



GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2010

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 three months ended March 31, 2010. This MD&A has been prepared as of May 14, 2010. Except where otherwise indicated, all financial information is expressed in Canadian dollars. 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 first 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 first quarter interim consolidated financial statements.

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Performance Data

The following represents data for the unaudited three month periods ended March 31, 2010, with comparative figures for 2009 and 2008:

	Three months - unaudited		
	2010	2009	2008
Sales	\$18,678,419	\$14,677,013	\$15,519,107
Net earnings (loss) for the period	\$88,853	(\$1,549,149)	\$641,598
Net earnings (loss) per share:			
Basic	\$0.01	(\$0.10)	\$0.04
Diluted	\$0.01	(\$0.10)	\$0.04
Weighted average number of common shares outstanding:			
Basic	15,239,900	15,239,900	15,144,543
Diluted	15,263,270	15,239,900	15,429,430
Total Assets	\$69,785,114	\$72,770,168	\$59,003,275
Total Long-Term Liabilities*	\$4,859,458	\$5,591,369	\$15,785,560

* Excludes debt in the amount of \$14,300,000 originally incurred as long-term which has been classified as a current liability at March 31, 2010 (2009 -\$15,840,000; 2008 - \$nil). (See Liquidity and Capital Resources).

Strategy

Global is a holding company of three railway supply companies: CAD Railway Industries Ltd. ("CADRI"), G&B Specialties, Inc. ("G&B"), and Bach-Simpson Corporation ("Bach-Simpson"); which provide sales and/or service, including parts, maintenance and remanufacture of locomotives and diesel engines, to the domestic and international railway industries. In May 2009, in response to an unsolicited offer to acquire the Company, the Board of Directors established a Special Committee to conduct a strategic review of all available options to maximize the value of Global to our Shareholders. Such

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options included the sale of the Company in whole or in parts. The Special Committee continues to make progress in this endeavor. See "Significant Events in the First Quarter of 2010".

Significant Events in the First Quarter of 2010

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. The Special Committee continues to make progress in this endeavor.

As previously disclosed, Global has not, since the fourth quarter of 2008, been in compliance with certain loan covenants pursuant to the credit agreement entered into with its Lenders. This situation enabled the Lenders 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. During the fourth quarter of 2009 and first quarter of 2010, Management and the Lenders agreed to terms for amending the Company's Credit Agreement. The Lenders agreed to tolerate the failure of the Company to meet its Funded Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Fixed Charges 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 final offer of purchase for one or more subsidiaries before June 30, 2010; or alternatively obtain a commitment by June 30, 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.

Restructuring fees totaling \$260,000 were charged to the Company by its Lenders for these amendments.

At March 31, 2010, 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. The Company has advised its Lenders that it will likely not be in compliance with these covenants in 2010 and accordingly will continue discussions with its Lenders to amend these covenants, if required by the Lenders.

During the first quarter of 2010, Management of CADRI successfully delivered four locomotives to VIA Rail Canada ("VIA"), in accordance with the agreed upon delivery

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schedule, in addition to the initial eight locomotives delivered during 2009. CADRI has now delivered 12 of the 53 locomotives to be remanufactured under the VIA contract. A total of nine locomotives have now received Final Acceptance and three additional locomotives have received Provisional Acceptance from VIA as at March 31, 2010. CADRI continues to implement continuous improvement procedures to accelerate the production line, reduce overhead expenses, and optimize deliveries.

G&B continues to establish new safety records in 2010 having extended the period with no reportable employee loss time incidents. At Bach-Simpson, there were also no reportable accidents in the first quarter of 2010, maintaining a perfect record of safety awareness and an accident free environment started over five years ago.

Passenger railroads and urban 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. Management anticipates that government stimulus spending will have a positive impact on the Company's revenues, since approximately 57% of the Company's total revenues are generated from transit customers. However, the timing of such impact is unknown at this time.

Although the general North American economy continues to be soft, Management is confident that the Company's operating results will improve as the economy recovers. Through 2010's first fifteen weeks, North American and Mexican railroads reported the origination of 5.5 million carloads, up 7%, and 3.8 million intermodal loads, up 9.7% year over year. Class 1 Railways in general have announced improved first quarter financial results and are forecasting single digit carload growth compared to 2009.

Sales

Through its subsidiaries, the Company generates revenue primarily from the sale of track switching components and railgear – the Track and Signal segment; event recorders with crash hardened memory modules – the Instrumentation segment; and the remanufacture of locomotives, the repair of rail cars, the sale of rail car parts, and the remanufacture of locomotive and marine engines – the Locomotive segment. Sales originate predominantly in the United States and Canada, with less than 1.5% of revenue being generated from sales in other countries during the first quarter of 2010.

Total Company sales for the three month period ended March 31, 2010 were \$18.7 million, representing an increase of 27.3% compared with the same quarter of 2009.

The effect of the fluctuating value of the Canadian dollar against the United States dollar negatively impacted the Company's 2010 first quarter sales growth. Had the exchange

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rate remained constant year over year, 2010 first quarter year-over-year sales would have grown by 42.9% (15.6% higher than the actual result).

G&B's first quarter 2010 sales (Track and Signal Segment) fell slightly short of Management's expectations for the quarter. As discussed in previous quarterly MD&A's, the North American market continued to be weak. In Canadian currency, G&B's year-to-date 2010 sales were \$5.1 million, off approximately 10.6% compared to 2009 sales, primarily due to the impact of a strengthening Canadian dollar versus the United States dollar.

Bach-Simpson's first quarter 2010 sales (Instrumentation Segment) totaled \$2.6 million and continued to show strong growth, increasing by 15.6% compared to the same period in 2009. Management continues to expect 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. Additionally, public transit systems continue to benefit from Government stimulus monies, which are anticipated to continue in future years.

The lingering economic difficulties impacted the railway business during 2008 and 2009. Notwithstanding these difficulties, CADRI's (Locomotive Segment) first quarter 2010 revenues increased 60.9% to \$11.0 million compared to the same period in 2009 due to increased throughput, as scheduled, on the Via contract. Other divisions have experienced a significant reduction in sales particularly in locomotive maintenance and component parts given industry slowdowns. Management expects this trend to continue during 2010 as railroads continue to suspend use of substantial numbers of older locomotives and railcars, thereby reducing the demand for locomotive and railcar maintenance and component parts in the near term.

CADRI Management continues to focus its efforts on the VIA project in order to partially offset the reduction of locomotive maintenance and component parts revenues. CADRI continues to work on increasing the throughput volume of tank cars and environmental and emissions testing sales volumes. As anticipated, CADRI's gross margins increased during the first quarter of 2010 as efficiencies on the VIA contract are demonstrating positive and sustainable improvements.

During the first quarter of 2010, CADRI Management continued to focus on cash flow, increasing operational safety, reducing overhead costs and postponing non-core capital expenditures, including a much needed expansion of its locomotive and rail car painting facility. The results of these efforts have reduced cash outflows and increased operational efficiencies. Although the capital expenditures postponements have impacted some previously planned efficiencies, and may impact future efficiencies, Management believes that delaying capital expenditure spending was necessary given other operational imperatives and the continuing focus on the Company's financial resources.

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Management anticipates that railroads will commence expanding their networks as the economy recovers and shippers continue to move their products from trucks to rails, and as commuters increasingly rely on rail transit systems in response to Government incentives. Following the economic slowdown of 2008 and 2009, railroads continue to maintain tight control over expenditures in the near-term to deal with reduced freight volumes/revenues and market softness. However, in the mid-term, railroads will continue to seek solutions to decrease fuel consumption and implement core network efficiencies. This bodes extremely well for the Company's locomotive remanufacturing capabilities at CADRI as remanufactured locomotives cost more than 60% less than the cost of new locomotives, have an estimated 20% increased fuel efficiency, are more reliable in the field, have more tractive effort, and emit 80% less pollutants into the environment.

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 first quarter of 2010, approximately 63% of the Company's sales were transacted in United States dollars, compared with 73% in the same period in 2009. The 2010 United States dollar denominated sales were lower than 2009 due primarily to sizable increase in CADRI's Canadian dollar denominated sales originating from the VIA contract during the first quarter of 2010. The first quarter 2010 split between Canadian and United States denominated sales is in line with Management's expectations for 2010.

Gross Margins

First quarter 2010 gross margins were 18.9%, compared with 11.6% for the same period in 2009.

During the first quarter of 2010, CADRI's gross margin continued to improve. CADRI Management continues to aggressively market the full suite of products and services to stimulate the early recovery of business lost during the economic slowdown. Additionally, CADRI 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 quarter of 2010 were essentially unchanged compared to 2009 due to Management's continued tight expense control and careful monitoring of labor productivity and safety.

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Bach's gross margins for the first quarter of 2010 were negatively impacted by approximately \$250,000 as a result of a strengthening Canadian dollar against its United States dollar denominated sales. Additional engineering headcount, the delay of higher margin engineering projects until the second half of 2010, and the completion of a lower margin contract during the first quarter of 2010 also had negative impacts on Bach's first quarter 2010 margins.

During the first quarter of 2010, the Company recorded the benefit of anticipated scientific research and experimental development ("SRED") claims in the amount of \$105,000, compared to \$50,000 in the first quarter of 2009. 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 both Federal and Provincial income tax authorities.

Operating Expenses

Salaries and general and administrative expenses for the three months ended March 31, 2010 were 14.3% of sales, compared with 21.7% for the same period in 2009.

Salary expenses for the first quarter of 2010 were \$277,000 lower than for the same period in 2009. As a result of restructuring initiatives, corporate salary expenses for the first quarter of 2010 were \$123,000 lower than the same period in 2009. First quarter 2010 stock-based compensation expense was lower than the same period in 2009 by \$139,000 due to a lower volume and value of stock options previously issued. Foreign exchange on US dollar denominated salaries and benefits decreased first quarter 2010 salaries by approximately \$107,000 relative to the same three month period of 2009. Regular merit increases and necessary headcount additions during the latter part of 2009 also impacted the first quarter 2010 salary expenses.

General and administrative expenses for the first quarter of 2010 were \$252,000 lower than for the same period in 2009. General and administrative expenses decreased by approximately \$37,000 due to a stronger Canadian dollar. As expected, cost containment measures implemented at CADRI have resulted in reduced general and administrative expenses during the first quarter of 2010. CADRI's first quarter 2010 consulting costs, legal fees, and bad debt expense were lower than the same prior year period by \$143,000, \$80,000 and \$173,000, respectively. Professional fees related to auditing, reviews, tax, planning, and legal counsel were \$25,000 lower than the first quarter of 2009. First quarter 2010 Board of Director fees were \$30,000 lower than the prior year period due to the reduced number of board members and a reduction to annual stipend and meeting fees. Offsetting these savings were \$125,000 of fees charged to the Company by its Lenders related to the Credit Agreement amendments and \$41,000 in professional fees necessary to meet the Lenders' requirement for monthly financial monitoring of the Company's operations. Additionally, the Company incurred \$67,000 in

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Special Committee fees during the first quarter of 2010, while no similar fees were incurred during the first quarter of 2009.

Interest Income/Expense

During the three month period ended March 31, 2010, total short-term net interest expense was \$256,000 compared with net interest expense of \$91,000 in the prior year period. For financial statement purposes, amortization of costs incurred to establish the Company's credit facility has been classified as short-term net interest expense. During the first quarter of 2010, credit facility cost amortization was \$178,000, compared with \$26,000 for the same period in 2009. The amortization of these costs has been accelerated due to the Company's continued liquidity challenges. The remaining increase in the 2010 first quarter short-term net interest expense is attributable to increased borrowings and borrowing costs under the Company's amended operating facility.

During the first quarter of 2010, the Company incurred additional interest expense of approximately \$234,000 on long-term debt compared with \$174,000 in the 2009 first quarter. This increase relates primarily to increased borrowing rates on the term facility.

During the first quarter 2010, the Company recognized a gain on its two interest rate swap contracts in the total amount of \$12,553, representing the differential between the contract interest rates and the market interest rates. The Company did not have any interest rate swap contracts during the first quarter of 2009.

Foreign Exchange

The Company recorded foreign exchange gains amounting to \$11,000 during the first quarter of 2010, compared with foreign exchange loss of \$106,000 during the same period in 2009. The foreign exchange gain primarily relates to the strengthening Canadian dollar against the Company's growing US dollar denominated intercompany payables.

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Income Tax

The following is a reconciliation of the expected and actual tax provisions for the first quarter of 2010 compared to the same period of 2009:

	Three months	
	2010	2009
Expected tax provision (recovery)	82,000	(\$612,000)
Non-deductible items	(36,000)	26,000
US State taxes	25,000	35,000
Tax rate differences on temporary differences	110,000	119,000
Other	14,000	39,000
Actual tax provision (recovery)	195,000	(\$393,000)

The Company's tax expense has been significantly impacted by rate differences on the Company's temporary differences. The accounting value of these temporary differences has been determined using the tax rate expected to be in effect when the benefit of these temporary differences is realized. These future rates are lower than the 2010 expected tax rate.

Net Earnings (Loss)

Net earnings for the first quarter of 2010 were \$89,000 compared with a net loss of \$1.5 million during the same period in 2009. The first quarter 2010 net earnings were in line with Management's expectations.

Outlook

Fiscal 2010 will remain a challenging year for many businesses as the economy slowly begins to recover. In 2009, North American Class 1 Railroads experienced 15% to 20% declines in carloads, as compared to 2008. On a positive note, through 2010's first

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fifteen weeks, North American and Mexican railroads reported the origination of 5.5 million carloads, up 7%, and 3.8 million intermodal loads, up 9.7% year over year.

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.

Financial Results ('000's)

	Q1 '10	Q4 '09	Q3 '09	Q2 '09	Q1 '09	Q4 '08	Q3 '08	Q2 '08
Sales	\$18,678	\$17,490	\$16,946	\$17,386	\$14,677	\$16,564	\$15,069	\$14,616
Net earnings (loss)	\$89	(3,880)	(532)	(875)	(1,549)	(2,959)	542	100
Earnings (loss) per share – Basic	0.01	(0.26)	(0.03)	(0.06)	(0.10)	(0.19)	0.04	0.01
Earnings (loss) per share – Diluted	0.01	(0.26)	(0.03)	(0.06)	(0.10)	(0.19)	0.04	0.01

Liquidity and Capital Resources

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 EBITDA covenant, allowed the postponement of two scheduled quarterly principal payments on the Company's long-term debt, and introduced conditions for the sale of at least one subsidiary or raising additional financing. During the first quarter of 2010, additional amendments to the Company's Credit Agreement were negotiated between the Company and its Lenders. The amendments require Global to complete the sale of one or more of its subsidiaries with a transaction closing date of no later than June 30, 2010; or a debt or equity financing of not less than \$5,000,000, including a minimum equity injection of \$2,500,000, to be completed by June 30, 2010. The Company is also to provide regular updates to the Lenders regarding the progress towards completion of these requirements and provide enhanced financial reporting.

At March 31, 2010, 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. As at March 31, 2010, the Company had a Funded Debt to EBITDA ratio of 315 while the Credit Agreement required a ratio of no greater than 3.50. As at March 31, 2010, the Company had a Fixed Charge Coverage ratio of (0.25) while the Credit

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Agreement required a ratio of no less than 1.25. As at March 31, 2010, the Company's first quarter 2010 four quarter trailing EBITDA was \$605,000 below the Lenders' requirement. The Lenders have not agreed to waive the covenant breaches at March 31, 2010; however, in the Second Amending Agreement to the Credit Agreement dated November 12, 2009, the Company's Lenders agreed to tolerate the Funded Debt to EBITDA and Fixed Charges Coverage defaults. The Lenders have not altered those terms and conditions of the Credit Agreement. Based on its 2010 projections, the Company expects continued breaches of these covenants during 2010. 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 Management is in continued discussions with the Lenders regarding the Company's financial situation and covenant breaches; however any resulting amendments to the Credit Agreement, if any, will require the Lenders' approval. There is no assurance the Lenders will grant amendments, provide waivers for or otherwise accommodate present or future covenant violations should they occur, nor is 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 within one year as a current liability on the 2010 first quarter Consolidated Balance Sheets. In addition, the Company's Special Committee 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 March 31, 2010, cash on hand was \$3.1 million compared with \$2.0 million on December 31, 2009. In the first quarter of 2010, the Company generated cash from operations in the amount of \$3.3 million compared with an operating cash shortfall of \$3.5 million in the same period of 2009. The positive operating cash performance during the first quarter of 2010 compared to the same period in 2009 is primarily attributable to an improvement in earnings and cash generated from the VIA production. During the first quarter of 2010, the Company utilized \$115,000 of cash for capital investments, compared with \$325,000 in the first quarter of 2009. The Company financed the first quarter capital expenditures with operating cash.

As at March 31, 2010, the total drawn under the credit facilities was \$23.7 million, including a \$1.0 million financial guarantee to VIA. The undrawn portion of the Company's available credit facility as at March 31, 2009 was \$3.7 million. The Company's term loan is repayable in quarterly principal installments of \$770,000, with the last installment paid on July 2, 2009. The principal repayments due on October 1, 2009 and January 1, 2010, totalling \$1,540,000, were postponed until 2012. The next required principal repayment was due on April 1, 2010 and was paid as scheduled.

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As at March 31, 2010 the Company did not have any off-balance sheet financial arrangements.

Capital Expenditures

Due to the Company's existing cash resources, Management continues to approve only core capital expenditures with rapid payback periods or safety related projects. The Company plans to implement a new accounting system at CADRI during the second quarter of 2010. Management has installed the new accounting system software at the end of the first quarter. Final and stand alone deployment for the new system is scheduled during the second quarter as ongoing testing, training and report customization continues. Management remains confident that this new accounting system will enable CADRI to address various system and control weaknesses.

During the first quarter of 2010, the Company's capital expenditures totalled \$115,000. Capital expenditures included \$47,000 for manufacturing equipment, \$27,000 for leasehold/building improvements, and \$41,000 for furnishings and office equipment.

Funding for capital expenditures was derived from internal cash flow. As at March 31, 2010, the Company had outstanding commitments for additional capital expenditures in the amount of \$196,000 for the purchase and installation of a new air compressor system required for CADRI's paint booth project.

Contractual Obligations

The Company has equipment, office and factory lease commitments at Global, G&B, CADRI and Bach-Simpson. These commitments total approximately \$92,000 in 2010; \$218,000 in 2011; \$212,000 in 2012; \$200,000 in 2013; and \$185,000 in 2014. The Company has entered into fixed price purchase contracts with remaining commitments amounting to approximately \$24.8 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 \$6.9 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

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annual performance guarantees equal to the greater of i) \$5.0 million, and ii) 50% of VIA's annual spending under this contract. The requirement to provide annual performance guarantees 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 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 interim consolidated balance sheets in the amount of approximately \$3.5 million, which represents prepayments received in respect of the remanufacture of locomotives. Approximately \$2.8 million of these prepayments are expected to be drawn down during the next twelve months. The balance will be drawn down by the end of 2012. The Company has secured the prepayments with a \$1.0 million financial guarantee, which is renewable annually.

Goodwill Impairment

CICA Handbook section 3064 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, 2009, 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.

At December 31, 2009, based on additional analysis, it was determined that a non-cash write-down of \$2.6 million (\$2.1 million net of a future tax benefit) was required for goodwill recorded as part of the acquisition of CADRI. The contributing factor to the impairment of goodwill was CADRI's continuing operating losses.

During the first quarter of 2010, no events or circumstances occurred that would have required Management to evaluate goodwill impairment at March 31, 2010.

Share Capital

At March 31, 2010, the Company had 15,239,900 common shares outstanding, unchanged from the prior year. During the three months ended March 31, 2010, no stock options were exercised, no options expired, no options were cancelled, and no additional options were granted in accordance with the Company's Stock Option Plan. If

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all of the outstanding options were exercised, the Company would have 16,361,842 shares outstanding.

Related Party Transactions

During the first quarter of 2010, the Company paid \$79,000 for management services provided by a company owned by the President of CADRI, compared with \$83,000 paid during the same period in 2009. In the normal course of business, CADRI purchased approximately US\$733,000 of inventory from a company owned by the President of CADRI during the three months ended March 31, 2010, compared with US\$396,000 during the same period of 2009. These inventory purchases were made under terms and conditions comparable to those of CADRI's other inventory purchases, and will be ongoing, representing future purchase commitments of approximately \$6.9 million as at March 31, 2010.

Environmental Liability

In June of 2008, CADRI exercised an option to purchase the land and building it had previously been leasing. It was 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 \$1,312,000. These future environmental remediation costs were factored into the purchase price. Since it is likely that the CADRI will sustain these environmental remediation costs, an environmental liability reserve in the amount of \$1,312,000 has been recorded 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. In 2010, the Company has charged \$nil against the environmental reserve (year ended December 31, 2009 - \$2,040).

Business Risks

The Company's primary business risks are listed below:

Liquidity

At March 31, 2010, the Company was not in compliance with three of its banking covenants. The Lenders have not agreed to waive these covenant breaches; 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

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realization on security. Company 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, are dependent upon the Lenders' concurrence. 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. Amendments to the credit agreement between the Company and the Lenders completed in the first quarter of 2010 require the Company by June 30, 2010, to either enter into a final offer to purchase for one or more of its subsidiaries or to obtain additional financing of not less than \$5 million of which at least \$2.5 million must be equity. While Management is optimistic the Company will be able to comply, the possibility exists that the condition may not be met. If that is the case, there is no assurance that the Lenders will continue to support the Company. Notwithstanding the foregoing, in Management's opinion, these combined efforts will be successful in addressing the Company's future cash resource requirements.

As a result of these liquidity issues, the Company's ability to carry out plans regarding new bids for large contracts might be at risk as most of these contracts require large initial investments in working capital.

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.

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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 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. 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 additional funding for working capital purposes or to renew existing credit facilities. As at March 31, 2010, 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

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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.

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 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.

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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.

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

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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 implemented by the end of the second quarter of 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 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.

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 2 in the 2010 first 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,

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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:

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 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.

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.

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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 business combination 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 Interim Consolidated Statements of Comprehensive Income (Loss) before extraordinary and discontinued operations.

Other than the normal estimates required in the application of Canadian GAAP, there are no other critical estimates included in the first quarter interim consolidated financial statements.

Future Accounting Policies

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 the comparable IFRS to this new standard in the first quarter of 2011 as part of its transition to 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 the comparable IFRS to this new standard in the first quarter of 2011 as part of its transition to IFRS.

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- (c) In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company will adopt the comparable IFRS to this new standard in the first quarter of 2011 as part of its transition to IFRS.
- (d) For fiscal years beginning on or after January 1, 2011, Canadian public companies will be required to prepare their financial statements in accordance with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be evaluated. IFRS will also require more disclosures than Canadian GAAP. The Company will issue its financial statements in the first quarter of 2011 in accordance with IFRS including comparative data for 2010. The Company's IFRS conversion project plan is comprised of three main phases: initial diagnostic assessment, design, and implementation. The Company has completed the initial assessment phase of the plan and has identified and documented the key accounting and disclosure differences between Canadian GAAP and IFRS. The detailed assessment of the differences is substantially complete and the design and development of business process changes and accounting policy selections to meet the requirements of IFRS has commenced during the second quarter of 2010. Based on this assessment, the elements that will be impacted the most by the implementation of IFRS are property, plant and equipment, impairments, provisions, revenue recognition, business combinations, intangible assets and goodwill; however, the Company has not quantified that impact. The Company has reviewed policy alternatives under IFRS, including certain exemptions and elections available on transition under IFRS 1, but has not yet concluded on which IFRS 1 elections the Company expects to make on transition to IFRS. The project philosophy is to align with current accounting practices and policies, where possible, to minimize the impact of any changes to the business. Regular reporting of the progress on the IFRS conversion

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project will be provided to Management and the Audit Committee of the Board of Directors.

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, previously evaluated the effectiveness of the Company's disclosure controls and procedures, as disclosed in the Company's 2009 Annual MD&A, in which it concluded that such disclosure controls and procedures were 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, previously evaluated the effectiveness of its internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, as disclosed in the Company's 2009 Annual MD&A. 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.

Previously, Management had 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

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departments were not properly segregated due to the limited 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 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, all decisions not in the ordinary course of business must be reviewed with and approved by the Company's Lead Director, Tom Dea, who is an independent director.

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

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process-level controls including information technology and general computer controls were assessed to be ineffective as of December 31, 2008 and 2009.

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 a new integrated accounting system. This will allow the following:

- i) The automation of some processes and implementation of some automated controls that are currently manually intensive;
- ii) The integration of some end user computing ("EUC") applications, for example spreadsheets and databases (such as CADRI's inventory data base); and
- iii) The implementation of some 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 had previously identified the following internal control deficiencies:

Accounting for Inventories

Although continuous improvement has been made, there continues to be unsatisfactory system control over CADRI's inventory processes 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 continuous 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;

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- b) Purchasing level of authority and purchase order completion and approval;
- 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 more reliable with the implementation of additional process controls together with the implementation of the new accounting system, which is scheduled for second quarter 2010.

Accounting for Accounts Payable and Accrued Liabilities

During the first quarter of 2010, there continued to be improvements 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 continued to be improved at CADRI during the first quarter of 2010. CADRI management has implemented procedures to identify and record capital assets on a more timely basis, and follow up on capital expenditure projects. The implementation of an

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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.

Period End Financial Reporting Procedures

The period end financial reporting procedures include account reconciliations over balance sheet accounts and various account analyses. CADRI's account reconciliation procedures have been 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 November 2009, a VP Finance was hired at CADRI to strengthen CADRI's accounting and finance 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. The new accounting system to be implemented in second quarter of 2010 is expected 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 recently hired a new Controller and with addition of the new VP Finance, 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 management, inventory month-end adjustment, depreciation expense, accrued liabilities, percentage of 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 applications may be developed and integrated into the new accounting system.

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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 November 2009, a VP Finance was hired to provide increased focus to these required improvements, including implementation of the new accounting system. 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 March 31, 2010, 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 March 31, 2010 first quarter interim consolidated financial statements are fairly presented in all material respects.

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

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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 the 2009 Annual Information Form for a discussion of risk factors including among others technology, competition and regulatory changes.

For additional guidance, please review the Company's first quarter interim consolidated financial statements which are available on SEDAR at www.sedar.com.

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<p><u>DIRECTORS</u></p> <p>Terry McManaman, CA Chairman of the Board</p> <p>Thomas Dea¹ Lead Director</p> <p>Laurie Bennett, CA² Chair, Audit Committee</p> <p>Jean Clerk, QC²</p> <p>Jacques Cote^{1 2}</p> <p>Alan Sellery¹</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 Special Committee

² Member of Audit Committee