



GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

The following is Management's Discussion and Analysis ("MD&A") of Global Railway Industries Ltd.'s (the "Company" or "Global") financial results of operations for the nine months ended September 30, 2009. This MD&A has been prepared as of November 12, 2009. Except where otherwise indicated, all financial information is expressed in Canadian dollars. Several accounting policy and procedural changes were made in 2009 as noted herein. This discussion is intended to assist the reader in understanding the dynamics of the Company's business and the key factors underlying its financial results. This discussion should be read in conjunction with the Company's third quarter interim consolidated financial statements, which are available on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management prepared the financial statements for the Company and is responsible for the integrity and fairness of the data presented therein. The accounting policies followed in the preparation of the financial statements conform to Canadian generally accepted accounting principles ("GAAP"). Where GAAP provided alternative accounting methods, Management chose those it deemed most appropriate in the circumstances. This MD&A has been prepared in accordance with the requirements of National Instrument 51-102 – Ongoing Requirements for Issuers and Insiders - of the Canadian Securities Administrators.

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting. The Board of Directors, of which a majority is comprised of independent directors, acts to ensure that 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. With reliance on reviews and discussions with Management, and in light of its roles and responsibilities, the Board of Directors has approved the Company's third quarter interim consolidated financial statements.

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Performance Data

The following represents data for the unaudited three month and nine month periods ended September 30, 2009, with unaudited comparative figures for 2008 and 2007:

	Three months			Nine months		
	2009	2008	2007	2009	2008	2007
		(unaudited)			(unaudited)	
Sales	\$16,945,656	\$15,068,561	\$7,671,270	\$49,008,921	\$45,203,538	\$26,380,283
Net earnings (loss) for the period:	\$(531,528)	\$541,869	\$609,394	\$(2,955,231)	\$1,283,255	\$2,884,467
Net earnings (loss) per share:						
Basic	\$(0.03)	\$0.04	\$0.04	\$(0.19)	\$0.08	\$0.19
Diluted	\$(0.03)	\$0.04	\$0.04	\$(0.19)	\$0.08	\$0.19
Weighted average number of common shares outstanding:						
Basic	15,239,900	15,237,291	14,954,461	15,239,900	15,187,502	14,939,400
Diluted	15,239,900	15,348,086	15,317,847	15,239,900	15,386,978	15,206,789
Total Assets	\$73,779,071	\$68,587,359	\$37,199,042	\$73,779,071	\$68,587,359	\$37,199,042
Total Long-Term Liabilities	\$5,798,601	\$22,916,733	\$1,434,714	\$5,798,601	\$22,916,733	\$1,434,714

*Long-term debt in the amount of \$14,300,000 classified as a current liability at September 30, 2009.

*See Liquidity and Capital Resources

Strategy

Prior to the current economic recession, public market disruption, and subsequent credit pressures on the Company's access to capital, Global's strategy was to consolidate and rationalize small and medium sized railway equipment suppliers to provide a one stop shopping service for its customers. Today, Global is operating as a holding company of three railway supply companies as the Board has established a Special Committee to conduct a Strategic Review of all available options to maximize shareholder value. Hence,

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Global has ceased its growth through acquisitions strategy pending the outcome of the Strategic Review.

The objective of Management and the Board of Directors is to maximize the value of the Company to our shareholders through the effective implementation of the Strategic Review recommendations.

Significant Events in the Third Quarter of 2009

During the third quarter of 2009, the Company's subsidiary presidents aggressively managed their subsidiary's working capital. This, plus the receipt of \$2.0 million in deposits from a key customer, has strengthened the Company's cash flow situation. However, as at September 30, 2009, the Company was not in compliance with two of its banking covenants. The Company continues discussions with its Lenders to amend the covenant requirements – see Subsequent Event. The Lenders are cooperatively engaged in discussions with Management to seek a workable solution. If successful, the results of these discussions are expected to be in place in the fourth quarter of 2009. While the Company has undertaken these initiatives, the possibility remains that the requested changes will not be forthcoming. Accordingly, Management has commenced discussions with other parties as alternative sources to support the Company's financing requirements. In Management's judgment, these combined efforts will be successful in addressing the Company's cash resource requirements.

During the third quarter of 2009, Management of CAD Railway Industries ("CADRI") successfully negotiated a revised delivery schedule for the VIA locomotives which took into consideration previously discussed prototyping and learning curve delays. In October 2009, the fifth locomotive was delivered to VIA in accordance with the revised schedule. CADRI continues to implement continuous improvement procedures to accelerate the production line to avoid future delays and improve service reliability. Management believes that CADRI will be able to meet the revised delivery schedule.

G&B continues to establish new safety records in 2009 having now surpassed 365 consecutive days with no recorded loss time incidents. At Bach-Simpson, there were no reportable accidents in the third quarter of 2009, maintaining a perfect record of safety awareness and an accident free environment set over five years ago.

Passenger railroads and commuter systems continue to be favorably impacted by increased government spending in rail passenger transit. Additionally, the government stimulus spending in Canada and the United States allocates significant amounts for continued infrastructure investment in rail passenger transit. Approximately 40% of the Company's revenues are generated from transit customers.

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Although the general North American economy continues to be weak and railways continue to be hesitant to commit to capital expenditures, Management is confident that the Company's operating results will improve as the economy recovers.

Sales

Through its subsidiaries, the Company generates revenue primarily from the sale of track switching components, railgear, rail car parts, event recorders with crash hardened memory modules, the remanufacture of locomotives, the repair of rail cars, and the remanufacture of locomotive and marine engines and parts. Sales originate predominantly in the United States and Canada, with less than 5% of revenue being generated from sales in other countries during the first nine months of 2009.

Total Company sales for the three month period ended September 30, 2009 were \$16.9 million, representing an increase of 12.5% compared with the same quarter of 2008. Total Company sales for the nine month period ended September 30, 2009 were \$49.0 million, representing an increase of 8.4% compared with the same period of 2008.

The effect of the fluctuating value of the Canadian dollar against the United States dollar favourably impacted the Company's 2009 third quarter and first nine months' sales growth. Had the exchange rate remained constant year over year, 2009 third quarter year-over-year sales would have grown by only 8.6%, and the first nine months' year-over-year sales would have actually declined by 0.3%.

G&B's sales met Management's expectations for the first nine months of 2009. As discussed in previous quarterly MD&A's, the North American market was weaker in 2008 than in 2007 and continues to be weak in 2009. In Canadian currency, G&B's year to date 2009 sales were virtually the same as compared to the nine month period ending September 30, 2008.

Bach-Simpson's 2009 year to date sales continue to show strong growth, increasing approximately 59% compared to the first nine months of 2008. Management expects continued strong sales at Bach-Simpson as its products are focused on the rail commuter and passenger industry which has been less impacted by the recent economic recession.

Given the economic recession that has impacted the business at CADRI for the latter half of 2008 and continuing into 2009, CADRI has experienced a significant negative impact on sales in locomotive maintenance and component parts. Management expects this trend to extend into 2010 as railroads continue to suspend use of substantial numbers of locomotives and railcars, thereby reducing the demand for locomotive and railcar maintenance and parts.

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CADRI Management continues to focus its efforts on increasing the throughput volume of tank cars, environmental testing sales volumes and the VIA project revenues in order to partially offset the reduction of locomotive and component revenues. Diminishing sales volumes in the locomotive and component markets, combined with the learning curve impact on the VIA project margins, have negatively impacted CADRI's gross margins during the first nine months of 2009, and will continue to do so during the fourth quarter of 2009 and into 2010. Although it is too early to make definitive conclusions, initial trends on the VIA project's learning curve are showing positive improvements. CADRI's 2009 gross profit margins improved in Q3 versus Q2 and are expected to continuously improve as production line improvements are implemented.

In conclusion, CADRI continues to be negatively impacted by the economic recession and the VIA project learning curve. Management is confident that some of the business lost due to the recession will start to return in early 2010. Additionally, the negative impact of the VIA learning curve has started to diminish as demonstrated by recent trends on production hours for the first twelve locomotives.

During Q3, CADRI Management continued to focus on reducing overhead costs and also postponed most of its capital expenditure program for 2009, including a much needed expansion of its painting facility. Although this will have an impact on some previously planned efficiencies, Management believes that delaying capital expenditure spending is necessary given the overall pressure on the Company's financial resources.

Most government agencies have announced substantial increases in capital expenditures related to infrastructure projects which will increase spending in rail transit projects in Canada and the United States. CADRI is currently bidding on some of these projects. While this is positive for CADRI, lead time and project planning on these projects would delay the realization of new additional revenues into 2010 and beyond.

It is Management's opinion that railroads will continue to expand their operations as the economy recovers and shippers move their products from trucks to rails, and as commuters increasingly rely on rail transit systems. Given the economic recession in 2008 and 2009 year-to-date, railroads continue to maintain tight control over expenditures in the short-term to deal with reduced freight volumes/revenues and market uncertainty. However, in the long-term, railroads will continue to seek solutions to decrease fuel consumption. This bodes extremely well for the Company's locomotive remanufacturing capabilities at CADRI because remanufactured locomotives cost about 60% less than a new locomotive, become 20% more fuel efficient, become more reliable in the field and emit 80% less pollutants into the environment. As previously stated, in 2008, the Company continued to invest in its future by putting people, processes, procedures and infrastructure in place to capitalize on the opportunities materializing in the locomotive remanufacturing market.

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Fluctuations in the value of the Canadian dollar against the United States dollar affect the Company's results when the United States dollar denominated sales and expenses are translated into Canadian dollars. A strengthening United States dollar has the effect of increasing the Canadian dollar equivalent of the Company's United States dollar denominated sales and expenses. It also increases overall net income because there are more sales than expenses denominated in United States dollars. During the third quarter, approximately 55% of the Company's sales were transacted in United States dollars, compared with 60% in the same period in 2008. During the first nine months of 2009, approximately 62% of the Company's sales were transacted in United States dollars, compared with 59% in the same period in 2008. The increase in United States denominated year-to-date sales for 2009 is attributable to CADRI's VIA contract, a portion of which is US dollar denominated, and Bach-Simpson's contracts which are primarily denominated in US dollars.

Gross Margins

Third quarter 2009 gross margins, prior to amortization of production property, plant and equipment, were 20.6%, compared with 30.4% for the same period in 2008. Gross margins for the nine month period ended September 30, 2009, prior to amortization of production property, plant and equipment, were 16.9%, compared to 28.2% for the same period in 2008. The reduction in gross margins for 2009 is primarily attributable to CADRI.

In Q3 2009, CADRI has a modest positive gross margin even though it continues to be negatively impacted by the VIA locomotive remanufacturing contract learning curve and the general economic uncertainty. Additionally, Management has implemented a series of measures directed at reducing the VIA bill of materials input costs, decreasing consumables, increasing labour productivity, and improving the final delivery acceptance process, all in an effort to improve overall margins and profitability of CADRI.

G&B's gross margins for the first nine months of 2009 were higher as compared to the same period in 2008 due to tight expense control, increased productivity and greatly improved safety. Management continues to witness a slight reduction in raw material prices in 2009. G&B's impressive employee safety record has also contributed to improved customer service and reduced cost of operations.

Gross margins for Bach-Simpson in the first nine months 2009 were higher compared to the same period in 2008 largely due to productivity and material gains on event recorder product shipments that were of higher volume and the same configuration.

During the third quarter of 2009, the Company recorded the benefit of anticipated scientific research and experimental development ("SRED") claims which improved third quarter 2009 margins by \$80,000, compared to \$330,000 for the prior year third quarter.

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During the first nine months of 2009, the Company recorded the benefit of anticipated scientific SRED claims in the amount of \$247,000, compared to \$475,000 for the first nine months of 2008. The value of the claims will fluctuate depending on the research and development activities undertaken in any given year. The Company's SRED claims are subject to review and acceptance by Federal and Provincial income tax authorities.

Operating Expenses

Salaries and general and administrative expenses for the three months ended September 30, 2009 were 18.8% of sales, compared with 19.9% for the same period in 2008. Salaries and general and administrative expenses for the nine months ended September 30, 2009 were 19.2% of sales, compared with 19.5% for the same period in 2008. The third quarter 2009 salary expenses include an accrual in the amount of \$330,000 for expected severance costs related to the departure of the Company's Chief Marketing Officer in September.

Salary expenses for the third quarter of 2009 were \$467,000 higher than for the same period in 2008. During the third quarter, the Company accrued \$330,000 for the expected severance cost related to the departure of the Company's Chief Marketing Officer. Foreign exchange on US dollar denominated salaries and benefits increased third quarter 2009 salaries by approximately \$75,000 relative to the prior year period. Third quarter 2009 stock based compensation was lower than the same period in 2008 by \$162,000 due to a lower volume and value of stock options being issued. Regular merit increases, increased benefits costs, higher bonus accruals, the costs related to necessary head count added during the year, including a corporate controller and a CADRI controller, and additional accounting reclassifications accounted for the majority of the remaining quarterly variance.

Salary expenses for the first nine months of 2009 were \$389,000 higher than for the same period in 2008. During the third quarter, the Company accrued \$330,000 for the severance cost related to the departure of the Company's Chief Marketing Officer. Foreign exchange on US dollar denominated salaries and benefits increased second quarter 2009 salaries by approximately \$256,000 relative to the prior year period. Stock based compensation was lower than the same period in 2008 by \$280,000 due to a lower volume and value of stock options being issued. Savings of approximately \$75,000 in salary costs were achieved during the first nine months of 2009 as a result of the 2008 downsizing of CADRI's Courtice division. In the first quarter of 2008, approximately \$81,000 of severance was expensed relating to CADRI's Courtice division downsizing. No similar severance was required in 2009. Regular merit increases, increased benefits costs, the costs related to necessary head count added during the year, including a corporate controller and a CADRI controller, and additional accounting reclassifications accounted for the majority of the remaining year-to-date increase.

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General and administrative expenses for the third quarter of 2009 were \$278,000 lower than for the same period in 2008. Special Committee fees for the third quarter of 2009 were \$166,000 lower than for the same period in 2008. CADRI third quarter 2009 commissions on international sales were \$93,000 lower than for the same period in 2008. During the third quarter, the Company's Board of Director fees and other professional fees were \$83,000 lower in total than the same period in 2008. General and administrative expenses increased by approximately \$13,000 due to a stronger average US dollar value. Professional fees related to the sourcing of alternative financing arrangements and assistance with negotiations with the Company's Lenders amounted to \$157,000 during the third quarter of 2009. No similar expenses were incurred in 2008.

For the first nine months of 2009, general and administrative expenses were \$209,000 higher than for the same period in 2008. General and administrative expenses increased by approximately \$101,000 due to a stronger average US dollar value. Professional fees related to auditing, reviews, internal control over financial reporting ("ICOFR") assistance, tax, planning, goodwill evaluation, legal counsel and other consulting services were \$370,000 higher than the first nine months of 2008. Legal fees related to the settlement of the net working capital dispute with the CAD vendors and a trade receivable dispute with the CAD vendors were approximately \$70,000. Professional fees related to the sourcing of alternative financing arrangements and assistance with negotiations with the Company's Lenders amounted to \$243,000 during the first nine months of 2009. No similar expenses were incurred in 2008. During the first nine months of 2009, the Company's Board of Director fees were \$63,000 lower than the same period in 2008. Special Committee fees for the first nine months of 2009 were \$171,000 compared with \$295,000 for the same period in 2008. CADRI 2009 year-to-date commissions on international sales were \$115,000 lower than for the same period in 2008. During the first quarter of 2008, the Company expensed \$175,000 relating to an employment contract dispute. No similar expense was incurred in 2009.

Interest Income/Expense

During the three month period ended September 30, 2009, total net interest expense was \$185,000 compared with net interest expense of \$41,000 in the 2008 third quarter. During the third quarter of 2009, the Company incurred approximately \$189,000 of interest expense on long-term debt compared with \$221,000 in the 2008 third quarter. The reduction of interest expense on long-term debt relates to a reduction in the amount of long-term debt as well as reduced average interest rates.

During the nine month period ended September 30, 2009, total net interest expense was \$375,000 compared with net interest expense of \$54,000 in the 2008 third quarter. During the first nine months of 2009, the Company incurred approximately \$494,000 of interest expense on long-term debt compared with \$596,000 for the same period in

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2008. The reduction of interest expense on long-term debt relates to a reduction in the amount of long-term debt as well as reduced average interest rates.

For financial statement purposes, amortization of costs incurred to establish the Company's credit facility has been classified as interest expense. During the third quarter of 2009, credit facility cost amortization was \$27,000, compared with \$25,000 for the same period in 2008. During the first nine months of 2009, credit facility cost amortization was \$78,000, compared with \$73,000 for the same period in 2008.

During the third quarter, the Company earned net interest income on its two swap contracts in the amount of \$7,000, representing the differential between the contract interest rates and the market interest rates. On a year-to-date basis, the Company had net interest expense on its two swap contracts in the amount of \$17,000. The Company did not have any swap contracts in 2008.

For financial statement purposes, royalty income is classified as interest income and netted against interest expense. During the first quarter of 2008, the Company earned royalty income of \$48,000 relating to a product line sold in 2006. No further royalty income was earned during 2008, nor has any further royalty income been earned in 2009.

For financial statement purposes, cash discounts related to accounts receivable collections are classified as interest expense. During the third quarter of 2009, the Company allowed \$46,000 in cash discounts to customers. No cash discounts were allowed in the first six months of 2009, nor were any cash discounts allowed in 2008.

Foreign Exchange

The Company recorded foreign exchange losses amounting to \$157,000 during the third quarter of 2009, compared with foreign exchange losses of \$19,000 during the same period in 2008. During the first nine months of 2009, the Company recorded foreign exchange losses amounting to \$283,000, compared with foreign exchange losses of \$115,000 during the same period in 2008. The increase in foreign exchange losses primarily relate to growth in US dollar denominated receivables.

Income Tax

The following is a reconciliation of the expected and actual tax provisions for the third quarter and first nine months of 2009 compared with the same periods of 2008:

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	Third Quarter		Year-to-Date	
	2009	2008	2009	2008
Expected tax provision (recovery)	<u>\$(213,101)</u>	<u>\$372,143</u>	<u>\$(1,125,630)</u>	<u>\$795,761</u>
Non-deductible items	(14,479)	75,805	6,576	123,554
US State taxes	17,964	32,844	77,716	156,531
Other	<u>53,721</u>	<u>158,746</u>	<u>365,504</u>	<u>167,124</u>
Actual Tax Provision (recovery)	<u>\$(155,895)</u>	<u>\$639,538</u>	<u>\$(675,834)</u>	<u>\$1,242,970</u>

Other tax expense is primarily comprised of rate differences on the Company's non-capital tax losses. The accounting value of these loss carryforwards has been determined using the tax rate expected to be in effect when the benefit of these losses is realized. These future rates are lower than the 2009 expected tax rate. The decrease in the US state tax expense from the prior year amounts relates to allocations of income to states in which G&B was not taxable. This more accurate approach for determining US state taxes was adopted by the Company during the third quarter of 2008.

Net Loss

The net loss for the third quarter of 2009 was \$532,000 compared with net earnings of \$542,000 for the same period in 2008. The net loss for the first nine months of 2009 was \$3.0 million compared with net earnings of \$1.3 million for the same period in 2008. The third quarter and year-to-date 2009 results did not meet Management's expectations. The third quarter net loss includes an accrual in the amount of \$330,000 for severance related to the departure of the Company's Chief Marketing Officer in September.

Outlook

2009 continues to be a very challenging year for many businesses, including Global. For the first nine months of 2009, North American Class 1 Railroads continue to report 18% to 20% declines in carloads, as compared to the same period of 2008. On a positive note, some railroads are starting to see some signs that several market groups are stabilizing.

Both the United States and Canadian governments have announced several economic stimulus packages and Management has received feedback from transit customers, that

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they are very confident the proposed infrastructure stimulus spending will generate several orders for existing applications at Bach-Simpson.

Financial Results

	Q3 '09	Q2 '09	Q1 '09	Q4 '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07
Sales	\$16,946	\$17,386	\$14,677	\$16,564	\$15,069	\$14,616	\$15,519	\$10,432
Net Earnings (Loss)	(532)	(875)	(1,549)	(2,959)	542	100	642	409
EPS, Basic	(0.03)	(0.06)	(0.10)	(0.19)	0.04	0.01	0.04	0.03
EPS, Diluted	(0.03)	(0.06)	(0.10)	(0.19)	0.04	0.01	0.04	0.03

Liquidity and Capital Resources

As at September 30, 2009, the Company was not in compliance with two of its banking covenants. As a result, the Company has undertaken discussions with its Lenders to amend the covenant requirements. The Lenders are engaged in discussions with Management to seek a workable solution. If successful, the results of these discussions are expected to be in place in the fourth quarter of 2009. While Management has undertaken these initiatives, the possibility remains that the requested changes will not be forthcoming and the Lenders would be in a position to terminate the funding facilities. As a result, the Company has classified \$14,300,000 of long-term debt not scheduled to be repaid within twelve months as a current liability on the Interim Consolidated Balance Sheets. In addition, Management has commenced discussions with other parties as alternative sources of financing to support the Company's liquidity requirements. In Management's judgment, these combined efforts will be successful in addressing the Company's future cash resource requirements.

As at September 30, 2009, cash on hand was \$1.5 million compared with \$496,000 on December 31, 2008. In the third quarter of 2009, the Company generated cash from operations in the amount of \$1.3 million compared with \$1.0 million in the same period of 2008. The positive operating cash performance during the third quarter of 2009 compared to the same period in 2008 is primarily attributable to a reduction in inventory and an increase in customer deposits, offset by a reduction in earnings, and increases in trade receivables due to increased sales. During the third quarter of 2009, the Company recorded \$2.0 million in deposits from a major customer, which will begin to be drawn down in early 2010. During the third quarter of 2009, the Company utilized \$150,000 of cash for capital investments, compared with \$860,000 in the third quarter of 2008. The Company financed the third quarter capital expenditures with operating cash and bank debt.

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During the first nine months of 2009, the Company had an operating cash shortfall of \$4.4 million compared with cash generated from operations of \$1.3 million in the same period of 2008. The deterioration of operating cash performance during the first nine months of 2009 compared to the same period in 2008 is primarily attributable to a reduction in earnings, and increases in inventory to support existing sales contracts, including VIA. During the first nine months of 2009, the Company utilized \$613,000 of cash for capital investments, compared with \$6.4 million in the same period of 2008. Approximately \$4.0 million of the 2008 capital expenditures relate to the purchases of land and buildings by G&B and CADRI. The Company financed the 2009 capital expenditures with operating cash and bank debt. During the first quarter of 2009, the company received proceeds of \$1.5 million from the settlement of the net working capital dispute with the CAD vendors. This cash was utilized to support the working capital required for the VIA contract.

In November 2007, the Company entered into a credit agreement with two Canadian Chartered Banks, which provided loan facilities aggregating \$32.0 million. In December 2008, the borrowing rates and a certain compliance covenant within the Company's credit agreement were amended. In July 2009, the Company's borrowing rates under the credit agreement were increased. As at September 30, 2009, the total drawn under the credit facilities was \$26.2 million, including a \$1.0 million financial guarantee to VIA. The undrawn portion of the Company's credit facility as at September 30, 2009 was \$1.2 million. The Company's term loan is repayable in quarterly principal installments of \$770,000, the last of which was paid on July 2, 2009. The Company's Lenders have agreed to postpone the principle repayment which was due on October 1, 2009 - See Subsequent Event.

As at September 30, 2009, the Company was not in compliance with the Funded Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") covenant and the Fixed Charge Coverage covenant included in the Credit Agreement. The Company was not in compliance with these covenants at June 30, 2009 or March 31, 2009, or the Funded Debt to EBITDA covenant at December 31, 2008. As at September 30, 2009, the Company had a Funded Debt to EBITDA ratio of (79.21) while the Credit Agreement required a ratio of no greater than 3.5. As at September 30, 2009, the Company had a Fixed Charge coverage ratio of (1.12) while the Credit Agreement required a ratio of no less than 1.25. The Lenders have not agreed to waive the covenant defaults at September 30, 2009, June 30, 2009 or March 31, 2009. As at September 30, 2009, the Lenders had not altered the terms and conditions of the credit facility. Based on its 2009 projections, the Company expects continued breaches of these covenants during 2009 and 2010. As a result of the previous breaches of these covenants, the Lenders are in a position to take enforcement action against the Company that could result in the curtailment or termination of all or a portion of the credit facilities, demand for payment and/or realization on security.

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As at September 30, 2009, Management was in discussions with the Lenders to amend the credit facility agreement. However these discussions, and any resulting amendments to the credit facility agreement, were not completed until the fourth quarter of 2009 – See Subsequent Event. There was no assurance the Lenders would grant these amendments or provide waivers for future covenant violations should they occur, nor was there any assurance that the Company would be able to obtain funding from alternative sources. Since there is a risk that the term facility may be terminated within one year, the Company has classified \$14,300,000 of long-term debt not scheduled to be repaid in 2009 as a current liability on the Interim Consolidated Balance Sheets.

In January 2009, Management renegotiated some terms within the VIA contract, which aided liquidity by allowing Global to accelerate the billing of certain work performed on the first nine locomotives.

As at September 30, 2009 the Company did not have any off-balance sheet financial arrangements.

Special Committee

Global announced on May 12, 2009, after the Board was reconstituted at the AGM, that the new Board would be exploring all available strategic options to maximize shareholder value. As stated in the second quarter MD&A, the Board established a Special Committee of the Board to consider and evaluate the Company's strategic options. These options include an en bloc sale of the Company or the sale of one or more of the Company's subsidiaries. The Special Committee engaged a financial advisor and is continuing its review, but has not completed its evaluation of the options available to the Company to maximize shareholder value. The mandate of the Special Committee was expanded in the third quarter to address issues related to the Company's liquidity and possible financing alternatives as they are closely inter-related with the strategic review process underway.

Capital Expenditures

For 2009, the Company's Board of Directors approved a capital budget in the amount of \$2.0 million. Of this amount, approximately \$1.0 million had been allocated to CADRI for continued production facility modernization and approximately \$500,000 had been allocated to the CADRI ERP system. Due to the Company's limited cash resources, Management is approving only critical capital expenditures. The remaining budgeted expenditures have been deferred and will be reviewed in 2010. Also due to the Company's cash constraints, the planned CADRI ERP project has been scaled down to the implementation of a new accounting system only. Management is confident that this new accounting system will still enable CADRI to address its system and control weaknesses.

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For the quarter ended September 30, 2009, the Company's capital expenditures totalled \$150,000. Capital expenditures included \$122,000 for manufacturing equipment, \$18,000 for leasehold improvements and \$10,000 for computer hardware and software upgrades.

For the nine months ended September 30, 2009, the Company's capital expenditures totalled \$613,000. Capital expenditures included \$496,000 for manufacturing equipment, \$84,000 for computer hardware and software upgrades, \$20,000 for leasehold and building improvements and \$13,000 for furnishings and office equipment.

Funding for capital expenditures was derived from internal cash flow and bank debt. As at September 30, 2009, the Company has no commitments for additional capital expenditures.

Contractual Obligations

The Company has equipment, office and factory lease commitments at Global, G&B, CADRI and Bach-Simpson. These commitments total approximately \$70,000 for the remainder of 2009; \$250,000 in 2010; \$218,000 in 2011; \$182,000 in 2012; \$171,000 in 2013; and \$168,000 in 2014. During the second quarter of 2009, Bach-Simpson renewed the lease on its facilities for an additional five year term. The Company has entered into fixed price purchase contracts with remaining commitments amounting to approximately \$32.5 million, primarily to acquire materials required to complete the VIA contract. These contracts generally contain clauses that allow the Company to renegotiate the purchase commitments if the VIA contract is materially changed or cancelled. Included in the above are purchase contracts totaling \$9.5 million with a company owned by the President of CADRI – see Related Party Transactions.

In December 2007, CADRI was awarded a \$101.5 million contract to remanufacture VIA's fleet of 53 F40 locomotives over a five year period. This contract award positions the Company as the largest re-manufacturer of locomotives in Canada and as a major competitor in North America. The VIA fleet renewal program will see the full remanufacturing of their F40 locomotives, including several technological upgrades, and is expected to be completed by the end of 2012. The contract has a progress billing structure – with a 10% holdback on provisional acceptance of the remanufactured unit, which reduces to a 5% holdback on final acceptance of the unit. CADRI must provide a performance guarantee equal to the greater of i) \$5.0 million, and ii) 50% of VIA's annual spending under this contract. The performance bond terminates when the warranty applicable to the last delivered production unit expires. CADRI is required to indemnify VIA for all claims, damages, and liabilities. VIA can cancel the contract for non-performance or CADRI bankruptcy. VIA can terminate the contract at any time; a standard clause in government contracts. The ownership of any new processes, patents, etc., developed by CADRI while performing VIA services accrues to VIA. The contract

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calls for a two year parts and labour warranty on refurbished units and a one year warranty on repairs.

The Company maintains a liability on its consolidated balance sheet in the amount of \$1.0 million, which represents a prepayment by VIA in respect of the remanufacture of locomotives. The prepayment will be drawn down during the 5 year term of the agreement in equal amounts of approximately \$18,900 upon final acceptance of each locomotive by VIA. The Company has secured the prepayment with a \$1.0 million financial guarantee to VIA, which is renewable annually.

Goodwill Impairment

CICA Handbook section 3062 requires goodwill to be tested for impairment on an annual basis or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. At December 31, 2008, Management completed its annual impairment test whereby the estimated fair value of each reporting segment was compared to the segment's book value. The fair values of G&B and Bach-Simpson were greater than their respective carrying values, indicating goodwill was not impaired for these two business segments. The estimated fair value for CADRI was lower than its carrying value, indicating a potential impairment, which required the Company to perform an additional analysis.

Based on additional analysis, it was determined that a non-cash write-down of \$2.8 million was required for goodwill recorded as part of the acquisition of Prime Steel Inc. ("Prime") in 2002, since the Prime operations are now part of CADRI. The contributing factor to the impairment of Prime goodwill was the continuing decline in demand for railcar metal fabrication services.

As at September 30, 2009, Company Management has determined that no additional impairment charges to the Company's goodwill are necessary.

Share Capital

At September 30, 2009, the Company had 15,239,900 common shares outstanding. During the first nine months of 2009, no stock options were exercised, 339,902 options expired, 279,902 options granted to departed Board of Director members were cancelled, and no additional options were granted in accordance with the Company's Stock Option Plan. If all of the outstanding options were exercised, the Company would have 16,411,842 shares outstanding.

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Related Party Transactions

During the third quarter of 2009, CADRI paid \$79,000 (\$60,000 for same period in 2008) for management services provided by a company owned by the President of CADRI. During the first nine months of 2009, CADRI paid \$266,000 (\$226,000 for same period in 2008) for these services. In the normal course of business, CADRI purchased approximately US\$1.6 million of inventory from a company owned by the President of CADRI during the first nine months of 2009 (US\$1.1 million during the same period of 2008). These inventory purchases were made under terms and conditions comparable to those of CADRI's other inventory purchases, and will be ongoing, representing purchase commitments of approximately \$9.5 million.

CADRI Acquisition of Land and Building

In June of 2008, CADRI exercised an option to purchase the land and building it had previously been leasing from the CAD shareholders. The purchase option price for the land and building was \$3.5 million, plus transaction costs of \$93,000. At the time the purchase option was being negotiated, the land and building had an appraised fair market value of \$5.2 million. It was also known that costs would be incurred to remediate environmental contaminants carried over from the property's prior use as a foundry. A third party evaluator has determined that this environmental liability approximates \$1.3 million. These future environmental remediation costs were factored into the purchase option price. Since it is likely that the CADRI will sustain these environmental remediation costs, an environmental liability reserve in the amount of \$1.3 million has been recorded on the Company's balance sheet, with an offsetting increase to the carrying value of the land and building. As environmental remediation costs are incurred, they will be charged against the environmental liability reserve. During the third and fourth quarter of 2008, the Company charged a total of approximately \$72,000 against the environmental reserve. During the first nine months of 2009, an additional \$2,000 was charge against the environmental reserve.

Subsequent Event

On November 12, 2009, Management and the Lenders agreed to terms for amending the Company's credit facility. As previously disclosed, Global has not been in compliance with certain loan covenants pursuant to the credit agreement entered into with its Lenders. Although this situation put the lenders in the position of being able to take realization action under the credit agreement and the supporting security provided by Global, Global's Lenders had not taken any such action.

The Term Facility will change from a revolving, reducing facility to a reducing facility. The repayments of long-term debt scheduled for October 1, 2009 and January 1, 2010

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totaling \$1,540,000 have been postponed until the expiry date of the Term Facility in 2012.

The Operating Facility has been renewed to the next annual review scheduled for March 31, 2010, and will remain at \$10,000,000. However, the borrowing base related to the Company's inventory has been expanded from \$5,000,000 to \$6,500,000, subject to obtaining a waiver from Bach-Simpson's landlord.

The Company's Hedge Facility will be capped at the current exposure level.

The borrowing rates for both facilities were not changed from the rates established by the Lenders on July 28, 2009.

A new EBITDA covenant has been introduced, requiring the Company to meet minimum quarterly EBITDA targets, with a 15% tolerance, through to the end of 2010. The Lenders have agreed to provide the Company with tolerance for missing its Funded Debt to EBITDA and Fixed Charge Coverage covenants through to the end of the first quarter of 2010.

The amendments to the Company's credit facility require the Company to enter into a binding agreement for the sale of one or more subsidiaries before January 31, 2010, with a transaction close date of no later than February 28, 2010; or alternatively obtain a commitment by January 31, 2010 for a new facility of not less than \$5,000,000, for a combination of equity and subordinated debt, which is to include a minimum equity injection of \$2,500,000, to be completed by March 31, 2010. Global, through its Special Committee, has been pursuing opportunities in respect of both of the courses of action mandated in the amendment to the credit agreement and anticipates, given the current status of those opportunities, compliance with the lenders' requirements within the specified timelines.

Business Risks

The Company's primary business risks are listed below:

Liquidity

At September 30, 2009, the Company was not in compliance with two of its banking covenants. As a result of the foregoing, Management has undertaken discussions with its Lenders to expand the credit facilities and amend the covenant requirements. The Lenders are cooperatively engaged in discussions with Management to seek a workable solution. If successful, the results of these discussions are expected to be in place in the fourth quarter of 2009. While Management has undertaken these initiatives, the possibility remains that the requested changes will not be forthcoming. Accordingly,

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Management has commenced discussions with other parties as alternative sources of debt to support the Company's financing requirements. In Management's judgment, these combined efforts will be successful in addressing the Company's cash resource requirements.

Key Personnel

The Company's senior management team is comprised of its Chairman, President and Chief Executive Officer, Chief Financial Officer and its three subsidiary Presidents. The success of the Company and its business strategy depends, to a degree, upon the skill and efforts of its senior management team and upon its ability to attract and retain qualified personnel. The loss of the services of one or all members of the senior management team could have a material adverse effect on the Company's business, financial condition or results of operations. Additionally, the departure of the Company's CEO or CFO is an event of default under the Company's credit facility agreement. Because the senior management team has many years of experience within the industry, or their individual fields of expertise, it could be difficult to replace them without adversely impacting the Company's operations. The Company does not maintain "key man" insurance for any of its senior management team. To protect shareholders' interests and the Company from the premature departure of key personnel, the Board of Directors has approved in principle a Management Succession and Retention Plan which ensures appropriate Management personnel will be retained to guide the Company through final implementation of the Board of Directors' approved decisions resulting from the Strategic Review. The Company has employment and non-competition agreements in place with each member of its senior management team.

Business Strategy

The Company's previous strategy was to consolidate and rationalize small and medium sized railway equipment suppliers to provide a one stop shopping service for its customers. The growth through acquisition strategy was ceased given the Strategic Review of the Company underway.

The Company's previous business strategy included the acquisition of businesses that would complement and expand existing product lines and services. Acquisitions involve a number of risks and challenges, including: i) diversion of Management's attention; ii) the need to integrate acquired operations, internal controls and operational functions; iii) potential loss of key employees and customers of the acquired businesses; iv) increased expenses and working capital requirements; and v) increased debt or dilution from issuance of additional common shares. Any of these factors could adversely affect the Company's ability to achieve anticipated benefits from an acquisition.

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Credit Facilities

The Company has entered into a \$34.1 million credit agreement with two Canadian Chartered Banks. The credit facilities are guaranteed by the Company and each of its wholly owned subsidiaries and are secured by general security interests over substantially all of the assets of the Company and its subsidiaries. An event of default under the credit agreement could severely impact the Company's short-term liquidity. In addition, the operating facility is subject to renewal on an annual basis. Failure of the Lenders to renew, or agree to a material change in the terms on which credit is offered, could have a negative effect on the Company. The current economic climate has placed constraints on the availability of credit which might impact Global's ability to obtain additional funding for expansion or working capital purposes or to renew existing credit facilities. At September 30, 2009, the Company is in breach of the Funded Debt to EBITDA covenant and the Fixed Charge Coverage covenant, and therefore, its Lenders could restrict access to funds under the Credit Agreement or terminate the Agreement.

Multi-Year Contracts

CADRI has entered into a multi-year contract for the remanufacture of 53 VIA F40 locomotives. Multi-year contracts are complicated and create additional contract related risks for the Company. Under the multi-year contract, the Company is required to meet specific obligations throughout the course of the contract. Failure to meet these obligations subjects the Company to financial penalties. Financial risk can also result if the Company is unable to effectively manage production and material costs during the term of the contract. Management is continuously improving the Company's cost control measures to minimize the risk of unplanned production costs. Certain long-term contracts with government controlled entities, such as VIA, provide such entities with the right to terminate without cause. Such termination could result in significant negative impact to the Company, notwithstanding that Global has taken steps to mitigate the impact through its contracts with suppliers.

Performance Bonds

In the normal course of business, the Company provides indemnification commitments to customers in the form of annual performance bonds. These indemnification commitments generally require the Company to compensate the customers, upon demand, for costs or losses resulting from the Company's failure to fulfill its contractual obligations. The terms of these indemnification agreements vary based on the contract and generally do not exceed one year. There is a risk that the bonding companies may chose not renew the performance bonds.

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Competition

The Company is subject to competition from companies with a broader range of products, greater financial resources and larger marketing capabilities. There can be no assurance the Company will be able to continue to compete successfully with existing competitors or with new competitors. Management is aware of the competitors in its market and sees minimal new threats to the current customer base. While the Company's customers are cost conscious and have access to competitive products and services, Management's continued focus on safety, lean manufacturing, product quality and superior customer service has enabled the Company to successfully retain and grow its customer base.

Dependence Upon Customers

Demand for the Company's products depends primarily on the level of spending by the North American Class 1 freight railroads, passenger railroads and commuter systems. Success is directly related to the strength of the Company's relationships with, and the economic success of, a small number of its larger customers. Should the Company's relationships with any of its major customers become strained, or the profitability of those customers becomes negatively affected, profitability may be impacted. Freight railroad customers are forecasting reduced capital and operating spending in the short-term given the turbulent economic markets. Year-to-date, freight railroad carloads are down about 18 to 20%, compared to the same period in 2008. On the other hand, passenger railroads and commuter systems are favourably impacted by the current market conditions because of increased government investment in rail passenger transit. Additionally, the recently announced stimulus spending in Canada and the United States allocates significant monies for continued infrastructure spending on rail passenger transit. Approximately 40% of the Company's revenues are generated from transit customers, compared to 60% from freight carriers.

Product Supply

The Company has been, and may continue to remain, reliant upon third party contractors to provide products and services. The Company is therefore exposed to risks associated with the skills, abilities, timeliness, and quality assurance standards utilized by these third parties. In the event that unsatisfactory services are rendered, the recourse available to the Company may be limited. G&B and Bach-Simpson enter into contracts for the purchase of materials with selected suppliers to ensure a stable supply of raw materials. Management is not aware of any events that could result in material supply deficiencies in the near future.

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Proprietary Rights

The Company has limited registered proprietary rights pertaining to its products. Ability to protect its services or operations from replication by third parties is therefore limited.

Insurance

A defect in the products manufactured by the Company could result in serious personal injury or property damage. Although the Company carries a limited amount of liability insurance, it is not fully insured against such risks, nor are all such risks fully insurable.

Warranty Returns

Consistent with industry practice, the Company allows customers to return products for warranty repair or replacement. Although the Company provides allowances for anticipated returns, and believes that its policies have resulted in the establishment of allowances that are adequate, there is no assurance that such product returns will not exceed such allowances in the future, and as a result, may have a material adverse effect on future operating results. Should any of the distributed products prove to be defective, the Company may be required to refund the price of or replace those specific products or all such products previously distributed. Replacement or recall of such products may cause significant expense and adversely affect the reputation of the Company and its products.

Limited Financial Resources

The financial resources of the Company are limited in relation to its competitors. The Company's ability to fully exploit available opportunities may be dependent upon its ability to obtain additional financing either by debt, equity or other means. There is no guarantee that additional funding would be available. As an example, given the existing conditions of the banking and credit markets, the Company's future plans regarding new bids for large contracts might be at risk as most of these contracts require large initial investments in working capital.

Fluctuating Exchange Rates

A portion of the Company's revenues and expenses are transacted in U.S. dollars and are subject to exchange rate fluctuations. Exchange rates are determined by market factors beyond the control of the Company and may vary substantially and have a material adverse impact on the financial results of operations.

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Implementation of accounting system at CADRI

The implementation of a new accounting system at CADRI is scheduled to commence in 2010 and will address weaknesses of the existing systems and controls. This implementation will require time and manpower resources, thereby introducing some inherent risk in CADRI operations until such time that the accounting system is fully implemented. The accounting system is expected to be completely implemented by the end of Q2 2010.

Liquidity of Small Cap Stocks

The current economic uncertainty and financial market volatility make it challenging at times for investors to liquidate their investment in small cap companies. Generally, Global investors trade a minimal number of shares daily. In 2008, an average of about 13,500 Global shares was traded daily representing 0.1% of the Company's public float of outstanding common shares.

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements in accordance with Canadian GAAP. An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 1 in the 2009 third quarter interim consolidated financial statements for additional information regarding the Company's significant accounting policies.

Financial statements prepared in accordance with Canadian GAAP require Management to make estimates and assumptions relating to reported amounts of revenue and expenses, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Management regularly evaluates the assumptions and estimates that are used in the preparation of the Company's consolidated financial statements.

Estimates and assumptions used by Management are based on past experience and other factors deemed reasonable in the circumstances. These estimates and assumptions are based on Management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which Management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets and declines in customer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. Critical estimates include the following:

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Stock-Based Compensation

The Company uses the fair value method for calculating stock-based compensation cost. Under this method, compensation cost attributable to stock options granted to service providers, employees and directors is measured at fair value using the Black-Scholes method to estimate the fair value of the options at the grant date which is expensed over the vesting period, with a corresponding increase to contributed surplus. Upon the exercise of options, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. These estimates can have a material impact on the stock-based compensation expense and hence results of operations. However, since these expenses do not involve cash, there is no impact on the Company's financial condition.

Long-lived Assets

Estimates are also made related to the useful life of long-lived assets. These estimates are used to determine amortization expense. Estimates of an asset's useful life are based on past experience with similar assets taking into account technology or other changes. If these estimates prove inaccurate, Management may have to shorten the anticipated useful life of the asset recorded in the financial statements. This could result in higher amortization expense in future periods or possibly an impairment charge to reflect the write-down in value of the asset.

Other than the normal estimates required in the application of Canadian GAAP, and in the CAD acquisition discussed below, there are no other critical estimates included in the third quarter interim consolidated financial statements.

CAD Acquisition

The Company acquired substantially all of the business assets and net working capital of CAD for an initial cash consideration of \$22.0 million, excluding transaction costs of \$1.0 million. The purchase price was subject to final adjustments based upon the final net working capital value. Subsequent to closing, the Company identified a net working capital shortfall of approximately \$1,774,000. The vendors were not in agreement with the amount of the net working capital shortfall. Accordingly, the Company was seeking recovery of this shortfall from the vendors through an arbitration process specified in the asset purchase agreement. As part of its fair value assessment of the CAD acquisition, the Company adjusted the amount due from vendor to \$1,600,000, representing the amount estimated to be recovered through the arbitration process. The \$174,000 reduction was accounted for as an increase to goodwill in 2008.

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Subsequent to the 2008 year end, the Company settled the dispute with the vendors over the net working capital shortfall realized on the acquisition of CAD. Under the settlement arrangement, the Company received \$1,500,000 plus interest of \$36,000, and the Escrow Agreement was terminated. This settlement resulted in a reduction of the cash consideration paid to acquire CAD to \$20,500,000. A write-off in the amount of \$64,000, representing the difference between the settlement proceeds and the amount due to vendor, was recorded on the December 31, 2008 Consolidated Statements of Comprehensive Income.

The acquisition by the Company was accounted for by the purchase method, whereby the net assets acquired were recorded at fair value. The allocation of the purchase price was based upon the estimated fair market values of the identifiable assets acquired and liabilities assumed at the acquisition date as determined by the Company Management and its independent, third party valuers.

Long-term Contracts

Revenues for engineering service contracts, production contracts, and longer term remanufacturing contracts are recognized under the percentage of completion ("POC") method. Under the POC method, revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs for each unit of production. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that give rise to the revision become known to Management. The Company also provides for the estimated cost of product warranties at the time of revenue recognition.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the net assets acquired, based on their fair values. Goodwill is allocated as of the date of the business combination. Goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a

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business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item on the Consolidated Statements of Comprehensive Income before extraordinary and discontinued operations.

Adoption of New Accounting Policies

On July 1, 2009 CADRI voluntarily adopted the weighted average actual cost method for valuing its inventory. Previously CADRI had used the first-in, first-out method. This change in accounting policy followed an upgrade to CADRI's inventory system that resulted in a more reliable and more relevant inventory valuation being available to Management. Due to previous inventory system weaknesses, it is not practicable to calculate the financial impact of this change in accounting policy at the end of the third quarter of 2009.

During the first quarter of 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

- (a) Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this standard did not have any material impact on the Company's interim consolidated financial statements.
- (b) Section 3064, Goodwill and Intangible Assets, replacing section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this standard did not have any material impact on the Company's interim consolidated financial statements.
- (c) EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that the credit risk of counterparties should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of EIC 173. The adoption of this standard did not have any material impact on the Company's interim consolidated financial statements.

The Company adopted Sections 1400, 3064, and EIC 173 on a prospective basis with no restatement to prior period interim consolidated financial statements.

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Future Accounting Policies

Other new accounting standards issued by the Canadian Institute of Chartered Accountants, were as follows:

- (a) Section 1582, Business Combinations, provides guidance for the accounting of a business combination which is the Canadian equivalent to International Financial Reporting Standard IFRS 3. The Company will adopt this new standard in the first quarter of 2011 as part of its transition to International Financial Reporting Standards ("IFRS").
- (b) Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests, provide guidance for the preparation of consolidated financial statements and the accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will adopt this new standard in the first quarter of 2011 as part of its transition to IFRS.
- (c) In February 2008, the CICA's Accounting Standard Board announced that Canadian public companies will adopt IFRS as issued by the International Accounting Standards Board effective January 1, 2011. The Company has begun planning its transition to IFRS. During 2008, the Company carried out a diagnostic evaluation of all financial statement elements that would be impacted by the implementation of IFRS. The impact of the implementation of IFRS on the Company's information systems, internal control over financial reporting, disclosure controls and procedures or business activities such as debt covenants, capital requirements or compensation arrangements, has not been determined at this time. The Company plans to fully assess the impact of IFRS on the above noted items and implement such changes as may be required to ensure that IFRS reporting is fully embedded in the Company's operations by the end of 2010.
- (d) In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated financial statements.

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Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company, including its consolidated subsidiaries, is accumulated and communicated to Management as appropriate to allow timely decisions regarding required disclosure. In connection with the Canadian Securities Administrators Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Findings", the Company's Management, with the participation of the CEO and CFO, has evaluated the effectiveness, as at September 30, 2009, of the Company's disclosure controls and procedures and has concluded that such disclosure controls and procedures are not effective, based on such evaluation. Management has carried out procedures which it believes has enabled it to mitigate the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Internal Controls over Financial Reporting

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of its internal control over financial reporting as of September 30, 2009 using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. The weaknesses in the Company's internal controls over financial reporting, discussed below, result in more than a remote likelihood that a material misstatement would not be prevented or detected. Management has carried out procedures which it believes has enabled it to mitigate the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Specifically, Management identified areas of concern in:

1. Segregation of duties

Segregation of duties and user access control deficiencies have been identified within the Company's accounting and finance departments and its financial information systems. Specifically, certain duties within the accounting and finance departments were not properly segregated due to the small number of individuals employed in these areas. These deficiencies may be considered a material weakness resulting in a more-than remote likelihood that a material misstatement

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of the Company's annual or interim financial statements would not be prevented or detected.

Management continues to review accounting processes with a view to reduce segregation of duties and access control deficiencies. However, future mitigation is limited by the relatively small number of personnel within the Company's accounting and finance departments.

2. Complex and non-routine transactions

As required, the Company records complex and non-routine transactions. Sometimes, these transactions are extremely technical in nature and require an in-depth understanding of Canadian GAAP and Canadian tax regulations. The Company's Chief Financial Officer has extensive experience and background in Canadian GAAP and Canadian tax regulations. However, due to the complexity of Canadian GAAP, it remains possible that transactions may not have been recorded correctly, potentially resulting in material misstatement of the financial statements of the Company. To mitigate this risk, the Company's CFO consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, quarterly reviews of the financial statements are completed by the Company's auditors, and an annual audit is completed. The financial statements are also presented to the Audit Committee for its review and approval.

3. Corporate Governance

In May 2007, Terry McManaman, the Company's President and CEO, was elected to the position of Chairman of the Board of Directors. As Chairman of the Board, Mr. McManaman also retained his President and CEO responsibilities. To avoid any potential conflicts of interest, the Company's Corporate Governance Committee mandated that all decisions not in the ordinary course of business must be reviewed with and approved by the Company's Lead Director, Tom Dea.

4. CADRI

On November 14, 2007, Global acquired the business assets and net working capital of CADRI. During fiscal year ended December 31, 2008, Company Management reviewed the design and the operating effectiveness of internal control over financial reporting of CADRI's significant processes. As a result, a number of process-level controls including information technology and general computer controls were assessed to be ineffective as of December 31, 2008.

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To date, some key internal controls are still under evaluation and implementation as this is a continuous improvement process. CADRI management has achieved some level of enhancement into the internal control over financial reporting structure; however, the primary focus continues to be the implementation of an integrated accounting system. This will allow the following:

- i) The automation of processes and implementation of automated controls that are currently manually intensive;
- ii) The integration of end user computing ("EUC") applications, for example spreadsheets and databases; and
- iii) The implementation of controls relating to information technology, also referred to as General Computer Controls ("GCC"), such as program changes, access to programs, and data and computer operations.

The application of Bill 198 and its regulations is gradually leading CADRI to formalize its processes and control measures that are already in place and to introduce new ones. CADRI management has chosen to make this a strategic endeavor, which will result in operational improvements and better management.

Management has identified the following internal control deficiencies:

Accounting for Inventories

There is a lack of control over CADRI's inventory processes from the initiation, approval, review, recording and evaluation of inventory related transactions which may have had an impact on the accounting for the cost of goods sold and the revenue recognition based on the percentage of completion method for certain long-term contracts. During the second quarter of 2009, CADRI hired an experienced inventory control manager to oversee procurement and inventory control. Since then, CADRI's inventory processes have been under review to enhance efficiency and effectiveness, and strengthen controls to improve the accuracy, completeness, validity, valuation and timely recording of inventory transactions in the following areas:

- a) Tracking of inventory movements including the receipt, transfer, storing and shipping of goods, the issuance of parts and materials to the production to capture all costs relating to a work order and the identification of inventory on consignment;
- b) Purchasing level of authority and purchase order completion and approval;

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- c) Physical access security to inventory;
- d) Periodic physical inventory count procedures and review and approval of inventory adjustments;
- e) Data entry and maintenance of the accuracy and integrity of the inventory databases, including access restriction to personnel;
- f) Creation, changes and maintenance of master parts numbers in the inventory databases;
- g) Allocation of time and attendance to work orders and recording of labor costs;
- h) Creation and closing of work orders; and
- i) Evaluation of inventory net realizable value and determination of allowance for obsolete items.

Although progress has been made, Management is of the opinion that controls over accounting for inventories are still weak and will only become reliable with the implementation of the new accounting system.

Accounting for Accounts Payable and Accrued Liabilities

During Q3, there has been improvement in the validation of vendor invoices against the approved purchase order and the receiving documents. There has also been an improvement in the procedures to determine accrued liabilities at period end. Some of the manual procedures performed to validate vendor invoices may be automated with the implementation of the new accounting system.

Accounting for Capital Assets

Procedures and controls to capture and record capital assets accurately, completely and timely and maintain adequately the fixed assets register have been improved at CADRI during 2009. CADRI management has implemented improved procedures to identify and record capital assets on a more timely basis, and follow up on capital expenditure projects. The implementation of an accounting system will allow the automation of the process and the integration of EUC applications reducing the risk of errors due to manual data entry.

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Journal Entries

During the first quarter of 2009, CADRI management established new standards for supporting documentation and strengthen the review and approval process for journal entries. Beginning in Q3, CADRI's journal entries are required to be accompanied by supporting documentation and are reviewed and approved for validity, completeness and accuracy. CADRI management continues to monitor these changes closely to ensure that journal entries are adequately reviewed and approved going forward.

Period End Financial Reporting Procedures

The period end financial reporting procedures include account reconciliations over balance sheet accounts and various account analyses. In Q3, CADRI's account reconciliation procedures were formalized, and most account reconciliations are being performed on a timely basis and supported by adequate documentation. CADRI management now utilizes a month-end schedule to manage the general ledger close process. In April 2009, a Controller was hired to strengthen CADRI's accounting department.

Reliance on Spreadsheets

Accounting personnel at CADRI rely heavily on the use of accounting spreadsheets to generate monthly financial reports. Although Management believes this reliance has not resulted in a misstatement of the financial statements, it is a material weakness in CADRI's control environment because of the pervasiveness and significance of the use of spreadsheets. Management is planning the implementation of an accounting system to be utilized to generate a greater portion of CADRI's financial reporting and analysis in place of extensive spreadsheet use.

Segregation of Duties and Access Rights

Given the small scale of the accounting department of the subsidiary, there were certain control deficiencies relative to segregation of duties, access rights and conflicting roles within applications. CADRI management is currently looking to hire additional accounting resources, such as the recently hired Controller, and will undertake the analysis of conflicting roles before providing access rights to accounting applications in the new accounting system.

End User Computing Applications (for example, spreadsheets and databases)

CADRI utilizes various EUC applications to support the accounting of transactions such as: inventory month-end adjustment, depreciation expense, percentage of

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completion and fixed assets additions. Those EUC applications are not supported by the same control environment as purchased computing applications. CADRI management will establish a corporate procedure to implement access and change controls over EUC applications. Some of those EUC may be developed and integrated into the new accounting system.

Inherent Limitations on Effectiveness of Controls

There were continual improvements to, but no material changes in, the design of CADRI's disclosure control systems and internal control over financial reporting during fiscal 2008 or fiscal 2009. In April 2009, a Controller was hired to provide assistance to the Director of Finance with these initiatives. The Director of Finance resigned from CADRI in July 2009 and Management is currently assessing whether or not this open position needs to be filled. CADRI regularly reviews its controls and procedures by engaging independent advisors to assist with the review and testing of the control activities, identify weaknesses and suggest improvements.

In connection with the Canadian Securities Administrators Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Findings", the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness, as at September 30, 2009, of the Company's internal controls over financial reporting and has concluded that such internal controls over financial reporting are not effective, based on such evaluation.

It should be noted that a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that Management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances, or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on the work performed to date, Management believes that there are no material inaccuracies or omissions of any material fact in this MD&A. Management, to the best of its knowledge, also believes that the September 30, 2009 interim consolidated financial statements are fairly presented in all material respects.

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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 and operating performance and speak only as of the date of this report. Reference should be made to the Company's December 31, 2008 annual consolidated financial statements and the 2008 Annual Information Form for a discussion of risk factors including among others technology, competition and regulatory changes.

For additional guidance, please review the 2008 Annual Report and continuous disclosure materials available through the Sedar website at www.sedar.com.

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<p><u>DIRECTORS</u></p> <p>Terry McManaman, CA Chairman of the Board</p> <p>Thomas Dea Lead Director</p> <p>Laurie Bennett, CA ¹ Chair, Audit Committee</p> <p>Jean Clerk, QC ¹</p> <p>Jacques Cote ¹</p> <p>Alan Sellery</p> <p><u>OFFICERS</u></p> <p>Terry McManaman, CA President & Chief Executive Officer</p> <p>Brian McMullan, CA Chief Financial Officer</p> <p>Peter Spence, LLB Corporate Secretary</p>	<p><u>CORPORATE OFFICE</u></p> <p>Global Railway Industries Ltd.</p> <p>Head Office 1255 Brydges Street, London, Ontario , N5W 2C2</p> <p>Administrative Office (mailing address) 1160 K Pittsford-Victor Road Pittsford, NY, 14534 Phone (585) 419-9720 Fax (585) 385-6790 Email info@globalrailway.com Website: www.globalrailway.com</p> <p>BANKERS HSBC Bank Canada – Montreal, Quebec BMO – Montreal, Quebec HSBC Bank - Rochester, New York</p> <p>AUDITORS KPMG LLP London, Ontario</p> <p>LEGAL COUNSEL Harrison Pensa LLP London, Ontario</p> <p>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>STOCK EXCHANGE Toronto Stock Exchange Symbol: GBI</p>
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¹ Member of Audit Committee