



GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 nine months ended September 30, 2010. This MD&A has been prepared as of November 15, 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 third quarter interim consolidated financial statements, which are available on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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Performance Data

The following represents data for the unaudited three month and nine month periods ended September 30, 2010, with unaudited comparative figures for 2009 and 2008:

| | Three months | | | Nine months | | |
|--|----------------|----------------|---------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Sales | \$ 10,138,593 | \$ 9,453,349 | \$ 8,410,615 | \$ 33,063,167 | \$ 25,211,655 | \$ 24,100,860 |
| Net loss from continuing operations | \$ (1,510,920) | \$ (1,605,733) | \$ (101,691) | \$ (2,447,309) | \$ (6,770,629) | \$ (1,551,878) |
| Net earnings from discontinued operations | \$ 19,556,125 | \$ 1,074,205 | \$ 643,560 | \$ 21,079,329 | \$ 3,815,398 | \$ 2,835,133 |
| Net earnings (loss) | \$ 18,045,205 | \$ (531,528) | \$ 541,869 | \$ 18,632,020 | \$ (2,955,231) | \$ 1,283,255 |
| Continuing operations loss per share | | | | | | |
| Basic | \$ (0.10) | \$ (0.11) | \$ (0.01) | \$ (0.16) | \$ (0.44) | \$ (0.10) |
| Diluted | \$ (0.10) | \$ (0.11) | \$ (0.01) | \$ (0.16) | \$ (0.44) | \$ (0.10) |
| Discontinued operations earnings per share | | | | | | |
| Basic | \$ 1.28 | \$ 0.07 | \$ 0.04 | \$ 1.38 | \$ 0.25 | \$ 0.19 |
| Diluted | \$ 1.28 | \$ 0.07 | \$ 0.04 | \$ 1.38 | \$ 0.25 | \$ 0.19 |
| Net earnings (loss) per share | | | | | | |
| Basic | \$ 1.18 | \$ (0.04) | \$ 0.04 | \$ 1.22 | \$ (0.19) | \$ 0.08 |
| Diluted | \$ 1.18 | \$ (0.04) | \$ 0.04 | \$ 1.22 | \$ (0.19) | \$ 0.08 |
| Weighted average number of common shares outstanding | | | | | | |
| Basic | 15,239,900 | 15,239,900 | 15,237,291 | 15,239,900 | 15,239,900 | 15,237,291 |
| Diluted | 15,275,628 | 15,239,900 | 15,348,086 | 15,262,555 | 15,239,900 | 15,348,086 |
| Total Assets | \$ 60,977,070 | \$ 70,194,723 | \$ 68,587,359 | \$ 60,977,070 | \$ 70,194,723 | \$ 68,587,359 |
| Total Long-Term Liabilities | \$ 3,039,366 | \$ 5,441,957 | \$ 22,916,733 | \$ 3,039,366 | \$ 5,441,957 | \$ 22,916,733 |

* Excludes long-term debt classified as current liability as at 2009 (\$15,070,000) and 2008 (nil.)

Strategy

Global is the holding company of CAD Railway Industries Ltd. ("CADRI"), which provides sales and/or services, including parts, maintenance and remanufacture of locomotives and diesel engines, to the domestic and international railway industries. In May 2009, the Board of Directors established a Special Committee to conduct a strategic review of all available options to maximize the value of Global. The options included the sale of the Company in whole or in parts. 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 were closely inter-related with the strategic review process

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underway. During the third quarter of 2010, GBI USA Holdings, Inc. ("GBIH"), parent company of G&B Specialties, Inc. ("G&B"), and the assets of Bach-Simpson Corporation ("Bach-Simpson") were sold to Wabtec Corporation ("Wabtec") (NYSE: WAB).

The Company's Special Committee is continuing to consider strategic alternatives for the Company and its remaining operating business, CADRI.

Sale of GBIH and Bach-Simpson

During the third quarter of 2010, Global's Special Committee completed the sale of GBIH and the sale of the business and substantially all of the net assets of Bach-Simpson for a combined total sale price of \$48.0 million, prior to purchase price adjustments. The agreement for the sale of GBIH shares and Bach-Simpson assets included working capital adjustments as well as indemnities to Wabtec in the event of inaccuracies in representations and warranties, or if the Company fails to perform agreements and covenants provided for in the agreement of purchase and sale. The Wabtec indemnities could result in future statement of earnings charges and reduced receipts of escrowed monies as a reduction of the gain on sale and the escrow receivable.

Approximately \$7.9 million of the purchase price for GBIH and Bach-Simpson is held in escrow for potential indemnification claims. The escrow period extends for periods between six months and three years from the transaction closing dates, depending upon the nature of the indemnity, and circumstances. After the escrowed amounts, working capital adjustments, estimated transaction costs, and payment of Management restructuring obligations, Global received net cash proceeds of approximately \$26.6 million on the closing of the sale of GBIH and approximately \$9.9 million on the closing of the Bach-Simpson sale.

Approximately \$15.8 million of the net sale proceeds was used to fully retire the Company's term facility, and an additional \$5.7 million was used to fully repay the outstanding principal of the Company's operating facility.

Following the successful completion of the sale of GBIH and Bach-Simpson, the Company's Board of Directors approved a special bonus in the amount of \$25,000 to each member of its Special Committee, \$50,000 to the Chairman of the Special Committee and \$25,000 to the Company's President and Chief Executive Officer. These bonuses have been accrued for in the third quarter Interim Consolidated Financial Statements.

Upon the closing of the sale of GBIH, the Company had contractual management restructuring commitments in the amount of CDN\$1.4 million, of which approximately CDN\$1.1 million have been paid. The balance of the management restructuring commitments has been accrued in the Company's third quarter Interim Consolidated Financial Statements.

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Significant Events in the Third Quarter of 2010

On September 24, 2010 the Company negotiated a new Credit Agreement with one of its Lenders, establishing a \$1.2 million demand loan revolving facility as well as ancillary facilities for corporate credit cards and electronic fund transfers in the aggregate maximum amount of \$550,000. Loan Documentation for the new facility includes a Credit Agreement, subsidiary guarantees and a cash collateral pledge in the amount of \$1.3 million. Interest rates for loans and overdrafts are Prime plus 0.25%. As at September 30, 2010 no amounts were drawn against this new facility.

During the third quarter of 2010, CADRI successfully delivered four locomotives to VIA Rail Canada ("VIA"), in accordance with the agreed upon delivery schedule. This represents a total of 11 locomotives delivered during 2010. These 2010 deliveries are in addition to the initial eight locomotives delivered during 2009. CADRI has now delivered a total of 19 of the 53 locomotives to be remanufactured under the VIA contract. A total of 16 locomotives have received Final Acceptance and three additional locomotives have received Provisional Acceptance from VIA as at September 30, 2010.

Sales – Continuing Operations

The Company's 2010 third quarter and September year-to-date revenues from continuing operations were generated primarily from the remanufacture of locomotives, the repair of rail cars, the sale of rail car parts, and the remanufacture of locomotive and marine engines. Currently more than 75% of Company's revenues are generated from transit customers. Sales originate predominantly in Canada and the United States, with less than 1% of revenue being generated from sales in other countries during the third quarter of 2010. Approximately 80% of sales to other countries are insured under export insurance provided by Export Development Canada.

Total Company sales from continuing operations for the three month period ended September 30, 2010 were \$10.1 million, representing an increase of 7.2% compared with the same quarter of 2009. Total Company sales from continuing operations for the nine month period ended September 30, 2010 were \$33.1 million, representing an increase of 31.1% compared with the same period of 2009.

The effect of the fluctuating value of the Canadian dollar against the United States dollar unfavorably impacted the Company's 2010 third quarter sales growth. Had the exchange rate remained constant year over year, 2010 third quarter year-over-year sales would have grown by approximately 7.7% (0.5% higher than the actual result). The effect of the fluctuating value of the Canadian dollar against the United States dollar unfavorably impacted the Company's 2010 year-to-date sales growth. Had the exchange rate remained constant year over year, 2010 year-over-year sales would have grown by approximately 32.9% (1.8% higher than the actual result).

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Management anticipates that railroads will slowly commence expanding their networks by adding more network capacity as the economy recovers, shippers continue to move their products from trucks to rail, and as commuters increasingly rely on rail transit systems in response to government incentives. Railroads continue to maintain tight control over expenditures to deal with reduced freight volumes/revenues and market softness in the near-term. However, in the mid-term, railroads will continue to seek solutions to decrease fuel consumption and implement core network efficiencies.

Fluctuations in the value of the Canadian dollar against the United States dollar affect the Company's results when the United States dollar denominated sales and expenses are translated into Canadian dollars. A strengthening United States dollar has the effect of increasing the Canadian dollar equivalent of the Company's United States dollar denominated sales and expenses. It also increases overall net income because there are more sales than expenses denominated in United States dollars. During the third quarter of 2010, approximately 8% of the Company's sales from continuing operations were transacted in United States dollars. During the first nine months of 2010, approximately 10% of the Company's sales from continuing operations were transacted in United States dollars. The 2010 United States dollar denominated sales were lower than 2009 due primarily to a sizable increase in CADRI's Canadian dollar denominated sales originating from the VIA contract.

Gross Margins – Continuing Operations

Third quarter 2010 gross margin was 0.9%, compared with (0.6) % for the same period in 2009 for a net improvement of 1.5%.

During the third quarter of 2010, CADRI's gross margin improved versus the comparable period in 2009 although softened from second quarter 2010. During the third quarter, specific technical issues with compressors, piping and prior ice damage were encountered with supplier equipment and incoming locomotives, respectively, requiring more rework than expected thus slowing the production pace. CADRI is currently looking to make cost recovery claims for the extra work performed during the quarter. Additionally, CADRI Management has implemented a series of measures directed at reducing the VIA contract bill of materials input costs, increasing labour productivity, decreasing consumables and improving the final delivery acceptance process, all in an effort to improve margins and profitability. The gross margins on the VIA contract are not meeting Management's expectations given the additional work required on incoming locomotives.

During the nine months ended September 30, 2010, the Company recorded anticipated scientific research and experimental development ("SRED") claims in the amount of \$150,000, including \$50,000 for the quarter ended September 30, 2010. The value of future SRED claims will fluctuate depending on the research and development activities undertaken in any given period. The Company's SRED claims are subject to regular

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review and acceptance by both Federal and Provincial income tax authorities. During the third quarter Federal authorities requested additional information in order to enable them to further evaluate CADRI's 2008 SRED claims. This evaluation could ultimately result in an adjustment to CADRI's 2008 SRED receivables. Management is unable at this time to determine the amount, if any, of a proposed adjustment to existing claims.

Operating Expenses – Continuing Operations

Salaries and General and Administrative expenses for the three months ended September 30, 2010 were 20.5% of sales, compared with 21.9% for the same period in 2009. Salaries and General and Administrative expenses for the nine months ended September 30, 2010 were 15.4% of sales, compared with 24.0% for the same period in 2009.

Salary expenses for the third quarter of 2010 were \$451,000 less than for the same period in 2009 due to continued cost saving initiatives including headcount reductions at CADRI. As a result of the continued restructuring initiatives, corporate salary expenses for the third quarter of 2010 were \$285,000 lower than the same period in 2009 from the planned reductions of executive Management.

Salary expenses for the nine months ended September 30, 2010 were \$1.0 million lower than for the same period in 2009 as a result of restructuring initiatives including headcount reductions at CADRI. Corporate salary expenses for the first nine months of 2010 were \$795,000 lower than the same period in 2009 given planned reductions net of restructuring payments paid to released executives.

General and Administrative expenses for the third quarter of 2010 were \$460,000 higher than for the same period in 2009. Restructuring costs, office closing costs and special bonuses awarded for the successful sale of subsidiaries accounted for \$495,000 of increase. Professional fees related to auditing, reviews, tax planning, IFRS project, legal counsel and other advisory services decreased by approximately \$7,000 versus the third quarter of 2009. Third quarter 2010 recurring Board of Director fees were \$27,000 lower than the prior year period due to the reduced number of board members and a reduction to annual stipends and meeting fees.

During the nine months ended September 30, 2010, General and Administrative expenses were \$82,000 higher than for the same period in 2009. Continued cost control efforts at CADRI resulted in reduced General and Administrative expenses during the first nine months of 2010 of approximately \$455,000. Cost reductions totalling approximately \$170,000 were achieved at the corporate office, in areas such as travel, office, and public company expenses. Professional fees related to auditing, reviews, tax planning, IFRS project, legal counsel and other advisory services were \$164,000 higher than the first nine months of 2009. Restructuring costs of \$285,000 were incurred in 2010 as a result of management restructuring. Board fees, including special bonuses, increased by \$51,000

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in 2010 compared to 2009. Also in 2010, Credit Facility amendment fees in the amount of \$210,000 were charged by the Company's Lenders.

Interest Income/Expense – Continuing Operations

During the three month period ended September 30, 2010, net interest expense was \$9,000 compared with net interest expense of \$49,000 in the prior year period. Approximately \$68,000 of interest expense related to the Company's credit facilities has been allocated to discontinued operations, compared to \$325,000 for the same period in 2009. The reduction of interest results from the repayment of the amounts outstanding under credit facilities following the sale of GBIH and Bach-Simpson to Wabtec.

During the nine months ended September 30, 2010, net interest expense was \$25,000 compared with net interest expense of \$83,000 in the prior year period. Approximately \$876,000 of interest expense related to the Company's credit facilities has been allocated to discontinued operations, compared to \$786,000 for the same period in 2009. The increase in credit facility related interest results from the increased borrowing rates implemented by the Company's Lenders in November 2009 partially offset by the repayment of the amounts outstanding under the credit facilities following the sale of GBIH and Bach-Simpson to Wabtec.

Foreign Exchange – Continuing Operations

The Company recorded a foreign exchange gain of \$186,000 from continuing operations during the third quarter of 2010, compared with a foreign exchange gain of \$81,000 during the same period in 2009. During the first nine months of 2010, the Company recorded a foreign exchange gain of \$10,000 from continuing operations, compared with a foreign exchange gain loss of \$118,000 during the same period in 2009. The foreign exchange gain during the third quarter primarily relates to the settlement of a US denominated intercompany payable owing to G&B.

Income Tax – Continuing Operations

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

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| | Three months | | Nine months | |
|---|----------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Loss from continuing operations before income taxes | \$ (1,884,558) | \$ (2,161,470) | \$ (3,033,782) | (9,037,343) |
| Expected income tax rate | 29.0% | 31.0% | 29.0% | 31.0% |
| Computed expected income tax recovery | (546,522) | (670,056) | (879,797) | (2,801,576) |
| Difference resulting from: | | | | |
| Other non-taxable items | 54,532 | 102,199 | 83,844 | 264,006 |
| Rate differences on temporary differences | (109,750) | (2,977) | (56,314) | 331,141 |
| Withholding taxes on intercompany dividends | 347,771 | - | 347,771 | - |
| Other | (119,669) | 15,097 | (81,977) | (60,285) |
| Provision for income tax recovery | \$ (373,638) | \$ (555,737) | \$ (586,473) | \$ (2,266,714) |

The expected income tax rate reflects the combined Federal and Provincial income tax rates for manufacturing and processing companies.

The Company's expected tax recovery is adjusted for non-taxable items, rate differences on temporary differences, withholding taxes on intercompany dividends and other differences. The accounting values of the temporary differences have been determined using the tax rate in effect when these temporary differences are expected to be realized or settled. These future rates are lower than the 2010 expected tax rate.

Net Earnings (Loss) – Continuing Operations

Net earnings for the third quarter of 2010 were \$18.0 million compared with a net loss of \$532,000 during the same period in 2009. Net loss from continuing operations for the third quarter of 2010 was \$1.5 million compared with a net loss from continuing operations of \$1.6 million during the same period in 2009. The 2010 third quarter loss includes approximately \$820,000 for non-recurring restructuring payments, office closing costs and special bonus payments, as well as an increased inventory reserve of \$175,000 for obsolescence and a \$35,000 provision for a non trade receivable.

During the quarter, Management completed the sales of GBIH and Bach-Simpson for \$48 million prior to price adjustments. The agreement for the sale of GBIH shares and Bach assets generated a net pretax gain on the sale of subsidiaries of \$25.1 million.

Net earnings for the first nine months of 2010 were \$18.6 million compared with a net loss of \$3.0 million during the same period in 2009. Net loss from continuing operations

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for the first nine months of 2010 was \$2.4 million compared with a net loss from continuing operations of \$6.8 million during the same period in 2009.

Canadian GAAP requires that certain specific Company expense items be allocated in their entirety to discontinued operations for financial statement presentation purposes. Accordingly, for the three and nine months ended September 30, 2010, all of the Company's facility loan interest was allocated to discontinued operations in the amounts of approximately \$68,000 and \$876,000, respectively. For the comparative 2009 periods, facility loan interest in the amount of approximately \$325,000 and \$786,000, respectively, was allocated to discontinued operations. For the three and nine months ended September 30, 2010, a \$3.4 million foreign exchange loss resulting from the reduction of the Company's accumulated comprehensive loss was recorded in the earnings from discontinued operations. There was no similar amount in 2009.

Outlook

Along with all other industries in Canada and the United States, railroads have suffered during the economic downturn. Freight rail is a "derived demand" industry; demand for the rail service is linked to the demand for the products that the railroads haul. Rail traffic, therefore, acts as a solid barometer of the overall health of the economy. Since 2004, a number of factors have led to an increase in rail freight volume in the United States. This has included rising fuel costs leading to an increased demand for rail, since railroads are on an average four times more fuel-efficient than trucks; a surge in United States imports and record United States agricultural exports boosting rail shipments to and from ports; a rise in natural gas prices causing power plants to burn more coal to generate electricity, and most coal is shipped by rail and lastly railroad investments in capacity, innovations and use of technology led to service improvements and enhanced reliability.

With the growth in the economy year to date, the fortunes of the railroad industry are also on the mend. The overall sentiment, based on latest available weekly data with respect to railroads is clearly improving. The Association of American Railroads reported September 2010 carloads were up 7.7% over September 2009 but still down 7.5% versus September 2008. Weekly average carloads for September 2010 numbered 297,502 units which are the highest weekly average since 2008. Intermodal units' recorded September 2010 weekly average of 233,058 which were the second highest since October 2008.

The volumes continue to grow steadily due to a pick-up in end market demand. Moreover, structural cost cuts during the downturn are forecasted to help railroads generate higher margins.

As the United States economy recovers, manufacturing production picks up and consumers begin spending again, industry revenue should return to historical growth patterns.

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Financial Results ('000's)

| | Q3 '10 | Q2 '10 | Q1 '10 | Q4 '09 | Q3 '09 | Q2 '09 | Q1 '09 | Q4 '08 |
|--|------------|------------|-----------|------------|------------|------------|------------|------------|
| Sales from continuing operations | \$ 10,139 | \$ 11,927 | \$ 10,998 | \$ 10,795 | \$ 9,454 | \$ 9,011 | \$ 6,747 | \$ 9,944 |
| Net loss from continuing operations | \$ (1,511) | \$ (1,066) | \$ (795) | \$ (4,571) | \$ (1,606) | \$ (2,163) | \$ (3,073) | \$ (4,301) |
| Net earnings from discontinued operations | \$ 19,556 | \$ 1,564 | \$ 884 | \$ 691 | \$ 1,074 | \$ 1,288 | \$ 1,524 | \$ 1,342 |
| Continuing operations loss per share | | | | | | | | |
| Basic | \$ (0.10) | \$ (0.11) | \$ (0.05) | \$ (0.30) | \$ (0.11) | \$ (0.14) | \$ (0.20) | \$ (0.28) |
| Diluted | \$ (0.10) | \$ (0.11) | \$ (0.05) | \$ (0.30) | \$ (0.11) | \$ (0.14) | \$ (0.20) | \$ (0.28) |
| Discontinued operations earnings per share | | | | | | | | |
| Basic | \$ 1.28 | \$ 0.08 | \$ 0.01 | \$ 0.05 | \$ 0.07 | \$ 0.08 | \$ 0.10 | \$ 0.09 |
| Diluted | \$ 1.28 | \$ 0.08 | \$ 0.01 | \$ 0.05 | \$ 0.07 | \$ 0.08 | \$ 0.10 | \$ 0.09 |
| Net Earnings (loss) per share | | | | | | | | |
| Basic | \$ 1.18 | \$ 0.03 | \$ 0.01 | \$ (0.26) | \$ (0.04) | \$ (0.06) | \$ (0.10) | \$ (0.19) |
| Diluted | \$ 1.18 | \$ 0.03 | \$ 0.01 | \$ (0.26) | \$ (0.04) | \$ (0.06) | \$ (0.10) | \$ (0.19) |

Liquidity and Capital Resources – Continuing Operations

The Company's Credit Agreement with its Lenders originally provided for a maximum amount of \$34.1 million and was 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 were 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 to finance the CAD acquisition (note 20), 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 incur 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.

On November 12, 2009, Management and the Lenders agreed to terms for the Second Amending Agreement to the Company's Credit Agreement. The Term Facility was changed from a revolving, reducing facility to a reducing facility. The principal repayments of long-term debt scheduled for October 1, 2009 and January 1, 2010 totaling \$1.5 million 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 remained at \$10.0 million. However, the borrowing base related to the

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Company's inventory was expanded from \$5.0 million to \$6.5 million, effective February 28, 2010. The Company's Hedge Facility was capped at the then current exposure level. A new 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 Agreement required the Company to undertake to proceed with the sale of one or more subsidiaries before January 31, 2010, with a transaction close date of no later than February 28, 2010; or alternatively obtain a commitment by January 31, 2010 for a new facility of not less than \$5.0 million, for a combination of equity and subordinated debt, which was to include a minimum equity injection of \$2.5 million, to be completed by March 31, 2010. Under the amended terms of the Credit Agreement, the Company was 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.

On January 28, 2010, Management and the Lenders agreed to terms for the Third Amending Agreement to the Company's Credit Agreement. The amendments required a final offer of purchase for one or more subsidiaries before March 1, 2010, with a transaction close date of no later than March 31, 2010; or, alternatively, a commitment by March 1, 2010 for a new facility of not less than \$5.0 million, for a combination of equity and subordinated debt, which was to include a minimum equity injection of \$2.5 million, to be completed by March 31, 2010. Under the amended terms of the Credit Agreement, the Company was required to continue to provide the Lenders with specified monthly financial information and provide regular updates on the divestiture process.

On March 31, 2010, the Company and its Lenders agreed to terms for the Fourth Amending Agreement to the Company's Credit Agreement. The amendments required the Company 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 \$5.0 million, including a minimum equity injection of \$2.5 million, to be completed by June 30, 2010. The Company was required to provide regular updates to the Lenders regarding the progress towards completion of these requirements. The Company was also required to provide the Lenders with enhanced financial reporting.

On June 30, 2010, Management and the Lenders agreed to terms for the Fifth Amendment to the Company's Credit Agreement. In accordance with this Amendment, the Company undertook to proceed with the sale of GBIH before July 31, 2010, and the sale of Bach-Simpson before October 31, 2010 with the net proceeds on the sale of each to be used to retire the Company's various credit facilities. On July 28, 2010, the sale of GBIH was completed and in accordance with the Fifth Amending Agreement to the Credit Agreement, the Company made payments to its Lenders in the amounts of \$15.8 million, to fully retire the Company's term facility, and \$3.5 million, to reduce the outstanding

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principal of the Company's operating facility, including guarantees, to a balance \$5.0 million. Under this Amendment, the Company's hedge facility was cancelled and the interest rate swap contracts were terminated. On August 24, 2010, the Company repaid the remaining \$2.3 million principal balance of its operating facility using partial net proceeds from the sale of the assets of Bach-Simpson.

On August 17, 2010, the Company and its Lenders agreed to terms for the Sixth Amending Agreement to the Company's Credit Agreement. In accordance with this Amendment, the Lenders undertook, following completion of the sale of the assets of Bach-Simpson, to maintain an Operating Facility of up to a maximum of \$1.2 million solely for the purposes of issuing letters of Credit, and well as ancillary facilities for electronic funds transfers and company credit cards. At September 30, 2010, the undrawn portion of the Company's original operating facility was \$125,000.

On September 24, 2010 the Company negotiated a new Credit Agreement with one of its Lenders, establishing a \$1.2 million demand loan revolving facility as well as ancillary facilities for corporate credit cards and electronic funds transfers' in the aggregate maximum amount of \$550,000. Loan documentation for the new facility includes a Credit Agreement, subsidiary guarantees and a cash collateral pledge in the amount of \$1.3 million. Interest Rates for loans and overdrafts are Prime plus 0.25%. As at September 30, 2010 no amounts were drawn against this new facility.

The Company had not been in compliance with all of the covenants under its Credit Agreement from the fourth quarter of 2008 to the second quarter of 2010. As a result of these covenant breaches, the Lenders were in a position to take enforcement action against the Company that could have resulted in the curtailment or termination of all or a portion of the credit facilities, demand for payment and/or realization on security. Since there was a risk that the term facility could have been terminated within one year, the Company had classified all of its long-term debt as a current liability on the Interim Consolidated Balance Sheets. The Lenders were paid in full from the sale transaction.

Following the completion of the two sale transactions the Company received net cash proceeds of approximately \$26.6 million on the closing of the sale of GBIH and approximately \$9.9 million on the closing of the Bach-Simpson sale.

As at September 30, 2010, cash on hand was \$11.8 million compared with \$2.0 million at December 31, 2009. Additionally, \$7.8 million of escrow funds were outstanding as at September 30, 2010.

During the third quarter of 2010, the Company used approximately \$4.2 million of cash to fund continuing operations compared to an operating cash surplus of \$185,000 in the same period of 2009. Cash used in operating activities, before changes in non cash working capital, was approximately \$1.9 million. This amount included non-recurring

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items amounting to approximately \$820,000 for restructuring payments, office closing costs and special bonuses. Additionally, prior to the sale of GBIH, the Company was required to pay cash taxes of approximately \$700,000 related to tax arrears and withholding taxes. The Company's 2010 third quarter cash flow was also negatively impacted by the decision to increase cash payments to its suppliers in an effort to reduce arrears and improve relations, thereby ensuring a steady flow of parts and materials to maximize CADRI's production efficiency. No catch up payments are anticipated for 2010 fourth quarter. Finally, due to the timing of invoicing, the Company utilized approximately \$1.2 million of cash to finance increased trade receivables with VIA. These receivables were collected in 2010 fourth quarter. The cash flow shortfall was fully funded from the proceeds received from the sale of subsidiaries and cash from discontinued operations. The 2009 cash flow result was favourably impacted by receipt of a non-recurring \$1.8 million customer advance deposit and an aggressive plan that reduced the Company's inventory levels.

For the nine months ended September 30, 2010, the Company used approximately \$2.7 million of cash to fund continuing operations compared to an operating cash deficit of approximately \$8.4 million during the same period of 2009. Cash used in operating activities, before changes in non cash working capital was approximately \$2.3 million. This amount included non-recurring items amounting to approximately \$820,000 for restructuring payments, office closing costs and special bonuses. Additionally, prior to the sale of GBIH, the Company was required to pay cash taxes of approximately \$700,000 related to tax arrears and withholding taxes. The cash flow shortfall was fully funded from the proceeds received from the sale of subsidiaries and cash from discontinued operations. The significant improvement in the Company's 2010 year-to-date cash flow result compared to the same period in 2009 is primarily related to reduced operating losses at CADRI.

As at September 30, 2010, the total drawn under the existing credit facilities was \$1.1 million, including a \$1.0 million financial guarantee to VIA. The undrawn portion of the Company's available credit facility as at September 30, 2010 was \$125,000.

As at September 30, 2010 the Company did not have any off-balance sheet financial arrangements.

Capital Expenditures – Continuing Operations

Management continues to approve only core capital expenditures with rapid payback periods or safety related projects. During the third quarter of 2010, CADRI implemented the general ledger, accounts receivable and accounts payable modules of the new accounting system. Stand alone deployment for the new system became effective October 1, 2010 upon conclusion of the parallel testing and assessments. Management is now looking to integrate the inventory management module effective January 1, 2011.

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The new system will enable Management to more proactively address various system and control weaknesses; improve alignment of corporate strategies and operations; reduce risk; improve productivity and insight into daily activities as well as improve financial management and reporting processes.

For the nine months ended September 30, 2010, the Company's capital expenditures totaled \$180,000 and included manufacturing equipment, building improvements, as well as furnishings and office equipment.

As at September 30, 2010, the Company had no outstanding commitments for additional capital expenditures.

Contractual Obligations – Continuing Operations

The Company has equipment lease commitments at CADRI. These commitments total approximately \$16,000 in 2010; \$53,000 in 2011; \$34,000 in 2012; \$30,000 in 2013; and \$17,000 in 2014. The Company has entered into fixed price purchase contracts with remaining commitments amounting to approximately \$18.1 million, primarily to acquire materials required to complete the VIA contract. These purchase 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 \$3.8 million with a company owned by the President and Chief Executive Officer of Global – 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 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, late deliveries 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.

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The Company maintains a liability on its interim consolidated balance sheets in the amount of approximately \$2.6 million, which represents prepayments received in respect of the remanufacture of locomotives. Approximately \$2.2 million of these prepayments are expected to be drawn down during the next twelve months. The entire balance will be drawn down by the end of 2012. The Company has secured the prepayments with a \$1.0 million financial guarantee issued by a Canadian Bank, 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 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 third quarter of 2010, the Company's remaining goodwill in the amount of \$9.0 million was disposed of with the sale of GBIH and Bach-Simpson. The disposed goodwill related to the Company's original acquisitions of G&B and Bach-Simpson.

Share Capital

At September 30, 2010, the Company had 15,239,900 common shares outstanding, unchanged from the prior year. During the three months ended September 30, 2010, no stock options were exercised, 155,000 options expired or were cancelled, and no additional options were granted in accordance with the Company's Stock Option Plan. If all of the outstanding options were exercised, the Company would have 16,206,842 shares outstanding.

Related Party Transactions

During the third quarter of 2010, the Company paid \$390,000 for management services provided by a company owned by the President and CEO of Global, compared with \$78,000 paid during the same period in 2009. During the first nine months of 2010, the Company paid \$544,000 for management services provided by a company owned by the President and CEO of Global, compared with \$266,000 paid during the same period in 2009. In the normal course of business, CADRI purchased approximately US\$3.0 million

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of inventory from a company owned by the President and CEO of Global during the first nine months ended September 30, 2010, compared with US\$1.5 million 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 \$3.8 million as at September 30, 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 contaminates carried over from the property's prior use as a foundry. A third party evaluator initially determined that this environmental liability approximated \$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 initial 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). Cumulatively, the Company has charged \$74,036 against the environmental reserve (year ended December 31, 2009 - \$74,036). The carrying value of the land and building value has been increased by \$107,625, representing the unamortized intangible asset value relating to the option to purchase as at the date of the acquisition, and by \$93,106 of transaction costs.

Subsequent Event

On October 28, 2010 the Company received a notice from Wabtec pursuant to the Asset and Share Purchase Agreement dated July 14, 2010 detailing Wabtec's calculated differences between the estimated and delivered Net Working Capital related to their purchase of GBIH. Wabtec's calculation indicates that the delivered Net Working Capital was lower than the estimated Net Working Capital used to finalize the original purchase price of GBIH by approximately US \$617,000. Under the Asset and Share Purchase Agreement, Management has 30 days to review Wabtec's calculations and supporting documentation to determine the validity of the Wabtec calculations. Any Net Working Capital disputes between the parties are to be resolved through an independent arbitrator. Any change to the Net Working capital agreed to by the parties will result in an equal change to the gain recorded by the Company on the sale of GBIH.

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Business Risks

The Company's primary business risks are listed below:

Liquidity

At September 24, 2010, the Company concluded an offer of financing with a Lender for a demand revolving facility and accessory facilities sufficient for the Company's needs.

Key Personnel

The Company's senior management team is comprised of its Chairman, President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). 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. It could be difficult to replace Company's senior management without adversely impacting the Company's operations. The Company does not maintain "key man" insurance for any of its senior management team. Additionally, the Company has employment and non-competition agreements in place with various members of its senior management team.

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

As at September 24, 2010, the Company agreed to an offer of financing with a Lender for a demand revolving facility and accessory facilities sufficient for the Company's needs. The new credit facilities are guaranteed by the Company and its wholly owned subsidiaries and are secured by cash collateral.

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

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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.

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. On the other hand, passenger railroads and commuter systems are favorably impacted by the current market conditions because of increased government investment in rail passenger transit.

Following the sale transactions, revenue from the company's largest locomotive customer was approximately 70% of the Company's nine month and three month 2010 revenues from continuing operations. This compares to approximately 45% and 47%, respectively

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for the Company's nine months and three months 2009 revenues from continuing operations.

Accounts receivable from the Company's largest customer were approximately 46% of accounts receivable as at September 30, 2010 versus 21% of accounts receivable as at December 31, 2009.

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. CADRI 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.

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.

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Limited Financial Resources

The financial resources of the Company are more 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 although the company currently has significant available following sale of subsidiaries. Given the existing conditions of the banking and credit markets, the Company's future plans regarding new bids for large contracts may 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.

Implementation of accounting system at CADRI

The implementation of a new accounting system at CADRI originally commenced during the quarter ended June 30, 2010. The modules deployed include general ledger, accounts receivable and accounts payable. The inventory module is to be deployed at the start of 2011 at which time it is anticipated that many of the inventory controls issues will also be addressed.

This implementation required time and manpower resources, thereby introducing some inherent risk in CADRI operations until such time that the accounting system was fully implemented. The new accounting system was used in parallel during the third quarter of 2010, along with employee training, system testing and report customization are continuing. Final and stand alone deployment for the general ledger modules occurred October 1, 2010 after the parallel testing and assessments were concluded.

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.

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

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analysis of results, financial position, liquidity and trends. Refer to Note 2 in the 2010 third quarter interim consolidated financial statements for additional information regarding the Company's significant accounting policies.

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

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

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

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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 or estimated labour hours for each unit of production. If circumstances change the original estimates of revenues, costs, or extent of progress toward completion, then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that give rise to the revision become known to Management. The Company also provides for the estimated cost of product warranties at the time of revenue recognition.

Goodwill

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

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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.
- (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.

Transition to International Financial Reporting Standards ("IFRS")

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

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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
- implementation

The Company has completed the initial diagnostic 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 commenced during the second quarter of 2010 and is expected to be done during the fourth quarter 2010.

Based on this assessment, greater financial statement note disclosure will be required in general upon conforming to IFRS, and specifically for property plant & equipment, provisions, and intangible assets which will require continuity schedules to be disclosed illustrating the opening balances, the current period adjustments, and the ending balances. The Company is in the process of preparing the January 1, 2010 opening financial statements under IFRS.

The Company has reviewed accounting policy alternatives under IFRS, including certain exemptions and elections available on transition under IFRS 1, but will not conclude until the fourth quarter of 2010 upon which IFRS 1 elections the Company will make on transition to IFRS. Any adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. Moreover, until the policy choices are finalized and the Company has prepared a full set of annual financial statements under IFRS, the Company will not be able to determine or precisely quantify all of the impacts that will result from converting to IFRS. The Canadian GAAP and IFRS, standard setting bodies have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years.

Business processes, including controls, are being assessed and redesigned, as needed, as the project progresses. Management does not yet foresee any material changes coming from this transition. In regards to internal controls over financial reporting ("ICOFR"), the Company will be determining what additional changes to ICOFR will be required to deal with the accounting policies adopted for IFRS. This process will be ongoing through the

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fourth quarter of 2010 to ensure that appropriate additional controls and procedures for future IFRS reporting requirements are implemented based on the actual accounting policies adopted by the Company.

The Company will also ensure that its key stakeholders are informed about the anticipated effects of the IFRS transition. Regular reporting of the progress on the IFRS conversion project has been, and will continue to be provided by Management to the Audit Committee of the Board of Directors and other important stakeholders.

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 National 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.

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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 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 and external advisors have 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. On July 28, 2010, a new CFO succeeded the incumbent who has agreed to stay on with the Company on an interim basis during the transition.

3. Corporate Governance

Mr. Fausto Levy succeeded Mr. Terry McManaman, as the Company's President and CEO in July 2010. Concurrently, Mr. Thomas Dea was appointed to the position of Chairman of the Board of Directors. Accordingly, the potential conflict of interest associated with the previous organization structure has been eliminated.

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Due to a change in Company's legal counsel and relocation of the Administrative Head Office, the Company's Board has appointed Brian McMullan as the Company's Secretary, on a temporary basis.

4. CADRI

On November 14, 2007, Global acquired the business assets and net working capital of CADRI. During fiscal year ended December 31, 2008, Company Management reviewed the design and the operating effectiveness of internal control over financial reporting of CADRI's significant processes. As a result, a number of process-level controls including information technology and general computer controls were assessed to be ineffective as of December 31, 2008 and 2009.

To date, some key internal controls are still under evaluation and implementation as this is a continuous improvement process. CADRI management continues to enhance internal control over financial reporting structure; however, the primary focus continues to be the implementation of a new 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's 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 at CADRI:

Accounting for Inventories

Although continuous improvement has been made, there continues to be dissatisfaction with 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. CADRI's inventory

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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;
- 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 will only become more reliable with the implementation of additional process controls together with the implementation of the new accounting system, which is currently underway.

Accounting for Accounts Payable and Accrued Liabilities

During the third 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.

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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 third quarter of 2010. CADRI management has implemented procedures to identify and record capital assets on a timelier basis, and follow up on capital expenditure projects. The implementation of an accounting system will allow the automation of the process and the integration of end user computer 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.

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 was implemented in the third quarter of 2010 and is expected to generate a greater portion of CADRI's financial reporting and analysis in place of extensive spreadsheet use.

Journal Entries

During the first quarter of 2009, CADRI Management established new standards for supporting documentation and strengthen the review and approval process for journal entries. Beginning in the third quarter of 2010, CADRI's journal entries were required to be accompanied by supporting documentation and are reviewed and approved for validity, completeness and accuracy. CADRI Management continues to monitor these changes closely to ensure that journal entries are adequately reviewed and approved.

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 hired a new Controller during the first quarter of 2010, and with addition of the CFO on location is undertaking the analysis of conflicting

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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.

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, fiscal 2009, or so far in 2010, as the potential improvements to these controls is largely dependent upon the new accounting system and the related processes and controls. In November 2009, a VP Finance, who is now the CFO, was hired to provide increased focus to these required improvements, including implementation of the new accounting system. CADRI regularly reviews its controls and procedures and engaged an independent advisor during the quarter to examine the new accounting system implementation and provide recommendations for a Control and Risk Matrix. The process has involved accounting staff to review controls, provide training and increase awareness with the testing of the control activities, examination of weaknesses and suggesting improvements.

In connection with the Canadian Securities Administrators National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Findings", the Company's Management, with the participation of the CEO and CFO, has evaluated the effectiveness, as at September 30, 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. 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 the risk can be reduced to less than a remote likelihood of a material misstatement

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:

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(i) that Management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances, or (ii) the impact of isolated errors.

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

Based on the work performed to date, Management believes that there are no material inaccuracies or omissions of any material fact in this MD&A. Management, to the best of its knowledge, also believes that the September 30, 2010 third quarter interim consolidated financial statements are fairly presented in all material respects.

Forward Looking Statements

This MD&A contains certain forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of Global. Statements that are not historical facts are forward-looking and are subject to important risks, uncertainties and assumptions. These statements are based on the Company's current expectations about its business and the markets in which it operates, and upon various estimates and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events if known or unknown risks, trends or uncertainties affect the Company's business, or if its estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that the circumstances described in any forward-looking statement will materialize. Significant and reasonably foreseeable factors that could cause the Company's results to differ materially from its current expectations are discussed in the section entitled "Business Risks" contained in the Company's Management's Discussion and Analysis for the year ended December 31, 2009 filed by Global with the Canadian securities commissions (available on SEDAR at www.sedar.com), as updated under the heading "Business Risks" beginning at page 15 of this MD&A. The Company disclaims any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

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

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| <p><u>DIRECTORS</u></p> <p>Thomas Dea ^{1 2} Chairman of the Board</p> <p>Laurie Bennett, CA ² Chair, Audit Committee</p> <p>Jacques Cote ^{1 2}</p> <p>Alan Sellery ¹</p> <p><u>OFFICERS</u></p> <p>Fausto Levy President & Chief Executive Officer</p> <p>Ross Corcoran, MBA Chief Financial Officer</p> <p>Brian McMullan, CA Vice President & Secretary</p> | <p><u>CORPORATE OFFICE</u></p> <p>Global Railway Industries Ltd.</p> <p>Administrative Head Office 155 Montreal-Toronto Blvd, Lachine, Quebec, H8S 1B4</p> <p>Phone (514) 634-3131, Ext. 136 Fax (514) 634-3932 Email info@globalrailway.com Web site: www.globalrailway.com</p> <p><u>BANKERS</u> BMO – Montreal, Quebec HSBC Bank Canada – Montreal, Quebec</p> <p><u>AUDITORS</u> KPMG LLP London, Ontario</p> <p><u>LEGAL COUNSEL</u> Davies Ward Phillips & Vineberg LLP Montreal, Quebec Toronto, Ontario</p> <p><u>TRANSFER AGENT</u> Computershare Trust Company of Canada 600, 530 - 8th Avenue S.W. Calgary, Alberta T2P 3S8 Phone 1-800-564-6253</p> <p><u>STOCK EXCHANGE</u> Toronto Stock Exchange Symbol: GBI</p> |
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¹ Member of Special Committee

² Member of Audit Committee