



**GLOBAL RAILWAY INDUSTRIES LTD.**

**ANNUAL INFORMATION FORM**

**For the year ended December 31, 2009**

**Dated: March 31, 2010**

**GLOBAL RAILWAY INDUSTRIES LTD.  
ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**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, 2009 annual consolidated financial statements and this Annual Information Form for a discussion of risk factors including among others technology, competitive and regulatory changes. For additional guidance, please review the 2009 Annual Report and continuous disclosure materials available through the SEDAR website at [www.sedar.com](http://www.sedar.com).

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## ITEM 1: CORPORATE STRUCTURE

### 1.1 Name, Address and Incorporation

Global Railway Industries Ltd. ("the Company" or "Global") was incorporated as 708288 Alberta Ltd. in the Province of Alberta, pursuant to the provisions of the *Business Corporations Act* (Alberta), by Certificate of Incorporation dated January 30, 1997. The name of the Company was changed to RMN Technologies Inc. by Certificate of Amendment dated April 9, 1997. The articles of the Company were amended to remove the limitation of the number of shareholders and the restriction to offer its securities to the public by Certificate of Amendment dated May 23, 1997. The name of the Company was further changed to Global Railway Industries Ltd. by Certificate of Amendment dated February 3, 1999.

The Head Office of the Company is located at 1255 Brydges Street, London, Ontario, N5W 2C2. The Registered Office is located at 600 West Chambers 12220 Stony Plain Road, Edmonton, AB, T5N 3Y4. The Company's mailing address is 1160-K Pittsford-Victor Road, Pittsford, New York, 14534.

### 1.2 Inter-Corporate Relationships

#### Subsidiaries

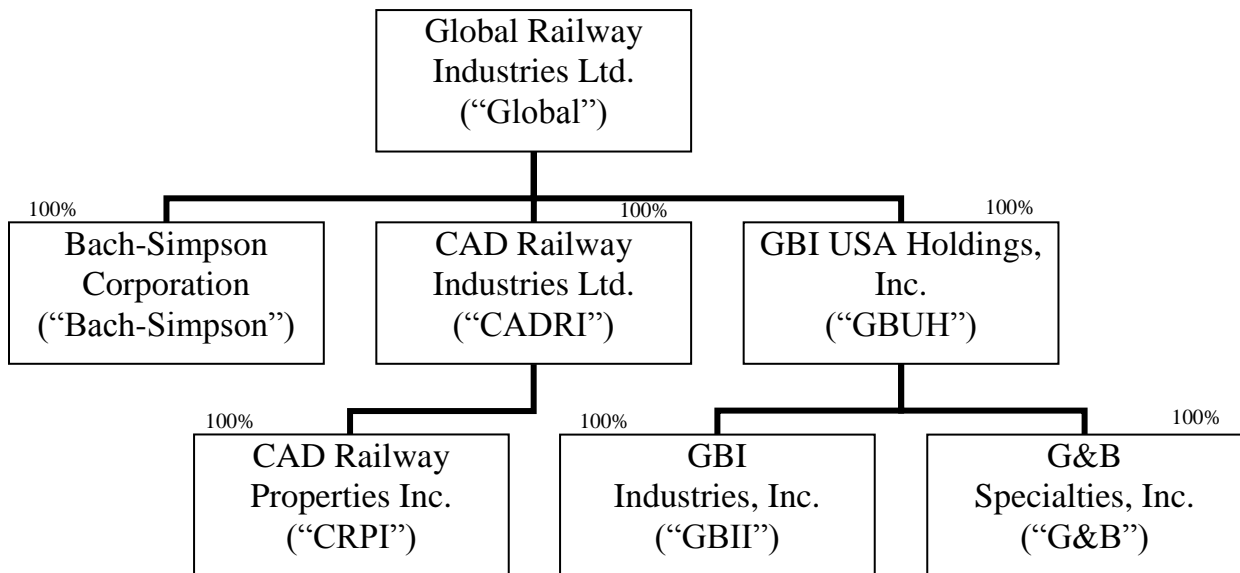
As at December 31, 2009, the Company had three wholly owned subsidiaries: Bach-Simpson Corporation ("Bach-Simpson"); CAD Railway Industries Ltd. ("CADRI"), formally Prime Steel Inc. ("Prime"); and GBI USA Holdings, Inc. ("GBUH"), formally YSD Holdings (2004), Inc. GBUH had two wholly owned subsidiaries: G&B Specialties, Inc. ("G&B") and GBI Industries, Inc. ("GBII"), formally YSD Industries (2004), Inc. ("YSD"). CADRI had one wholly owned subsidiary, CAD Railway Properties Inc. ("CRPI").

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## Chart of Subsidiaries

The following chart outlines the corporate structure of the Company as at December 31, 2009:



## Bach-Simpson Corporation

The Company is the sole shareholder of Bach-Simpson. Bach-Simpson was incorporated pursuant to the *Business Corporations Act (Ontario)* on November 17, 1998 and is registered to carry on business in the Province of Ontario.

## CAD Railway Industries Ltd.

The Company is the sole shareholder of CADRI. CADRI was incorporated pursuant to the *Business Corporations Act (Ontario)* on December 31, 1997. CADRI is the sole shareholder of CRPI. CRPI was incorporated pursuant to the *Business Corporations Act (Ontario)* on September 17, 2007.

## GBI USA Holdings, Inc.

The Company is the sole shareholder of GBUH, a private Nevada company incorporated on April 5, 2004. GBUH is the sole shareholder of GBII. GBII was incorporated under the laws of the State of Nevada on March 22, 2004 and registered in the State of Ohio

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to carry on business. GBUH is the sole shareholder of G&B. G&B was incorporated under the laws of the State of Pennsylvania on August 21, 1978.

### ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

#### 2.1 Three Year History / Significant Acquisitions and Transactions

Following is a three year history of significant acquisitions and corporate transactions:

- i) Bach-Simpson: In July 2006, Bach-Simpson was amalgamated with Transportation Technologies Inc. ("TTI") and Rafna Industries Ltd. ("Rafna"). Prior to the amalgamation, TTI was a wholly owned subsidiary of the Company, and Rafna was a wholly owned subsidiary of TTI.
- ii) CADRI: In September 2007, Prime Steel Inc. was renamed CAD Railway Industries Ltd. / CAD Industries Ferroviaires Ltée ("CADRI"). In November 2007, CADRI acquired the business assets and net working capital of Canada Allied Diesel Co. Ltd., CAD Railway Services Inc., and Engine System Development Center Inc. (together "CAD"), based in Lachine, Quebec. Additional information relating to the CAD acquisition may be found in the Company's Business Acquisition Report dated January 28, 2008 and filed on SEDAR at [www.sedar.com](http://www.sedar.com).

In December 2007, CADRI was awarded a \$101.5 million contract to remanufacture VIA Rail Canada's ("VIA") fleet of 53 F40 locomotives. The VIA fleet renewal program will see the full remanufacture of VIA's F40 locomotives, including several technological upgrades, and is expected to be completed by the end of 2012. Revenues generated from this contract, which is predominantly denominated in Canadian dollar currency, provided an improved balance to the Company's overall operations between Canada and the United States.

In June 2008, the Company completed the transfer of CADRI's metal fabrication equipment from Courtice, Ontario to the main CADRI facility in Lachine, Quebec. This change enabled CADRI to achieve material logistics and procurement efficiencies in 2009.

- iii) CRPI: In September 2007, CRPI was incorporated pursuant to the *Business Corporations Act* (Ontario) and is wholly owned by CADRI. In November 2007, CRPI acquired land and a building located in Lachine, Quebec, from Lachine Rail Centre Inc., a corporation related to CAD. The land and building are utilized by CADRI.

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In June 2008, CRPI completed the acquisition of the land and building adjacent to its main facility building. CADRI had previously leased approximately sixty percent of the acquired building for the VIA contract. This acquisition gave CADRI complete control over rail access to the facility and increases its capacity to undertake additional long term re-manufacturing contracts.

- iv) Global: 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. In November 2009, the Lenders introduced a quarterly Earnings Before Income Taxes, Depreciation and Amortization ("EBITDA") covenant, allowed the postponement of two scheduled quarterly payments on the Company's long-term debt, and introduced conditions for the sale of at least one subsidiary or raising alternative financing.

During the second quarter of 2008, the Company received an unsolicited expression of interest from a third party. As a result, the Company's Board of Directors established a Special Committee of the Board to consider and evaluate the Company's strategic options. The Special Committee engaged a financial advisor to assist in the process. The Special Committee determined, and the Board concurred, that the strategic options identified through this process did not merit further action.

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. During the second quarter of 2009, the Board established a Special Committee of the Board to consider and evaluate the Company's strategic options. These options included the sale of the Company as a whole or the sale of one or more of the Company's subsidiaries. The mandate of the Special Committee was expanded in the third quarter of 2009 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.

## 2.2 Trends

North American Class 1 Railroads reported carload traffic declines of 15 to 20% in 2009 as compared to 2008. To reduce their costs of operations, freight carriers continue to implement aggressive cost cutting plans focused on reducing the assets employed in their operations. As such, in 2009 thousands of locomotives and railcars were put into storage. This has a negative impact on Global's earnings as railways have restricted their spending on both operating and capital projects. On a positive note, North American

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carload volumes increased 2.7 percent in the first nine weeks of 2010 compared to the same period in 2009. Intermodal traffic increased 7.8 percent in the first nine weeks of 2010 compared to the same period in 2009.

Both the United States and Canadian governments have announced several economic stimulus packages and Management has received feedback from transit customers, that they are confident the proposed infrastructure stimulus spending will generate several orders for existing applications at Bach-Simpson.

### ITEM 3: DESCRIPTION OF THE BUSINESS

#### 3.1 General

Global is a holding company of three railway supply companies.

Revenues from the Company's three business categories for the years ended December 31, 2009 and December 31, 2008 were as follows:

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Locomotive	\$36,006,288	54.2	\$34,044,880	55.1
Track and Signal	20,631,625	31.0	20,972,943	34.0
Instrumentation	9,860,630	14.8	6,749,443	10.9
	<u>\$66,498,543</u>	<u>100.0</u>	<u>\$61,767,266</u>	<u>100.0</u>

#### 3.2 Corporate Strategy

Global is a holding company of three railway supply companies. The Company's strategy was to consolidate railway supply companies to fill a market need created by the reorganization of the North American rail freight and transit carriers. That strategy has been suspended as the Board of Directors has established a Special Committee to conduct a Strategic Review of all available options to maximize shareholder value. Such options include the sale of the Company in whole or in parts.

#### 3.3 Banking

In November 2007, the Company entered into a credit agreement shared between two Canadian chartered banks (the "Lenders"). The aggregate maximum amount of the credit facilities is \$34.1 million and is comprised of: (i) a demand revolving operating facility in the principal amount of \$10.0 million, subject to borrowing base requirements, the proceeds of which are to be used to finance ongoing operating and working capital requirements; (ii) a five year revolving, reducing, term loan in the principal amount of \$22.0 million (\$17.4 million as at December 31, 2009) to finance the CAD acquisition,

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working capital, capital expenditures and other acquisitions; (iii) a hedge facility in the maximum aggregate amount of \$2.0 million to enable the Company to hedge interest rate related risk and foreign exchange related risk under hedge contracts between the Company and the Lenders; and (iv) a credit card facility in the aggregate maximum amount of \$100,000. The amount of the term facility is reduced by \$770,000 on the first day of each calendar quarter commencing on April 1, 2008 and continuing thereafter until November 13, 2012. The outstanding principal balance of the term facility at December 31, 2008 was \$17.4 million. Each quarter, the Company must repay any amount of outstanding principal which exceeds the adjusted available amount on the term facility. The bank credit facilities bear interest at a floating rate of interest plus an applicable margin. The credit facilities are guaranteed by the Company and each of its wholly owned subsidiaries and are secured by general security over substantially all of the assets of the Company and its wholly owned subsidiaries. The operating facility is subject to annual review by the Lenders in April of 2010. The term facility is committed for the five year term.

On November 12, 2009, Management and the Lenders agreed to terms for the Second Amending Agreement to the Company's credit facility. The Term Facility was changed from a revolving, reducing facility to a reducing facility. The repayments of long-term debt scheduled for October 1, 2009 and January 1, 2010 totaling \$1,540,000 were postponed until the expiry date of the term credit facility in 2012. The Company's Operating Facility was renewed to the next annual review scheduled for April, 2010 and remains at \$10,000,000. Furthermore, the borrowing base related to the Company's inventory has been expanded from \$5,000,000 to \$6,500,000. The Company's Hedge Facility was capped at the then current exposure level. A new Earnings Before Interest, Taxes and Amortization ("EBITDA") covenant was introduced, requiring the Company to meet minimum quarterly EBITDA targets, with a 15% tolerance, through to the end of 2010. The Lenders 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 required the Company to enter into a final offer of purchase for 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. Under the amended terms of the Credit Facility, the Company is required to provide the Lenders with specified monthly financial information, provide regular updates on the divestiture process, and implement monthly financial monitoring by an independent accounting firm. A restructuring fee of \$150,000 was charged to the Company by its Lenders.

The Company's Lenders have subsequently agreed to extend the deadline for meeting their first condition of the Second Amending Agreement to the Company's Credit Agreement to June 30, 2010.

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At December 31, 2009, the Company was not in compliance with three of its banking covenants. The Lenders had not agreed to waive the covenant breaches at December 31, 2009; however, the Lenders agreed to tolerate two of the covenant breaches. The Company has advised its Lenders that it will not be in compliance with these covenants in 2010 and accordingly will continue discussions with its Lenders to either amend these covenants or obtain continued tolerance from the Lenders. As a result of the previous breaches of these covenants, the Lenders are in a position to consider realization action under the Credit Agreement on the supporting security provided by Global. However, Global's Lenders have not taken any such action, or led Management to believe such action was being contemplated. Company Management is in continued discussions with the Lenders regarding the Company's financial situation and covenant breaches; however any resulting amendments to the credit facility agreement, if any, will not be completed until the second quarter of 2010. There is no assurance the Lenders will grant these amendments or provide waivers for future covenant violations should they occur, nor is there any assurance that the Company would be able to obtain funding from alternative sources. 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.

### **3.4 Description of the Businesses of CADRI, G&B, and Bach-Simpson**

The following is a narrative description of each of the businesses of the subsidiaries of the Company:

#### **CADRI (Locomotive segment)**

CADRI offers its customers turnkey rail supply services primarily to the North American north-east railway industry, and secondarily to the rest of the Canadian market and overseas. CADRI sells parts, services and technical expertise in the maintenance, remanufacture and testing of diesel engines for locomotives, marine engines and power plants worldwide. CADRI services, repairs, and remanufactures all categories of freight cars, tank cars, locomotives and passenger cars, and provides locomotive emission testing and engine diagnostic services. CADRI sells its products and services through employed sales people and commissioned sales agents.

CADRI's most significant customers include: Via Rail Canada, Canadian National Railway, Canadian Pacific Railway, Procor, Ontario Northland Railway, Port of Montreal, Rail America, Athabasca Northern, Electro-Motive Diesel and General Electric.

It is difficult to estimate CADRI's market share since the market for CADRI's products and services is so wide and fragmented.

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CADRI's main competitors include: Wabtec Corporation and American Motive Power.

CADRI's competitive advantages in relation to the competitors identified above are as follows:

- i) CADRI is the only major locomotive remanufacturing shop within a 1,000 kilometer radius of Montreal;
- ii) CADRI's facilities are located in an excellent geographical location, close to several major customers, with access to both Canadian Pacific and Canadian National lines; and
- iii) CADRI is the only company in Canada that offers full-scale applied research and development, as well as testing, for diesel engines used in rail, marine and stationary applications.

Business at CADRI's is cyclical with the general economy and, with the exception of major contracts, is based upon repeat short term contracts with the major railroads. CADRI employs 269 people.

### **G&B (Track and Signal segment)**

G&B designs, manufactures and markets railroad track and signal components and railgear for use by freight and passenger railroads. More specifically, G&B manufactures switch machine layouts, manual switch stands, electric switch locks, switch circuit controllers and component parts for the mentioned products. A railgear unit is a set of rail guide wheels installed on the under carriage of a highway vehicle. The rail guide wheels are hydraulically raised and lowered. The railgear unit provides the vehicle the ability to travel on public roads and also, when the rail guide wheels are lowered, to travel on rail lines.

G&B has three main competitors in regard to track and signal products: Union Switch and Signal, Alstom and Safetran. G&B has two main competitors in regard to railgear units: Harsco Track Technologies ("Harsco") and Diversified Metal Fabricators ("DMF"). Railgear is manufactured in three categories dependent upon the gross vehicle weight of the highway vehicle. Harsco is mainly a light railgear competitor and DMF is primarily a heavy railgear competitor.

In general, G&B has approximately 75% market share in switch machine layouts and accessories. G&B has about a 20% to 25% share of the railgear market

G&B's competitive advantages in relationship to competitors identified above are as follows:

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- i) G&B is one of the few companies in the North American market that has forging, fabricating and machining capabilities. This allows G&B to control costs and scheduling. Accordingly, G&B is a low cost producer with timely delivery and service;
- ii) G&B supplies safety sensitive components to the railway industry. These components have a history of being safe and reliable;
- iii) G&B has an industry reputation for excellent customer service, high quality products and on time delivery;
- iv) G&B's railgear design incorporates fewer moving parts than its competitors' products. Fewer moving parts result in lower ongoing maintenance and therefore a cost which is ultimately lower than competitive products over the life of the railgear; and
- v) G&B's railgear utilizes hydraulic technology and is user friendly.

Cost advantages at G&B are realized through its excellent workforce, lean manufacturing, strategic sourcing of parts, both domestic and offshore, continuing capital programs to upgrade equipment to the latest technology, and through a relentless focus on detail and process improvement. This has given G&B the ability to reduce process costs and cycle times.

G&B's business is cyclical with the general economy and the overall movement of goods and passengers by rail carriers. G&B employs 96 people.

### **Bach-Simpson (Instrumentation segment)**

Bach-Simpson is based in London, Ontario, and was established in 1946 as a designer and manufacturer of electronic instrumentation and custom electronic systems.

Bach-Simpson's primary products include event recorder and speed indicator systems produced for rail transit and freight original equipment manufacturers ("OEM's") such as Bombardier, Alstom, Kawasaki, General Electric, Sumitomo, Siemens and Electro-Motive Diesel. In addition, Bach-Simpson supplies products directly to most transit authorities and freight railroads in North America.

Wabtec Corporation and Quantum Engineering, Inc. are Bach-Simpson's main event recorder competitors in the North American market. Bach-Simpson holds about 25% of the event recorder market, while Wabtec and Quantum hold approximately 40% and 25%, respectively.

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Bach-Simpson's competitive advantages in event recorders are as follows:

- i) Bach-Simpson's event recorder incorporates an IEEE/FRA compliant Crash Hardened Memory Module that is the most compact in the industry;
- ii) Bach-Simpson's event recorder incorporates a modular design that allows for easy upgrade and customization to fit the end user needs for new and retrofit applications; and
- iii) Bach-Simpson's event recorder is the standard platform specified by most Commuter Rail Transit Authorities and OEM's.

Although Bach-Simpson's primary market share is commuter transit, it continues to pursue new opportunities in the freight railroad sector. Bach-Simpson's business is neither seasonal nor cyclical. Bach-Simpson's business is largely dependent upon winning long term contracts as they are tendered by the OEM's and the various North American transit authorities. The contracts tendered are largely a function of government funding made available for transit system expansion and refurbishment. With rising oil prices, as well as public concern with the environment, government funding for transit is generally increasing. Bach-Simpson employs 35 people.

### **3.5 Risk Factors**

The Company's primary business risks are listed below:

#### **Liquidity**

At December 31, 2009, the Company was not in compliance with three of its banking covenants. The Lenders have not agreed to waive the covenant breaches at December 31, 2009; however, the Lenders agreed to tolerate two of the covenant breaches. Based on its 2010 projections, the Company expects continued breaches of these covenants during 2010 and has so advised its Lenders. As a result of the previous breaches of these covenants, the Lenders are and will be, with respect to the anticipated breaches, 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. Company's Management is in continued discussions with the Lenders regarding the Company's financial situation; however any resulting amendments to the credit facility agreement, if any, will not be completed until the second quarter of 2010. There is no assurance the Lenders will grant these amendments or provide waivers for future covenant violations should they occur, nor is there any assurance that the Company would be able to obtain funding from alternative sources. Management has commenced discussions with other parties as alternative sources of financing to support the Company's liquidity requirements. In Management's

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judgment, these combined efforts will be successful in addressing the Company's future cash resource requirements.

### **Key Personnel**

The Company's senior management team is comprised of its Chairman, President and Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") 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 unanticipated 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, results of operations or implementation of the Strategic Review recommendations. Additionally, the departure of the Company's President and CEO or CFO is an event of default under the Company's Credit 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. The Board of Directors has approved a corporate restructuring plan, to be implemented upon the sale of one or more of the Company's subsidiaries, which ensures appropriate Management personnel will be retained to guide the Company through the final implementation of the Board of Directors' approved decisions resulting from the Strategic Review. Additionally, the Company has employment and non-competition agreements in place with each member of its senior management team. The Company's Lenders have been kept apprised of and concur with the Restructuring Plan.

### **Business Strategy**

The Company's growth through acquisition strategy was suspended given the Company's financial condition and the pending outcome of the Strategic Review.

### **Credit Facilities**

The Company 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. The Company is not in compliance with certain covenants under the Credit Agreement and the Lenders are in a position to take action that 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

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additional funding for working capital purposes or to renew existing credit facilities. At December 31, 2009, the Company was not in compliance with a Funded Debt to EBITDA covenant, a Fixed Charges Coverage covenant, and an EBITDA covenant under its Credit Agreement, 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 choose not to renew the performance bonds.

### **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.

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## **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 become negatively affected, profitability may be impacted. Freight railroad customers are forecasting modest increases in capital and operating spending in the short term given the uncertain economic markets. 2009 freight railroad carloads were down about 15 to 20%, compared to 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.

## **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.

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## **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. Due to the constraints placed on Global by its Lenders, further access to hedge contracts to protect against currency fluctuations is not available.

## **Implementation of accounting system at CADRI**

The implementation of a new accounting system at CADRI is scheduled to commence in 2010 and is expected to address some of the 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.

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## **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 2009, an average of about 10,500 Global shares was traded daily representing 0.1% of the Company's public float of outstanding common shares.

## **ITEM 4: DIVIDENDS**

During the three most recently completed financial years, no dividends have been paid on the common shares and it is not expected that dividends will be paid on the common shares in the foreseeable future. The future payment of dividends will be dependent upon the Company's financial condition, financial requirements to fund future growth, and other factors the Board of Directors may consider appropriate in the circumstances. The Company is not aware of any restrictions that could prevent the paying of dividends.

## **ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE**

### **5.1 Authorized and Issued Capital**

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred redeemable shares. As at December 31, 2009, 15,239,900 common shares are issued and outstanding. No preferred shares have been issued.

### **5.2 Common Shares**

The holders of the common shares are entitled to dividends as and when declared, to one vote per share at meetings of common shareholders and, upon liquidation, to receive assets as are distributable to the holders of the common shares after distributions to holders of preferred shares, if any.

### **5.3 Preferred Shares**

Preferred shares may be issued in one or more series, each consisting of a number of preferred shares, as determined by the Board of Directors who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation,

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dissolution or winding-up or any other distribution of the assets, rank on a parity with the preferred shares of every other series and shall be entitled to preference over the common shares and the shares of any other class ranking junior to the preferred shares.

**ITEM 6: MARKET FOR SECURITIES**

The Company's common shares trade on the Toronto Stock Exchange (TSX) under the trading symbol GBI.

**6.1 Price Range and Trading Volume**

The following table sets forth the reported high and low share prices and the trading volumes for each month in 2009:

Month	Price Range		Trading Volume
	High (\$)	Low (\$)	
January	1.00	0.70	1,014,776
February	1.10	0.84	67,705
March	0.95	0.76	156,347
April	1.05	0.76	145,848
May	1.34	0.95	220,227
June	1.25	1.00	117,871
July	1.15	1.00	183,341
August	1.15	0.95	112,263
September	1.12	0.99	140,103
October	1.15	1.05	92,100
November	1.10	0.90	179,227
December	1.10	0.90	238,752

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### ITEM 7: DIRECTORS AND OFFICERS

#### 7.1 Name, Address, Occupation and Security Holding

The following table sets forth the names, the states/provinces of residence, the positions held, and the principal occupations of each of the directors and executive officers:

Name, Municipality, Position, Classification, Date of Appointment	Principal Occupation And Positions During Last Five Years
Terry McManaman, CA Florida, USA Chairman since May 2007 President and CEO since October 2005 Director since June 2005	Prior to his retirement from Canadian National Railway ("CNR") in 2003, Mr. McManaman was Vice President of Cargoflo and Transload of Canadian National Railway Ltd. ("CNR"). Mr. McManaman was employed at CNR for 25 years. Mr. McManaman has been an officer of the Company since October 2005.
Thomas Dea Toronto, Ontario Lead Director Director since May 2009	Mr. Dea is a founding partner of West Face Capital Inc., a Toronto-based institutional investor with over \$1 billion in capital under management. He was previously a Managing Director at Onex Corporation, Canada's largest private equity investment firm, where he worked from 1995 to 2003.
Laurie Bennett, CA <sup>1</sup> Ontario, Canada Director since May 2009	Mr. Bennett is a Chartered Accountant with more than 27 years' partner experience prior to his retirement from Ernst & Young in 2004. Mr. Bennett has extensive public company experience and served as senior audit and coordinating partner for a number of significant clients who operated primarily in the manufacturing, mining and communication industries. Since his retirement, Mr. Bennett has served as Chairman of the Board of Directors for Exco Technologies Ltd., and was Chairman of the Audit Committee of the Board of Directors of Stelco Inc.
Jean Clerk, QC <sup>1</sup> Quebec, Canada Director since May 2008	Mr. Clerk is a lawyer at Heenan Blaikie, specializing in railway law and railway related transactions. Mr. Clerk was employed at CNR for 25 years, managing the Eastern law department for ten years.
Jacques Coté <sup>1</sup> Quebec, Canada Director since May 2009	Mr. Coté is a career railway executive having retired after 30 years of service with Canadian Pacific Railway. Following his retirement from CPR in 2001, Mr. Coté has remained active in consulting for clients in the railway and urban development fields. Mr. Coté also sits on a number of not for profit corporation boards.
Alan Sellery Toronto, Ontario Director since May 2009	Mr. Sellery co-founded Ironbridge Equity Partners Inc. in September 2005. From 2003-2005, Mr. Sellery was a partner in the equity fund at EdgeStone Capital Partners Inc.. From 1993-2002, Mr. Sellery led a series of portfolio companies primarily for private equity investors.
Brian K. McMullan, CA Ontario, Canada Chief Financial Officer since April 2007	Mr. McMullan has been an officer of the Company since April 2007. Previously, Mr. McMullan was Vice President, Finance and Accounting with Canon Canada Inc.
Peter Spence, LLB Ontario, Canada Corporate Secretary since November 2008	Mr. Spence has been a partner with the law firm of Harrison Pensa LLP since January 2005 and was previously a partner with the law firm Lockyer Spence LLP, in each case specializing in securities, corporate, and commercial law.

**Notes:**

(1) Member of the Audit Committee

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As at this date, the directors, executive officers and key employees of the Company, as a group, own beneficially, directly or indirectly, or exercise control or direction over 1,517,500 common shares or 10.0% of the issued and outstanding common shares.

Each director holds office until the next annual general meeting of shareholders or until a successor is elected or appointed.

### **7.2 Corporate Cease Trade Orders or Bankruptcies**

During the past ten years, none of the directors, executive officers or shareholders holding a sufficient number of securities to materially affect the control, is or has been, a director or executive officer of any other company that while such person was acting in that capacity: (a) was the subject of a cease trade order or similar order or an order that denied such company access to any exemption under securities legislation for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in such company being the subject of a cease trade or similar order or an order that denied such company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (c) within a year of that person ceasing to act in that capacity, such company became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **7.3 Penalties or Sanctions**

None of the directors, executive officers or shareholders holding a sufficient number of securities to materially affect the control have been subject to (a) any penalties or sanctions by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **7.4 Personal Bankruptcies**

During the past ten years none of the directors, executive officers or shareholders holding a sufficient number of securities to materially affect the control, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the such director, executive officer or shareholder.

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**7.5 Conflict of Interest**

Some of the directors and officers are or may be engaged in business activities on their own behalf and on behalf of other corporations and situations may arise where some of the directors may be in potential conflict of interest with the Company. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (Alberta).

**ITEM 8: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of any director, executive officer, or any shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding common shares or any known associate or affiliate of such persons, in any transaction during the three most recently completed financial years or during the current financial year which has materially affected or would materially affect the Company or a subsidiary of the Company.

**ITEM 9: TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company of Canada, through its principal offices at Calgary, Alberta, is the transfer agent and registrar for the common shares.

**ITEM 10: MATERIAL CONTRACTS**

In November 2007, the Company acquired the business assets and net working capital of Canada Allied Diesel Co. Ltd., CAD Railway Services Inc. and Engine System Development Center Inc., and certain land and buildings used in the business and owned by Lachine Rail Centre Inc. (collectively "CAD"), based in Lachine, Quebec. The Company subsequently assigned its rights under the asset purchase agreement ("APA") to CAD Railway Industries Ltd. ("CADRI"), formerly Prime Steel Inc., a wholly owned subsidiary of the Company. The Company paid \$22.0 million for substantially all of the business assets, net working capital, and the land and building of CAD. The purchase price was paid in cash, funded with \$8.0 million of cash on hand, with the remainder financed through the Company's \$34.1 million credit facility. 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. 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

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amount estimated to be recovered through the arbitration process. The \$174,000 reduction was accounted for as an increase to goodwill. On March 23, 2009, the Company settled the dispute with the vendors over the net working capital shortfall. Under the settlement arrangement, the Company received \$1,500,000 plus interest of \$36,000. This settlement resulted in a reduction of the cash consideration paid to acquire CAD to \$20,500,000. A write-down in the amount of \$64,000, representing the difference between the settlement proceeds and the amount due to vendor, was recorded on the Company's December 31, 2008 Consolidated Statements of Comprehensive Income. The acquisition has been accounted for using the purchase method, whereby the net assets acquired are recorded at fair value.

In December 2007, CADRI was awarded a \$101.5 million contract to remanufacture VIA Rail Canada's ("VIA") fleet of 53 F40 locomotives at its Lachine plant 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 anytime; 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 calls for a two year parts and labour warranty on refurbished units, one year on repairs. In 2009, VIA agreed to prepay the Company \$2.8 million towards 14 locomotives, most of which will be delivered to VIA during 2010.

In June 2008, CADRI completed the acquisition of the land and building adjacent to its main facility building. The acquisition price was \$3.5 million, plus transaction costs. CADRI had previously leased approximately sixty percent of the acquired building for the VIA contract. This acquisition gave CADRI complete control over rail access to the facility and increases its capacity to undertake additional long term re-manufacturing contracts.

### **ITEM 11: AUDIT COMMITTEE**

The purpose of the Company's Audit Committee is to provide assistance to the Board of Directors of the Company in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal

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compliance functions of the Company. It is the objective of the Audit Committee to maintain a free and open means of communications among the Board of Directors, the independent auditors, and the financial and senior management of the Company.

The full text of the Audit Committee's charter is included as Schedule "A" to this Annual Information Form.

### **11.1 Composition of the Audit Committee**

The Audit Committee is comprised of Laurie Bennett (Chairman), Jean Clerk, and Jacques Coté. Each of the members is financially literate as defined under Section 1.5 of Multilateral Instrument 52-110 "Audit Committees" ("MI52-110"). Laurie Bennett, Jean Clerk, and Jacques Cote are independent as such term is defined under Section 1.4 of MI52-110.

### **11.2 Relevant Education and Experience**

Laurie Bennett is a Chartered Accountant having retired after 27 years as a partner from Ernst & Young Chartered Accountants in 2004. Mr. Bennett earned a Bachelor of Arts degree from the University of Western Ontario in 1967 and his Chartered Accountant designation in 1970.

Jean Clerk is a lawyer at Heenan Blaikie, specializing in railway law and railway related transactions.

Jacques Coté is a career railway executive having retired after 30 years of service with Canadian Pacific Railway. His last posting was President and chief executive officer of the St Lawrence and Hudson Railway, which operated all the railway's assets east of Chicago from 1996 to 2001. Following his retirement from CPR, he has remained active in consulting for clients in the railway and urban development fields. He also sits on a number of not for profit corporation boards.

### **11.3 Pre-Approval Policies and Procedures**

Under its Terms of Reference, the Audit Committee is required to review and pre-approve the objectives and scope of the external audit work and proposed fees. In addition, the Audit Committee is required to review and pre-approve all non-audit services which the Company's external auditor is to perform.

Since the implementation of these procedures, all services provided by the Company's external auditor relating to the fees reported as audit, audit-related, tax and all other services were approved by the Audit Committee or its Chairman.

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**11.4 Audit Fees**

The aggregate fees billed, excluding out-of-pocket expenses, by the Company's external auditor, KPMG LLP, for audit services for the financial years ended December 31, 2009 and 2008 were \$533,000 and \$230,000 respectively.

The aggregate fees billed, excluding out-of-pocket expenses, by the Company's external auditor, KPMG LLP, for the last two financial years for quarterly reviews of Company's interim financial statements were \$124,000 in 2009 and \$124,000 in 2008.

**11.5 Audit-Related Fees**

The aggregate fees billed, excluding out-of-pocket expenses, by the Company's external auditor, KPMG LLP, for the last two financial years for assurance and related services that are related to the performance of the audit or review of the Company's financial statements and not reported under the heading "Audit Fees" above were \$77,000 in 2009 and \$81,000 in 2008, and relate to assistance with documentation of the Company's internal controls over financial reporting, and providing an overview of International Financial Reporting Standards.

**11.6 Tax Fees**

The aggregate fees billed, excluding out-of-pocket expenses, by the Company's external auditor, KPMG LLP, for professional services respecting tax compliance, tax advice and tax planning in the financial years ended December 31, 2009 and 2008 were approximately \$159,000 and \$91,000, respectively.

**ITEM 12: ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors. Additional information is also provided in the Company's Annual Report and Management's Discussion and Analysis for the most recently completed financial year.

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**SCHEDULE "A"**

**AUDIT COMMITTEE CHARTER**

**DECEMBER 14, 2006**

**PURPOSE**

The overall purpose of the Audit Committee (the "Committee") of the Board of Directors of Global Railway Industries Ltd. (the "Company") is to carry out the functions associated with an audit committee of an issuer of the size and nature of the Company (as defined below). The purpose of the Committee is to ensure that the Company's management has designed and implemented an effective system to review and report on the integrity of the financial statements of the Company. As part of this mandate, the Committee shall consider all necessary policies, rules, regulations and instruments pertaining to audit and financial reporting that are applicable to the Company from time to time (the "Applicable Laws").

**COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The committee shall consist of not less than three members of the Board of Directors of the Company (the "Board") each of whom:
  - a. must meet any independence tests; and,
  - b. must satisfy any financial literacy or other competency standards that are set out under Applicable Laws, except as may be allowed under applicable exceptions provided for under Applicable Laws or any exemption orders obtained from applicable regulatory authorities.
2. The Board, at its organization meeting held in conjunction with each annual general meeting of the shareholders of the Company, shall appoint the members of the Committee and the Chairman for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
3. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication conference device that permits all persons participating in the meeting to speak and to hear each other.

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4. The Committee shall have access to such officers and employees of the Company and consolidated subsidiaries of the Company, and to the Company's external auditors and to such information respecting the Company, as the Committee considers being necessary or advisable in order to perform its duties and responsibilities.
5. Meetings of the Committee shall be conducted as follows:
  - a. The Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chairman. The Company's external auditors or any member of the Committee may request a meeting of the Committee;
  - b. The Company's external auditors may receive notice of and may be requested to attend meetings of the Committee;
  - c. The Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer of the Company may be requested to attend all meetings of the Committee, except executive sessions and private sessions with the external auditors. Other management representatives of the Company shall be invited to attend as necessary;
  - d. Minutes of the meeting will be approved by the Committee members and circulated to the Board of Directors;
  - e. On an annual basis there will be a separate in camera session with each of the CFO and the CEO; and
  - f. The Chairman of the Committee will inform the Executive Assistant of the number of meetings held during the quarter for payment of meeting fees.
6. The external auditors of the Company shall have a direct line of communication to the Committee through the Chairman. The Company shall require the external auditors of the Company to report directly to the Committee.

**DUTIES AND RESPONSIBILITIES**

1. The overall duties and responsibilities of the Committee shall include:
  - a. Establishing and maintaining a direct line of communication with the Company's external auditors and assessing their performance;

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- b. Ensuring that the management of the Company has designed, implemented and is maintaining an effective system of internal controls for the Company;
  - c. Ensure adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures;
  - d. Review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management; and
  - e. Review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall include:
- a. Recommending to the Board a firm of external auditors to be engaged by the Company;
  - b. Reviewing and approving the fee, scope and timing of the audit and other related services rendered by the external auditors;
  - c. Reviewing the audit plan of the external auditors prior to the commencement of the audit;
  - d. Reviewing with the external auditors, upon completion of their audit:
    - i. Contents of their report;
    - ii. Scope and quality of the audit work performed;
    - iii. Adequacy of the Company's financial and auditing personnel;
    - iv. Cooperation received from the Company's personnel during the audit;
    - v. Internal resources used;

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- vi. Significant transactions outside of the normal business of the Company;
  - vii. Significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;
  - viii. Review the management letter and any recommendations or findings and management's response thereto;
  - ix. Review and resolve disagreements between management of the Company and the external auditor regarding financial reporting;
- e. Pre-approving all, non-audit services to be provided to the Company by the Company's external auditor in accordance with Applicable Laws; and
- f. Periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the external auditors have been implemented.
3. The Committee shall hold *in camera* ( i.e. without the presence of management of the Company) meetings with the external auditors at least once a year prior to the approval of the audited annual financial statements of the Company and at such other times as determined necessary or appropriate by the Committee.
4. The Committee is also charged with the responsibility to:
- a. Review and approve the Company's public disclosure documents including press releases, financial statements (annual and interim) and MD&A (annual and interim);
  - b. Review regulatory filings as they relate to the Company's consolidated financial statements;
  - c. Review the minutes of any Audit Committee meeting of any associated companies, partnerships or trusts, if applicable;
  - d. Review with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessment that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;

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- e. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters consistent with the whistleblower policies; and
  - f. Review and approve the Company's hiring of partners, employees and former partners and employees of the present and former external auditors of the Company.
5. The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.