	0.08	0.07	(0.01)	0.03	0.04	0.05	0.01

Subsequent to the 2005 year end, a review of discontinued operations resulted in a reclassification of certain items which caused adjustments in earnings from continuing operations and discontinued operations. The income reported for the Company as a whole remained the same.

The above table shows the financial performance from continuing operations for the last eight quarters for Global Railway Industries Ltd. The 2005 Q3 and Q4 net earnings reported in the second quarter MD&A were changed to reflect the treatment of income tax expense related to the closure of YSD. In Q3 2005, YSD was treated as a continuing operation. In Q4 2005, YSD was reclassified as a discontinued operation. Hence, the change in tax treatment as disclosed in our Audited Financial Statements for the period ended December 31, 2005.

GLOBAL RAILWAY INDUSTRIES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

Liquidity and Capital Resources

In the first quarter of 2006, the Company repaid all of its operating loan and current portion of long term debt. As of September 30, 2006 cash on hand is \$4.9 million as compared to \$0.2 million in the third quarter of 2005..

In the third quarter of 2006 the Company generated cash of \$2.3 million from continuing operations as compared with (\$0.1) million in the third quarter of 2005. All subsidiaries contributed to the increase through effective working capital management.

The Company believes that adequate amounts of cash and cash equivalents are available in both the short and the long term to provide for ongoing operations and planned growth. The Company is not aware of any trends or expected fluctuations in its liquidity that would create any deficiencies.

Capital Expenditures

To date, the Company has spent \$0.5 million on capital additions. Of the amount, \$0.4 million was spent in the third quarter, primarily on the purchase of property, plant and equipment at G & B.

In the third quarter Global committed to a capital expenditure of \$0.3 million for the purchase of a new multipurpose, four axis, computer numerically controlled machine at G&B. This machine will be delivered and fully functional in the fourth quarter of 2006. The machine will be paid from cash on hand.

Contractual Obligations

The Company has entered into no new contractual obligations outside the normal course of business in the first three quarters of 2006.

Share Capital

At September 30, 2006, the Company had 14,865,568 common shares outstanding on a weighted average basis. In the third quarter of 2006, 75,000 options were exercised for proceeds of \$187,500. If all of the outstanding options were exercised, Global would have 15,636,744 shares outstanding.

Business Risks

The business and operational risks remain unchanged from December 31, 2005. For additional guidance, please review the 2005 Annual Report and continuous disclosure materials available through the Sedar website at www.sedar.com.

Estimates and Assumptions

Estimates and assumptions used by management are based on past experience and other factors deemed reasonable in the circumstances. Since these estimates and assumptions involve varying degrees of judgment and uncertainty, the amounts reported in the financial statements could in the future prove to be inaccurate.

Forward Looking Information

Certain statements in this report may constitute "forward looking information" which involve known and unknown risks, uncertainties and other factors that may cause the actual combined results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such "forward looking statements." Such statements may reflect current beliefs, expectations, estimates and assumptions regarding future events an operating performance and speak only as of the date of this report. Reference should be made to the Company's Annual MD&A of December 31, 2005 for a discussion of risk factors including among others technology, competitive and regulatory changes.

Additional information related to the Company including the Company's annual MD&A for the year ended December 31, 2005 is available on www.sedar.com.

**GLOBAL RAILWAY INDUSTRIES LTD.
CORPORATE INFORMATION**

DIRECTORS	CORPORATE OFFICE
<p>Terry McManaman President & Chief Executive Officer Global Railway Industries Ltd.</p> <p>Phil Ogden Chairman of the Board</p> <p>Lew Griffiths* Corporate Director</p> <p>John Hagg Corporate Director</p> <p>Dave Horbay Corporate Director</p> <p>James Renner Corporate Director</p> <p>Tim Sanderson Corporate Director</p> <p>Garry Zurowski Corporate Director</p>	<p>Global Railway Industries Ltd. 535 W. 3rd Street Berwick, PA 18603 Phone (570) 802-0366 Fax (570) 802-0369 Email info@globalrailway.com Website: www.globalrailway.com</p> <p>BANKERS TD Canada Trust Calgary, Alberta</p> <p>AUDITORS KPMG LLP London, Ontario</p> <p>LEGAL COUNSEL Gowling Lafleur Henderson LLP Calgary, Alberta</p> <p>TRANSFER AGENT Computershare Trust Company of Canada 600, 530 - 8th Avenue S.W. Calgary, Alberta T2P 3S8 Phone 1-800-564-6253</p> <p>INVESTOR RELATIONS Gerry Wimmer Investorfile.com 416-360-8895 1-888-894-8222 gwimmer@investorfile.com</p> <p>STOCK EXCHANGE Toronto Stock Exchange Symbol: GBI</p>
<p>OFFICERS</p> <p>Terry McManaman President & Chief Executive Officer</p> <p>Mike Feschak Chief Financial Officer</p> <p>Bill Sturtz Chief Operating Officer</p> <p>Greg Peterson Secretary</p>	

* Mr. Griffiths retired from the Board effective October 10, 2006



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