



GLOBAL RAILWAY INDUSTRIES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

This MD&A is re-filed solely to modify Management's disclosure of its conclusions on the effectiveness of the Company's disclosure controls and procedures and its internal controls over financial reporting. See "Disclosure Controls and Procedures" on page 28 and Internal Controls Over Financial Reporting" on page 33.



GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

The following is Management's Discussion and Analysis ("MD&A") of Global Railway Industries Ltd.'s (the "Company" or "Global") financial results of operations for the year ended December 31, 2008. This MD&A has been prepared as of March 30, 2009. Except where otherwise indicated, all financial information is expressed in Canadian dollars. Several accounting policy and procedural changes were made in 2008 as noted herein. This discussion is intended to assist the reader in understanding the dynamics of the Company's business and the key factors underlying its financial results. This discussion should be read in conjunction with the Company's 2008 annual 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 annual consolidated financial statements.

Strategy

The Company's strategy is to consolidate and rationalize small and medium sized railway equipment suppliers to provide a one stop shopping service for its customers. Management evaluates acquisition opportunities for complementary and strategic product lines, and for products which can benefit from utilization of the Company's existing sales, distribution and manufacturing operations. To maintain its position with each customer, the Company supplies well designed, high quality, competitively priced products in a timely manner.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

Management's ultimate objective is to deliver long-term value to the Company's shareholders through organic growth and strategic acquisitions.

Performance Data

The following represents data for the unaudited three month and audited twelve month periods ended December 31, 2008, with comparative figures for 2007 and 2006:

	Three months			Twelve months		
	2008	2007	2006	2008	2007	2006
		(unaudited)			(audited)	
Sales	\$16,563,728	\$10,432,403	\$7,559,864	\$61,767,266	\$36,812,686	\$31,883,903
Net earnings (loss):						
Continuing operations, before goodwill impairment	(189,361)	408,687	737,408	1,093,895	3,293,154	3,626,841
Goodwill impairment	(2,769,802)			(2,769,802)		
Discontinued operations	-	-	50,377		-	(459,581)
Net earnings (loss) for the period	(\$2,959,163)	\$408,687	\$787,785	(\$1,675,907)	\$3,293,154	\$3,167,260
Net earnings (loss) per share from continuing operations:						
Basic	(\$0.19)	\$0.03	\$0.05	(\$0.11)	\$0.22	\$0.24
Diluted	(\$0.19)	\$0.03	\$0.05	(\$0.11)	\$0.22	\$0.24
Net earnings (loss) per share:						
Basic	(\$0.19)	\$0.03	\$0.05	(\$0.11)	\$0.22	\$0.21
Diluted	(\$0.19)	\$0.03	\$0.05	(\$0.11)	\$0.22	\$0.21
Weighted average number of common shares outstanding:						
Basic	15,239,900	15,022,234	14,931,744	15,200,672	14,960,278	14,886,539
Diluted	15,239,900	15,351,659	15,092,843	15,329,494	15,228,082	15,033,270
Total Assets	\$72,393,483	\$58,571,691	\$35,283,009	\$72,393,483	\$58,571,691	\$35,283,009
Total Long-Term Liabilities	\$5,417,853	\$16,155,660	\$1,581,735	\$5,417,853	\$16,155,660	\$1,581,735

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

In November 2007, Global acquired substantially all of the business assets of four related private companies (collectively "CAD"), which now operate within CAD Railway Industries Ltd. ("CADRI"), a wholly-owned subsidiary of Global. The acquisition advanced the overall strategy described above and significantly increased the size of Global. Fiscal 2008 has been a transition year as the Company integrates and formalizes processes, procedures and training at CADRI. The Company has invested significant management time and money to enhance CADRI's business management capacity and skills. The Company has invested \$6.2 million of capital (including \$3.6 million for adjacent land and building) to provide CADRI with the facilities, machinery and tooling necessary to increase its capacity and improve its ability to deliver the high quality, reliable products and services that Global is known for throughout the railway industry. Additionally, the Company has invested a substantial amount of working capital into the VIA project.

Management expects these upgrades to be in place and operating efficiently and effectively in the second quarter of 2009.

Significant Events in the Fourth Quarter of 2008

Management continues the transformation of Global as it continues the integration of the operations acquired from CAD, which nearly doubled Global's revenue base, and CADRI progresses with the five year \$101.5 million VIA Rail Canada ("VIA") locomotive remanufacturing contract. Management expects that integration and startup costs associated with these initiatives will continue in the first quarter of 2009 and start decreasing during the next quarter as efficiency improvements are realized. This will have a negative impact on earnings as Management positions the Company for growth and improved financial results during the remainder of 2009 and beyond. Continued investments of time and money are being made to achieve improvements in CADRI's production processes and procedures, training, resources, hiring, management control systems, quality assurance testing and capital infrastructure. Although this will be an ongoing process of continuous improvement, Management expects the majority of these changes to be in place and operating efficiently and effectively in 2009. Management has now initiated the implementation of an enterprise and resource planning ("ERP") system at CADRI. In December 2008, a senior CADRI executive was appointed to lead the implementation of this important management control tool for the Company. Implementation of an ERP system is a significant undertaking and will take the majority of 2009 to implement. When completed, the new ERP system will improve CADRI's accounting, internal controls, revenue reporting, cost control, production management and reporting processes.

Issues related to prototyping, engineering and design, material procurement and manpower have resulted in the refurbishment of the first VIA locomotive being slightly behind schedule. Delays of this nature are normal in such large projects. Despite some

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

design issues that were encountered during initial bench testing of the new locomotive generator set, CADRI has now resolved most issues and the first locomotive proceeded to the final painting and testing stages in early 2009 and was delivered to VIA at the end of the first quarter of 2009. CADRI has implemented catch-up measures to avoid future delays. Management has regularly scheduled meetings with VIA management at all levels of its organization. These discussions are open and very cooperative, thus ensuring the customer is aware of production challenges and opportunities for improvement. CADRI and VIA have recently agreed to a more cash flow neutral schedule of payments for the first nine locomotives. This contract change reduces the net working capital required to finance the VIA contract.

During the last quarter of 2008, and as part of its ongoing change and improvement process, CADRI completed the integration of its stores and material management, resulting in a reduction from several stores to one central store plus a satellite store for diesel engines. This integration will improve material management activities and reduce material sourcing costs with further improvements planned as part of the ERP system implementation.

To increase sales outside the United States and Canada, G&B Specialties, Inc. ("G&B") management signed an agreement with a railroad equipment representative in Mexico during the third quarter of 2008 and provided technical support on various proposals in the third and fourth quarters. This has resulted in G&B receiving orders from two Mexican railroads, with several additional sales quotations pending. Mexico has three major railroads, several short line railroads and transit authorities. Management made sales calls and attended a major trade show in Brazil during the fourth quarter to continue efforts to increase market share in Latin America.

During the fourth quarter of 2008, G&B received an order from an Australian customer for track and signal products. In 2009, Management will be visiting Australia, China, Argentina and other countries worldwide to investigate the markets in these countries and, where appropriate, establish sales channels to sell G&B's products. Management believes that international sales volumes will continue to grow in 2009.

In the fourth quarter of 2008, G&B released two new circuit controller designs to the market and have production samples in test at three Class 1 Railroads. These products will generate incremental sales in 2009 and beyond. G&B finished the prototype for a new switch lock and expects to have the first unit in test at a Class 1 Railroad in the first quarter of 2009. In total, G&B expects to launch six new products into the market in 2009.

Bach-Simpson Corporation ("Bach-Simpson") is involved in five major transit projects and continues to be the leading event recorder supplier to North American transit authorities

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

and the original equipment manufacturers ("OEM's") that supply their subway and light rail cars.

During the fourth quarter, Bach-Simpson installed an upgraded event recorder on a Class I Railroad locomotive for testing purposes and expects to review the results with the customer for possible sales by the second quarter of 2009. Bach-Simpson is quoting another Class 1 Railroad for an upgrade of 100 event recorders with crash hardened memory for delivery starting in 2009.

Bach-Simpson continues to develop a video recorder feature for their event recorder and is presently working with a customer on a test application that, if effective, could be applied to their next locomotive order with delivery starting in 2010.

Continuing three years of internal operational improvement, the Federal Railroad Administration ("FRA") safety ratio for G&B improved by 24% in 2008. At Bach-Simpson, there were no reportable accidents in 2008, matching a perfect record of safety awareness and accident free environment set over five years ago.

Due to the economic recessionary impact on the global market, and specifically on Global's stock price, Management performed a goodwill impairment test in the fourth quarter of 2008. The test determined the estimated impairment of the goodwill the Company maintained on its Consolidated Balance Sheets which resulted from previous acquisitions. This fourth quarter test resulted in a non-cash, \$2.8 million negative impact to the 2008 fourth quarter operating results, which was recorded as an other expense on the Company's Consolidated Statements of Comprehensive Income. Excluding the impact of this impairment expense, the Company realized earnings after taxes in the amount of \$1.1 million, or \$0.07 per share for the year ended December 31, 2008. Although the general North American economy continues to be weak and railways continue to be hesitant to commit to capital expenditures, Management is convinced that the underlying value of the Company is stable and that operating results will be positive in 2009.

Sales

Through its subsidiaries, the Company generates revenue primarily from the sale of track switching components, railgear, rail car parts, event recorders with crash hardened memory modules, the remanufacture of locomotives, the repair of rail cars, and the remanufacture of locomotive and marine engines and parts. Sales originate predominantly in the United States and Canada, with less than 5% of revenue being generated from sales in other countries in 2008.

Sales for the three month period ended December 31, 2008 were \$16.6 million, representing an increase of 58.8% compared with the same quarter of 2007. Sales for

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

the year ended December 31, 2008 were \$61.8 million, an increase of 67.8% compared with the prior year. The Company's 2008 results include twelve months of CADRI revenues whereas only six weeks of CADRI revenues, totalling approximately \$3.5 million, were included in 2007.

G&B's track and signal sales fell short of Management's expectations in 2008. As discussed in previous quarterly MD&A's, the North American track and signal market was much lower in 2008 than in 2007. During the fourth quarter of 2008, track and signal sales, in US dollars, were down 18% compared to the fourth quarter of 2007, and down 21% on a year-to-year basis. On the other hand, railgear sales, in US dollars, continue to grow and were up 2% in the fourth quarter of 2008 compared to the fourth quarter of 2007, and up 16% on a year-to-year basis. The decreased track and signal sales are a direct result of G&B's customers delaying major capital expenditures in this area due to the uncertain economic environment, and investing in other areas, including repairs, due to the major climatic events that occurred in 2008.

G&B also experienced a decrease in track and signal sales to the major signaling OEM's, which is another sign that the decrease in track and signal sales is pervasive across all suppliers and not unique to G&B. Sales into Mexico, while still small at \$200,000 for 2008, increased by 107% as compared to 2007 and management anticipates continued growth in Latin America in 2009.

Management believes that the 2009 track and signal market will continue to be weak as railroads prioritize maintenance spending and capital projects. G&B Management has planned accordingly to meet its internal gross margin and operating income goals.

In the fourth quarter, Bach-Simpson shipped a record number of event recorders. Bach-Simpson's 2008 fourth quarter and 2008 full year sales met expectations and Bach-Simpson continued to show growth as compared to 2007. Order volumes exceeded targets and Management does not expect the same slow down in the instrumentation market that is currently being experienced in the track and signal market. Bach-Simpson's order backlog increased 77% between December 31, 2007 and December 31, 2008. This can be attributed to the long-term contracts that dominate this market and the fact that many of Bach-Simpson's products are focused on the rail commuter and passenger industry which has been less impacted by recent economic turmoil. Management expects Bach-Simpson will achieve modest sales growth in 2009.

CADRI has finalized its review of sales in the International markets and eliminated most high credit risk clients. On a going forward basis, International contracts will be focused on larger clients with excellent credit ratings and larger equipment fleets, contributing to an expected sales growth with International clients in the third and fourth quarters of

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

2009. Additionally, CADRI will make full use of credit and export insurance programs offered by organizations such as Export Development Canada.

Given the economic recession that has impacted the business for the latter half of 2008 and continuing into 2009, CADRI is projecting a significant negative impact on sales in the locomotive maintenance and component parts for at least the first and second quarters of 2009. Additionally, railroads are storing substantial numbers of locomotives and freight cars, thereby reducing the demand for locomotive and railcar maintenance and parts. On the positive side, CADRI expects that tank car repairs will increase due to mandated certification cycles. Management is focusing its efforts on enhancing the volume throughput of tank cars and the VIA project in order to partially offset the expected reduction of locomotive and component revenues. Diminishing sales volumes in the locomotive and component markets, combined with a continued learning curve impact on the VIA project margins, will negatively impact CADRI's gross profit margins during first and second quarter of 2009. CADRI gross profit margins are expected to improve in the third and fourth quarter of 2009.

Most government agencies have announced substantial increases in capital expenditures in infrastructures projects. CADRI expects this will increase spending in rail transit projects in Canada and the United States. CADRI is currently bidding on some of these projects and, while this is a positive for CADRI, lead time and project planning on these projects will delay the realization of additional revenues to the fourth quarter of 2009 and beyond.

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

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

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

translated into Canadian dollars. A strengthening Canadian dollar has the effect of decreasing the Company's United States dollar denominated sales and expenses. It also decreases overall net income because there are more sales than expenses transacted in United States dollars. During the year, approximately 60% of the Company's sales were transacted in United States dollars, a reduction of nearly 28% compared with 2007. The improved currency balance achieved in 2008 resulted from the high percentage of Canadian dollar denominated CADRI sales during the quarter, an expected benefit of the CAD acquisition. The mix of Canadian dollar sales to United States dollar sales is in line with Management's expectations.

The effect of the fluctuating value of the Canadian dollar against the United States dollar favourably impacted the Company's 2008 fourth quarter and year-to-date sales growth. Had the exchange rate remained constant year over year, 2008 fourth quarter year-over-year sales growth would have been 38.6%, or 20.1% lower than the reported result, and 2008 year-to-date sales growth would have been 66.8%, or 1.0% lower than the reported result.

Gross Margins

Fourth quarter 2008 gross margins, prior to amortization of production property, plant and equipment, were 22.3%, compared with 33.1% for the same period in 2007. Gross margins for the year ended December 31, 2008 were 27.8%, compared with 38.2% for the same period in 2007. The gross margin change experienced in 2008 is primarily attributable to the inclusion of the CADRI business and is below Management's expectations. CADRI's fourth quarter margins were negatively impacted by increased production labour and materials required to integrate the final design changes into the first remanufactured VIA locomotive and lower than expected revenues from locomotives and component sales. Management anticipates improved gross margins in the third and fourth quarters of 2009.

Gross margin for G&B in 2008 was slightly lower compared to 2007 due in large part to higher raw material (primarily steel) and fuel costs. Gross margin was also negatively impacted as Management consciously waited to adjust the labor workforce until the magnitude of the actual reduction in customer orders was understood and able to be dealt with effectively. Management is witnessing a slight reduction in raw material prices in 2009 coupled with notable reductions in fuel prices. G&B's labor productivity returned to expected levels in January, 2009 and Management expects G&B's gross margin in 2009 to improve close to 2007 levels.

During 2008, the Company recorded the benefit of anticipated scientific research and experimental development ("SRED") claims which improved fourth quarter and year-to-date gross margins by approximately \$250,000 and \$724,000, respectively. No SRED

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

claims were recorded in 2007. Due to the nature of its business, Management expects to file SRED claims annually. The value of the claims will fluctuate depending on the research and development activities undertaken in any given year. The Company's SRED claims are subject to review and acceptance by Federal and Provincial income tax authorities.

Operating Expenses

Salaries and general and administrative expenses for the three months ended December 31, 2008 were 22.1% of sales, compared with 23.5% for the same period in 2007. Salaries and general and administrative expenses for the year ended December 31, 2008 were 20.6% of sales, compared with 23.3% for 2007. As the CADRI business is more fully integrated into Global, Management expects future salaries and general and administrative expenses as a percent of sales to show continued improvement in 2009.

Salary expenses for the fourth quarter of 2008 were \$669,000 higher than for the same period in 2007, with the majority of the increase attributable to the inclusion of CADRI. During the fourth quarter of 2008, the Company incurred an expense of approximately \$197,000 related to non-cash stock-based compensation compared with about \$169,000 in the same quarter of 2007.

Salary expenses for the year ended December 31, 2008 were approximately \$1.9 million higher than for the same period in 2007, with the majority of the increase attributable to the inclusion of CADRI. Year over year increases in stock-based compensation expense totaled approximately \$52,000. Approximately \$91,000 of employee severance costs were incurred, primarily as a result of the relocation of CADRI's Courtice, Ontario manufacturing operations to Lachine, Quebec. Regular merit increases and the addition of personnel have also contributed to the year-to-date increase in salary expenses.

General and administrative expenses for the fourth quarter of 2008 were \$536,000 higher than for the same period in 2007, with the majority of the increase attributable to the inclusion of CADRI. Professional fees related to auditing, reviews, internal control over financial reporting ("ICOFR") assistance, tax and legal counsel were \$94,000 lower than the fourth quarter of 2007. During the fourth quarter of 2009, the Company recorded a write-down in the amount of \$64,000 related to the settlement of the net working capital dispute with the CAD vendors (see Subsequent Event on page 17), as well as a further bad debt expense of \$123,000 for impaired trade receivables.

General and administrative expenses for the year ended December 31, 2008 were \$2.3 million higher than for the same period in 2007, with the majority of the increase attributable to the inclusion of CADRI. Professional fees related to annual audits, quarterly reviews of internal financial statements, internal control over financial reporting

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

("ICOFR"), tax and legal counsel were \$194,000 higher than the same period in 2007. During the year, the Company recorded a write-down in the amount of \$64,000 related to the settlement of the net working capital dispute with the CAD vendors (see Subsequent Event on page 17), as well as a bad debt expense of \$222,000 to provide a reserve for impaired trade receivables, with each expense recorded in general and administrative expenses. No similar reserves were required in 2007. In March 2008, the Company expensed \$175,000 relating to an employment contract dispute which was settled during the second quarter.

During the second quarter of 2008, the Company received an unsolicited expression of interest from a third party. As a result, the Company's Board of Directors established a Special Committee of the Board to consider and evaluate the Company's strategic options. The Special Committee engaged a financial advisor to assist in the process. The total cost of this process was approximately \$296,000, which included legal fees, financial advisor fees and Special Committee fees. The Special Committee determined, and the Board concurred, that the strategic options identified through this process did not merit further action.

Interest Income/Expense

In the three month period ended December 31, 2008, total net interest expense was \$333,000 compared with net interest expense of \$89,000 in the 2007 fourth quarter. During the fourth quarter of 2008, the Company incurred approximately \$225,000 of interest expense on long-term debt compared with \$108,000 in the 2007 fourth quarter.

For the year ended December 31, 2008, total net interest expense was \$982,000 compared with net interest income of \$253,000 in the same period of 2007. During the 2008 year, the Company incurred approximately \$821,000 of interest expense on long-term debt compared with \$108,000 in the 2007.

For financial statement purposes, amortization of costs incurred to establish the Company's credit facility has been classified as interest expense. During the fourth quarter of 2008, credit facility cost amortization was \$25,000. For year ended December 31, 2008, credit facility cost amortization was \$98,000.

For financial statement purposes, royalty income has been classified as interest income. During the first quarter of 2008, the Company earned royalty income of \$48,000 relating to a product line sold in 2006. No further royalty income has been earned during 2008, nor is any further royalty income expected in 2009. During 2007, the Company earned royalty income in the amounts of \$64,000 and \$40,000 in the second and third quarters, respectively.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

Foreign Exchange

The Company recorded foreign exchange gains amounting to \$467,000 during the fourth quarter of 2008, compared with foreign exchange gains of \$79,000 during the same period in 2007.

During the year ended December 31, 2008, the Company recorded foreign exchange gains amounting to \$352,000, compared with foreign exchange gains of \$66,000 during the same period in 2007.

Income Tax

During the fourth quarter of 2008, the Company paid withholding tax in the amount of \$175,000 on an intercompany dividend. Additionally, the Company incurred a goodwill impairment charge of \$2.8 million which was non-deductible for tax purposes. These two tax items distorted the Company's fourth quarter and year-to-date effective tax rates.

The following is a reconciliation of the expected and actual tax provisions for the fourth quarter and the year:

	Twelve Months		Three Months	
	2008	2007	2008	2007
Expected tax provision	(99,402)	1,757,809	(895,163)	263,808
Non-deductible items	318,947	(102,767)	145,957	126,240
US State taxes	133,874	202,285	(22,657)	34,047
Other	(40,791)	19,544	(157,947)	(56,877)
Withholding tax	175,230	-	175,230	-
Non-deductible charge for goodwill impairment	872,488	-	872,488	-
Actual Tax Provision	<u>1,360,346</u>	<u>1,876,871</u>	<u>117,908</u>	<u>367,218</u>

Net Loss

The net loss for the fourth quarter of 2008 was \$3.0 million compared with net earnings of \$407,000 for the same period in 2007. The net loss for the year ended December 31,

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

2008 was \$1.7 million, compared with net earnings of \$3.3 million for the same period in 2007. Excluding the non-cash goodwill impairment charge, the Company had a fourth quarter 2008 loss of \$189,000 and net earnings for the year of \$1.1 million.

Outlook

2009 will be a very challenging year for many businesses, including Global. North American Class 1 Railroads reported double digit declines in Q4 2008 carloads and in the first nine weeks of 2009, the combined North American rail volume was down 16.1% as compared to 2008. For the first nine weeks of 2009, US carload freight fell 15.8%, intermodal fell 15.5% and volume in ton miles fell 14.6% compared to the same period in 2008. Canadian railroads recorded similar declines with carload freight down 18.4% and intermodal down 11.7% for the same nine week period of 2008. The decline in carloads is expected to continue at least for the first half of 2009.

To reduce their costs of operations, railroads are implementing aggressive cost cutting plans focused on reducing the assets employed in their operations. As such, about 10% of their locomotive fleets have been put in storage and over 100,000 railcars have been taken out of service. This will have a short-term impact on Global's earnings as railways restrict their spending on both operating and capital projects.

Union Pacific Corp. Chief Executive James R. Young said that the Q4 2008 recession related drop in carloads was "unprecedented" in his 30 years at the railroad. The company hauled less lumber for home building, fewer containers carrying retail goods from Asia and less coal for manufacturers that have reduced or halted operations. Mr. Young added that he believed volumes will pick up, at least to some extent, as the quarter and year progress, but declined to offer a financial outlook for 2009.

Canadian National Railway President and Chief Executive Officer E. Hunter Harrison said: "The North American economy is in recession, and we do not know how long or deep it will be. And, although overall freight demand is much weaker, the basic driver for our business – demand for reliable, efficient, cost-effective transportation - remains intact".

Both the United States and Canadian governments have proposed several economic stimulus packages and Management has received feedback from transit customers, that they are very confident the proposed infrastructure stimulus will generate many "option" orders for existing applications. A recent press release stated the following:

"In anticipation of the next stimulus bill, Chairman James L. Oberstar (Democrat - Minnesota) of the House Transportation and Infrastructure Committee unveiled an \$85 billion infrastructure proposal. Under Oberstar's proposal, funding would be made available for "ready-to-go" projects at the following levels: \$12.5 billion for public

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

transportation, \$30.5 billion for highway infrastructure, \$3.4 billion for high-speed and intercity rail, \$1.5 billion for Amtrak, and remaining funds would be provided for aviation, federal buildings, projects of the Army Corps of Engineers and other infrastructure investment."

Nonetheless, the current economic uncertainty in global markets is affecting everyone and is having a negative impact on the stock markets, especially the more volatile small cap markets. Investors are concerned about the financial turmoil and have placed a high priority on liquidity. This is dramatically impacting Global's stock price which has dropped significantly over the last twelve months in much the same way as other TSX small cap stocks. Management remains confident in the long-term value of Global's stock and the overall strength of the railway sector. However, without Management action, the market's short-term focus on cash and tightening credit markets may have a long-term negative impact on Global's ability to grow through acquisitions and achieve the corporate mission and vision.

To facilitate future growth through acquisitions and the potential award of major remanufacturing contracts, Management will be evaluating alternative financial and/or corporate structure arrangements to help finance the required working capital and/or acquisition capital. Once these alternatives are evaluated and if a suitable fit can be found to improve Global's overall value, Management will seek Board and/or shareholder approval to proceed. It is imperative that Company Management provides financial stability to Global in these uncertain economic times.

Financial Results

	Q4 '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07
Sales*	\$16,564	\$15,069	\$14,616	\$15,519	\$10,432	\$7,671	\$9,216	\$9,493
Net Earnings*	(2,959)	542	100	642	409	609	1,087	1,188
EPS, Basic	(0.19)	0.04	0.01	0.04	0.03	0.04	0.07	0.08
EPS, Diluted	(0.19)	0.04	0.01	0.04	0.03	0.04	0.07	0.08

* Sales and Net Earnings are stated in thousands of dollars and are from continuing operations

Liquidity and Capital Resources

On December 31, 2008, cash and cash equivalents on hand were \$496,000 compared with \$569,000 on September 30, 2008, and \$895,000 on December 31, 2007. In the fourth quarter of 2008, the Company had an operating cash shortfall of \$1.3 million compared with cash generated from operations of \$1.2 million in the same period of

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

2007. During the fourth quarter of 2008, the Company utilized \$622,000 of cash for capital investments, compared with \$380,000 in the fourth quarter of 2007. The Company financed the fourth quarter capital expenditures with operating cash and bank debt. The Company utilized approximately \$645,000 to finance revenue earned under the VIA contract, but not billed to VIA.

During the year ended December 31, 2008, the Company generated \$45,000 in cash from operations, compared to \$3.1 million in the same period of 2007. During the 2008 year, the Company utilized \$7.1 million of cash for capital investments, compared with \$1.1 million during the same period of 2007. To finance these investments, the Company increased its debt by \$6.7 million during 2008. The Company utilized approximately \$3.3 million to finance revenue earned under the VIA contract, but not billed to VIA.

In November 2007, the Company entered into a credit agreement with two Canadian chartered banks, which provided facilities aggregating \$34.1 million. In December 2008, the borrowing rates and a certain compliance covenant within the Company's credit agreement were amended. As at December 31, 2008, the total drawn under the credit facilities was \$21.8 million, including a \$1.0 million financial guarantee to VIA.

As at December 31, 2008, the Company was not in compliance with the Funded Debt to EBITDA covenant included in the Credit Agreement. As at December 31, 2008, the Company had a Funded Debt to EBITDA ratio of 3.52 while the Credit Agreement required a ratio of no greater than 3.5. On March 30, 2009, the Lenders agreed to waive the covenant default at December 31, 2008 and forbear from exercising its rights with respect to this breach under the Credit Agreement. The Lenders have not altered the terms and conditions of the credit facility. Based on its 2009 projections, the Company expects further breaches of this covenant during 2009 that may result in the termination of the term facility by the Lenders. Company management is in discussions with the Lenders to amend the Funded Debt to EBITDA covenant; however these discussions, and any resulting amendments to the covenant, will not likely be completed until the second quarter of 2009. Since there is a risk that the term facility may be terminated within one year, the Company has classified \$16,610,000 of long-term debt not scheduled to be repaid in 2009 as a current liability on the Consolidated Balance Sheets. There is no assurance the Lenders will grant these amendments or provide waivers for future covenant violations should they occur. If future covenant violations were to occur, the Lenders could restrict access to funds under the Credit Agreement or terminate the Agreement. There is no assurance that the Company would be able to obtain funding from alternative sources.

The operating facility is subject to annual review by the Lenders in April of 2009. The term facility is committed for the five year term. Management believes that the credit facilities currently in place are sufficient for the conduct of the Company's current

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

business. In recent discussions with Management, the Lenders have reiterated their positive view of Global and their desire to maintain a long-term relationship with the Company.

In January 2009, Management renegotiated some terms within the VIA contract, which will aid liquidity.

As at December 31, 2008 the Company did not have any off-balance sheet financial arrangements.

Capital Expenditures

For 2008, the Company's Board of Directors approved a capital budget in the amount of \$7.5 million, subject to obtaining a waiver of the capital expenditures cap from the Company's banks. This waiver was received from the Company's banks during the second quarter of 2008. For the year ended December 31, 2008, the Company's capital expenditures totalled \$7.1 million. Capital expenditures included US\$525,000 for the acquisition of G&B's office building that was previously under lease, \$3.6 million for CADRI land and building that were previously under lease, \$1.3 million for manufacturing equipment, \$945,000 for production facility and office renovations, \$400,000 for railway track improvements, \$140,000 for computer hardware and software upgrades, and \$79,000 for furnishings and office equipment. Funding for capital expenditures was derived from internal cash flow and bank debt. As at December 31, 2008, the Company has no commitments for additional capital expenditures.

For 2009, the Company's Board of Directors has approved a capital budget in the amount of \$2.0 million. Of this amount, approximately \$1.0 million has been allocated to CADRI for continued production facility modernization and approximately \$500,000 has been allocated to the CADRI ERP system. The remainder is being deferred pending financial results during the year.

Contractual Obligations

The Company has equipment, office and factory lease commitments at Global, G&B, CADRI and Bach-Simpson. These commitments total approximately \$254,000 in 2009; \$102,000 in 2010; \$65,000 in 2011; \$23,000 in 2012; and \$9,000 in 2013. Bach-Simpson's premises lease expires at the end of 2009. Management is confident that Bach-Simpson will not be negatively impacted by its upcoming lease negotiations. During the second quarter, CADRI acquired the building that was previously under lease. As a result, the Company's annual lease obligations have been reduced by \$286,000. The Company has entered into fixed price purchase contracts amounting to approximately \$34.4 million, primarily to acquire materials required for the VIA contract over the next

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

five years. 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 \$11.5 million with a company owned by the interim President of CADRI.

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

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

Goodwill Impairment

CICA Handbook section 3062 requires goodwill to be tested for impairment on an annual basis or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. At year end, Management completed its annual impairment test whereby the estimated the 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.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

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

Share Capital

At March 30, 2009, the Company had 15,239,900 common shares outstanding. During the fourth quarter of 2008, no stock options were exercised, none expired, and 152,500 additional options were granted in accordance with the Company's Stock Option Plan. During the year ended December 31, 2008, a total of 102,500 stock options were exercised, 85,000 options expired, and 225,000 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 16,751,744 shares outstanding.

Related Party Transactions

During the fourth quarter of 2008, CADRI paid \$72,000 (\$332,000 for the 2008 year) for management services provided by a company owned by the interim President of CADRI. During 2007, CADRI paid \$33,000 for management services provided by this company. This arrangement can be terminated at the discretion of the Company. In the normal course of business, CADRI purchased approximately US\$611,000 of inventory from a company owned by the interim President of CADRI during the fourth quarter of 2008 (US\$1.8 million during all of 2008). These inventory purchases were made under terms and conditions comparable to those of CADRI's other inventory purchases, and will be ongoing. During 2007, these related party purchases totalled \$11,000.

CADRI Acquisition of Land and Building

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

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

incurred, they will be charged against the environmental liability reserve. During the third and fourth quarter of 2008, the Company charged a total of approximately \$72,000 against the environmental reserve.

Subsequent Events

On March 23, 2009, the Company settled the dispute with the vendors over the net working capital shortfall realized on the acquisition of CAD. Under the settlement arrangement, the Company will receive \$1,500,000 plus interest of \$36,000, and the Escrow Agreement has been terminated. This settlement results in a reduction of the cash consideration paid to acquire CAD to \$20,500,000. A write-off in the amount of \$64,000, representing the difference between the settlement proceeds and the amount due to vendor, has been recorded on the 2008 Consolidated Statements of Comprehensive Income.

On March 26, 2009, the Company settled a trade dispute with a company owned by one of the CAD vendors concerning collection of a trade receivable of approximately \$1.2 million. Under the settlement arrangement, the Company will offset this receivable with approximately \$220,000 of its trade payables owing to the company, receive inventory valued at approximately \$580,000, plus receive a minimum of \$200,000 in cash which has been personally guaranteed by the company owner. The shortfall of approximately \$200,000 was recorded as a bad debt in 2008.

Business Risks

The Company's primary business risks are listed below:

Key Personnel

The Company's senior management team is comprised of its Chairman, President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and its three subsidiary Presidents. The success of the Company and its business strategy depends, to a degree, upon the skill and efforts of its senior management team and upon its ability to attract and retain qualified personnel. The loss of the services of one or all members of the senior management team could have a material adverse effect on the Company's business, financial condition or results of operations. Additionally, the departure of the Company's CEO, COO or CFO is an event of default under the Company's credit facility agreement. Because the senior management team has many years of experience within the industry, or their individual fields of expertise, it could be difficult to replace them without adversely impacting the Company's operations. The Company does not maintain "key man" insurance for any of its senior management team. The Company does not have a retention strategy to reduce the risk of Executive departures. The Company does

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

have employment and non-competition agreements in place with each member of its senior management team.

Business Strategy

The Company's business strategy includes the acquisition of businesses that would complement and expand existing product lines and services. Management may not be able to identify suitable acquisition opportunities or complete any particular acquisition, business combination or other transaction on acceptable terms. In addition, the timing and success of Management's efforts to acquire any particular business and integrate the acquired business into existing operations cannot be predicted. Acquisitions involve a number of risks and challenges, including: i) diversion of Management's attention; ii) the need to integrate acquired operations, internal controls and operational functions; iii) potential loss of key employees and customers of the acquired businesses; iv) increased expenses and working capital requirements; and v) increased debt or dilution from issuance of additional common shares. Any of these factors could adversely affect the Company's ability to achieve anticipated benefits from an acquisition.

The CAD acquisition exemplifies the above risks. This acquisition provides the Company with a platform upon which to increase revenues, expand its customer base, reduce net foreign exchange risk and expand its product offerings. However, the Company has invested \$22.0 million for the acquisition of CAD, taken on debt, and committed senior management resources to the post acquisition integration. Ultimately, the success of the CAD acquisition will depend on Management's ability to effectively manage the acquisition risks and generate increased long-term returns for Global.

Credit Facilities

The Company has entered into a \$34.1 million credit agreement with two Canadian Chartered banks. The credit facilities are guaranteed by the Company and each of its wholly owned subsidiaries and are secured by general security interests over substantially all of the assets of the Company and its subsidiaries. An event of default under the credit agreement could severely impact the Company's short-term liquidity. In addition, the operating facility is subject to renewal on an annual basis. Failure of the banks to renew, or agree to a material change in the terms on which credit is offered, could have a negative effect on the Company. The current economic climate has placed constraints on the availability of credit which might impact Global's ability to obtain additional funding for expansion or working capital purposes or to renew existing credit facilities. In 2009, the Company expects to be in breach of the Funded Debt to EBITDA covenant, and therefore, its Lenders could restrict access to funds under the Credit Agreement or terminate the Agreement. There is no assurance that the Company would be able to obtain funding from alternative sources.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

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 materials costs during the term of the contract. Management is continuously improving the Company's cost control measures to minimize the risk of unplanned production costs. Certain long-term contracts with government controlled entities, such as VIA, provide such entities with the right to terminate without cause. Such termination could result in significant negative impact to the Company, notwithstanding that Global has taken steps to mitigate the impact through its contracts with suppliers.

Performance Bonds

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

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 will be able to compete successfully 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

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

relationships with any of its major customers become strained, or the profitability of those customers becomes negatively affected, profitability may be impacted. Freight railroad customers are forecasting reduced capital and operating spending in the short-term given the turbulent economic markets. Year to date, freight railroad carloads are down about 13%, compared to the same period in 2008. Passenger railroads and commuter systems are less 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 30 percent of the Company's revenues are generated from transit customers, compared to 70 percent from freight carriers.

Product Supply

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

Proprietary Rights

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

Insurance

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

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,

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

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 not significant; particularly in relation to its competitors. The Company's ability to fully exploit available opportunities which it is presented 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 amount of initial investments in working capital. Management is concerned that limited financial resources may restrict the Company's acquisition strategy in the short to medium term.

Fluctuating Exchange Rates

A portion of the Company's revenues and expenses are denominated 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 Enterprise Resource Planning ("ERP") system at CADRI

The implementation of a new ERP system at CADRI will commence in 2009 to address weaknesses of the existing management systems and controls. This implementation will require time and manpower resources, thereby introducing some inherent risk in CADRI operations until such time that the ERP system is fully implemented. The ERP system is expected to be completely implemented by the end of the first 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 2008, an average of about 13,500 Global shares was traded daily representing 0.1% of the Company's public float of outstanding common shares.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements in accordance with Canadian GAAP. An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 1 in the 2008 annual 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. Since these estimates and assumptions involve varying degrees of judgment and uncertainty, the amounts reported in the financial statements could in the future prove to be inaccurate. 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 service providers, employees and directors is measured at fair value using the Black-Scholes method to estimate the fair value of the options at the grant date which is expensed over the vesting period, with a corresponding increase to contributed surplus. Upon the exercise of options, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. While 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

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

useful life of the asset recorded in the financial statements. This could result in higher amortization expense in future periods or possibly an impairment charge to reflect the write-down in value of the asset.

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

CAD Acquisition

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

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

The acquisition by the Company has been accounted for by the purchase method, whereby the net assets acquired are recorded at fair value. The allocation of the purchase price is based on the estimated fair market values of the identifiable assets acquired and liabilities assumed at the acquisition date as determined by the Company's independent, third party valuers.

Long-term Contracts

Revenues for engineering service contracts, production contracts, and longer term remanufacturing contracts are recognized under the percentage of completion ("POC") method. Under the POC method, revenue is recognized based on the costs incurred to

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

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

Goodwill

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

Adoption of New Accounting Policies

In the first quarter of 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

- (a) Section 1535 - Capital Disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. It requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

- (b) Section 3031 - Inventories, which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires the reversal of previous inventory write-downs if economic circumstances have changed to support higher inventory values. The adoption of this standard did not have a material impact on Global's consolidated financial statements.
- (c) Section 3862 - Financial Instruments - Disclosures, requires entities to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.
- (d) Section 3863 - Financial Instruments - Presentation, establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The adoption of these standards did not have any impact on the classification and valuation of the Company's consolidated financial instruments.

The Company adopted Sections 1535, 3031, 3862 and 3863 on a prospective basis with no restatement of prior period financial statements.

Future Accounting Policies

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

- (a) Section 3064 - Goodwill and intangible assets, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company will adopt this new standard in the first quarter of 2009 and is currently assessing the impact of adoption on its consolidated financial statements.
- (b) Section 1582, Business Combinations, provides guidance for the accounting of a business combination which is the Canadian equivalent to International Financial Reporting Standard IFRS 3. The Company will adopt this new standard in the first quarter of 2011 and is currently assessing the impact of adoption on its consolidated financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

- (c) Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests, provide guidance for the preparation of consolidated financial statements and the accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will adopt this new standard in the first quarter of 2011 and is currently assessing the impact of adoption on its consolidated financial statements.
- (d) In February 2008, the CICA's Accounting Standard Board announced that Canadian public companies will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective January 1, 2011. The Company has begun planning its transition to IFRS. During 2008, the Company carried out a diagnostic evaluation of all financial statement elements that would be impacted by the implementation of IFRS. The impact of the implementation of IFRS on the Company's information systems, internal control over financial reporting, disclosure controls and procedures or business activities such as debt covenants, capital requirements or compensation arrangements, has not been determined at this time. The Company plans to fully assess the impact of IFRS on the above noted items and implement such changes as may be required to ensure that IFRS reporting is fully embedded in the Company's operations by the end of 2010.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company, including its consolidated subsidiaries, is accumulated and communicated to Management as appropriate to allow timely decisions regarding required disclosure. In connection with the Canadian Securities Administrators Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Findings", the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness, as at December 31, 2008, of the Company's disclosure controls and procedures **and has concluded that such disclosure controls and procedures are not effective, based on such evaluation.**

Internal Controls over Financial Reporting

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2008 using the framework and criteria established in Internal Control – Integrated Framework, issued

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

by the Committee of Sponsoring Organizations of the Treadway Commission. The weaknesses in the Company's internal controls over financial reporting, discussed below, result in more than a remote likelihood that a material misstatement would not be prevented or detected. Management works to mitigate the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Specifically, Management identified areas of concern in:

1. Segregation of duties

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

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

3. Corporate Governance

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

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.

To date, some key internal controls are still under evaluation and implementation as this is a continuous improvement process. CADRI management intends to incorporate enhancements into the internal control over financial reporting structure over the next twelve months, including the implementation of an integrated ERP system. This will allow the following:

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

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

Management has identified the following internal control deficiencies:

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

Accounting for Inventories

There was a lack of control over CADRI's inventory processes from the initiation, approval, review, recording and evaluation of inventory related transactions which may have had an impact on the accounting for the cost of goods sold and the revenue recognition based on the percentage of completion method for certain long-term contracts. The inventory processes are under review to enhance efficiency and effectiveness, and strengthen controls to improve the accuracy, completeness, validity, valuation and timely recording of inventory transactions in the following areas:

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

Accounting for Accounts Payable and Accrued Liabilities

There was a lack of consistency in the validation of vendor invoices against the approved purchase order and the receiving document. There was a lack of formal procedure to determine accrued liabilities at period end. CADRI management will

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

implement formal procedures to validate vendor invoices and timely identify accrued liabilities at period-end. Some of the manual procedures performed to validate vendor invoices may be automated with the implementation of an integrated ERP system.

Accounting for Capital Assets

There was a lack of procedures and controls to capture and record capital assets accurately, completely and timely and maintain adequately the fixed assets register. CADRI management will implement adequate procedures to timely identify and record capital assets and follow up on capital expenditure projects. The implementation of an ERP system will allow the automation of the process and the integration of EUC applications reducing the risk of errors due to manual data entry.

Journal Entries

Journal entries were not consistently accompanied by sufficient supporting documentation and were not adequately reviewed and approved for validity, completeness and accuracy. CADRI management will set the standards for supporting documentation and strengthen the review and approval process for journal entries.

Period End Financial Reporting Procedures

The period end financial reporting procedures include account reconciliations over balance sheet accounts and various account analyses. Those procedures were not formalized. Account reconciliations and analyses were not performed timely and supported by adequate documentation. They were not consistently reviewed for accuracy, completeness and timely resolution of reconciling items. CADRI management will implement a month-end checklist detailing all steps required to reconcile and analyze accounts including the thresholds to use for providing detailed explanations on variations from actual to budget for example, and the nature of supporting documentation required. The accounting personnel will be assigned responsibilities and trained to apply those procedures.

Reliance on Spreadsheets

Accounting personnel at CADRI rely heavily on the use of accounting spreadsheets to generate monthly financial reports. Although 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

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

deficiencies. Management is planning the implementation of an ERP system to be utilized to generate a greater portion of CADRI's financial reporting and analysis in place of extensive spreadsheet use.

Segregation of Duties and Access Rights

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

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

CADRI utilizes various EUC applications to support the accounting of transactions such as: inventory month-end adjustment, depreciation expense, percentage of completion and fixed assets additions. Those EUC applications are not supported by the same control environment as purchased applications. CADRI management will establish a corporate procedure to implement access and change controls over EUC applications. Some of those EUC may be developed and integrated into the new ERP system.

Inherent Limitations on Effectiveness of Controls

There have been continual improvements to, but no material changes in, the design of our disclosure control systems and internal control over financial reporting during fiscal 2008. In April 2008, CADRI hired a Director of Finance with strong technical accounting experience to assist with the implementation of certain procedures and controls in various accounting areas such as payroll, cash management, billing, revenue recognition, payables and month-end procedures. 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 December 31, 2008, 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.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

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 December 31, 2008 annual 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 such "forward looking statements." Such statements may reflect current beliefs, expectations, estimates and assumptions regarding future events and operating performance and speak only as of the date of this report. Reference should be made to the Company's December 31, 2008 annual consolidated financial statements and the 2008 Annual Information Form for a discussion of risk factors including among others technology, competition and regulatory changes.

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

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

Amended and Restated: May 5, 2009

<p><u>DIRECTORS</u></p> <p>Terry McManaman, CA Chairman of the Board</p> <p>Phillip Ogden² Lead Director Chair, Compensation Committee</p> <p>Jean Clerk, QC¹ Chair, Corporate Governance Committee</p> <p>James Renner, MBA, P.Eng³</p> <p>Tim Sanderson^{1 2}</p> <p>Thomas Schmidt¹</p> <p>Frank Vasilkoti^{2 3}</p> <p>Garry Zurowski, CA³ Chair, Audit Committee</p> <p><u>OFFICERS</u></p> <p>Terry McManaman, CA President & Chief Executive Officer</p> <p>Brian McMullan, CA Chief Financial Officer</p> <p>Bill Sturtz, MBA Chief Operating Officer</p> <p>Peter Spence, LLB Corporate Secretary</p> <p><u>INVESTOR RELATIONS</u> Gerry Wimmer Investorfile.com 416-360-8895 1-888-894-8222 gwimmer@investorfile.com</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><u>BANKERS</u> HSBC Bank Canada – Montreal, Quebec BMO – Montreal, Quebec HSBC Bank - Rochester, New York</p> <p><u>AUDITORS</u> KPMG LLP London, Ontario</p> <p><u>LEGAL COUNSEL</u> Gowling Lafleur Henderson LLP Calgary, Alberta</p> <p>Harrison Pensa LLP London, 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>
--	--

¹ Member of the Corporate Governance Committee

² Member of the Compensation Committee

³ Member of the Audit Committee

GLOBAL RAILWAY INDUSTRIES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
Amended and Restated: May 5, 2009