



GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 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 three months ended March 31, 2009. This MD&A has been prepared as of May 12, 2009. Except where otherwise indicated, all financial information is expressed in Canadian dollars. Several accounting policy and procedural changes were made in 2009 as noted herein. This discussion is intended to assist the reader in understanding the dynamics of the Company's business and the key factors underlying its financial results. This discussion should be read in conjunction with the Company's first quarter interim consolidated financial statements, which are available on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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 products and technologies, 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.

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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 period ended March 31, 2009, with comparative figures for 2008 and 2007:

	2009	Three months 2008	2007
	(unaudited)	(unaudited)	(unaudited)
Sales	\$14,677,013	\$15,519,107	\$9,493,045
Net earnings (loss) for the period	\$(1,549,149)	\$ 641,598	\$ 1,188,445
Net earnings per share:			
Basic	\$ (0.10)	\$0.04	\$0.08
Diluted	\$ (0.10)	\$0.04	\$0.08
Weighted average number of common shares outstanding:			
Basic	15,239,900	15,144,543	14,931,744
Diluted	15,239,900	15,429,430	15,118,659
Total assets	\$72,770,168	\$59,003,275	\$36,987,618
Total long-term liabilities*	\$ 5,591,369	\$15,785,560	\$ 1,582,020

*Long-term debt classified as a current liability at March 31, 2009.

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The North American economy continues in a recession and the first quarter 2009 results already published by some of the Company's customers underscore the challenges facing the railroad industry this year. For the sixteen week period ended April 25, 2009, carload traffic is down 22.4% in the US and 23.5% in Canada, compared to the same period in 2008. For the first quarter of 2009, Canadian National Railway, Norfolk Southern Railway and CSX Corporation reported declines in revenue ranging from 18% to 22%. However, more serious for Global is the fact that railroads have parked about 20% of their fleets in response to the economic slowdown. This "parking" reduces the number of locomotives and cars requiring service and has had a severe impact on the work load at CAD Railway Industries Inc. ("CADRI"). CADRI has responded to this situation by redirecting a larger percentage of its workforce onto the VIA project. While this will have a positive overall effect by accelerating the project, it also resulted in an acceleration of the expected initial negative impact of the learning curve on the first units and resulted in an overall loss for the first quarter. On the other hand, business is steady at G&B Specialties, Inc. ("G&B") and grew at Bach-Simpson Corporation ("Bach-Simpson"). Due to their very high levels of sales in US dollars, both G&B and Bach benefited from the year over year change in the foreign exchange rate. G&B is forecasting a flat 2009 as compared to 2008 and the first quarter met expectations. Bach exceeded their first quarter goals and is forecasting a double digit percentage year over year revenue increase in 2009.

After careful review of the corporate strategy and current economic situation, the Board of Directors redirected the focus of the Company's Chief Operating Officer ("COO") to the newly created position of Chief Marketing Officer in recognition of the importance of worldwide marketing. Having already started endeavors in Mexico and Brazil, it was an obvious decision to broaden the scope of this very important effort and in the final Board meeting of the 2009 first quarter the new position and mandate were approved by the Board and accepted by the COO.

Significant Events in the First Quarter of 2009

Despite issues related to prototyping, engineering and design, material procurement and manpower resources, the first locomotive was delivered to VIA for preliminary inspection in April 2009, approximately two months behind schedule. CADRI has implemented catch-up measures to avoid future delays.

Management continues the transformation of Global as it continues the integration of the operations acquired from CAD in late 2007, which nearly doubled Global's revenue base, and CADRI progresses with the five year \$101.5 million VIA Rail Canada ("VIA") locomotive remanufacturing contract. As noted in prior MD&A's, Management expects that integration and startup costs associated with these initiatives will continue in the second quarter of 2009 and start decreasing during the following quarter as efficiency improvements are realized. This will have a negative impact on 2009 first half earnings as Management positions the Company for growth and improved financial results during

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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.

CADRI has recently bid on about \$5.0 million of locomotive component business, and if these bids are successful, Management expects contract negotiations will be completed during the second half of 2009, with sales commencing in 2010. CADRI has also bid on the ECO-friendly repower ("ECO") locomotive engine reconfiguration contract. If CADRI's bid is successful, contract negotiations should be completed prior to the end of the second quarter of 2009. The incremental ECO business in the second half of 2009 would help to offset first quarter 2009 locomotive and component revenue shortfalls.

CADRI is also in the process of bidding upon a large Canadian railcar remanufacturing contract. Management believes that CADRI is well positioned to win this contract, with the award of the contract expected prior to end of 2009.

As part of the Company's focus to increase worldwide market penetration, Global personnel visited Mexico, Peru, Australia and Argentina in the first quarter of 2009. Orders were recorded in all three countries and shipments were made to Mexico and Australia. The first quarter 2009 sales and orders to Mexico exceeded the first quarter 2008 sales and orders and G&B expects to have double digit percentage sales growth to Mexico in 2009 as compared to 2008. G&B received requests from three Australian companies for quotes and/or samples for potential sales. CADRI received requests for quotations from potential purchasers in Argentina, Mexico and Brazil.

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 generated orders of more than US\$100,000 in the first quarter of 2009 and sales are expected to increase in 2009. 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 second quarter of 2009. The prototype will be on display at the Railroad Signaling Supplier Incorporate show in May 2009. In total, G&B expects to launch six new products into the market in 2009.

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Bach-Simpson is involved in five major transit projects and continues to be the leading event recorder supplier to North American transit authorities and the original equipment manufacturers ("OEM's") that supply their commuter rail, subway, and light rail cars. Bach received an order for US\$1.1 million of event recorders from a major OEM for delivery in 2010 and beyond, increasing backlog to more than \$12.0 million.

During the fourth quarter of 2008, Bach-Simpson installed an upgraded event recorder on a Class I railroad locomotive for testing purposes. The event recorder was approved by the Class 1 railroad in the first quarter of 2009 and Bach-Simpson expects to receive orders by the end of 2009, if the locomotives that have been parked, as previously discussed, re-enter service.

Bach-Simpson developed a video recorder feature to complement their event recorder systems and is presently working with a customer on a test application that could be applied to a future locomotive order with delivery starting in 2010.

Continuing three years of internal operational improvement, G&B recorded zero reportable accidents in the first quarter of 2009 establishing a new local record. At Bach-Simpson, there were no reportable accidents in the first quarter of 2009, matching a perfect record of safety awareness and accident free environment set over five years ago.

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 3% of revenue being generated from sales in other countries during the first quarter of 2009.

Total Company sales for the three month period ended March 31, 2009 were \$14.7 million, representing a decrease of 5.4% compared with the same quarter of 2008.

G&B's sales met Management's expectations in the first quarter of 2009. As discussed in previous quarterly MD&A's, the North American market was weaker in 2008 than in 2007 and continues to be weaker in 2009. In Canadian currency, G&B's first quarter 2009 sales were up approximately 8.0% compared to the first quarter of 2008.

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Bach-Simpson's 2009 first quarter sales exceeded expectations, increasing approximately 47.0% as compared to the first quarter of 2008. 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 15% in the first quarter of 2009. This is 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 double digit percentage 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 2009. Additionally, CADRI will make full use of credit and export insurance programs offered by organizations such as Export Development Canada. CADRI has now completed this process and has over \$5.0 million of business under bid.

Given the economic recession that has impacted the business for the latter half of 2008 and continuing into 2009, CADRI has experienced a significant negative impact on sales in the locomotive maintenance and component parts. Management expects this to continue into the second quarter 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, have negatively impacted CADRI's gross profit margins during the first quarter of 2009, and will continue to do so during the 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 new 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

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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. However, in the long-term, railroads will continue to seek solutions to decrease fuel consumption. This bodes extremely well for the Company's locomotive remanufacturing capabilities at CADRI because remanufactured locomotives cost about 60% less than a new locomotive, become 20% more fuel efficient, become more reliable in the field, and emit 80% less pollutants into the environment. As previously stated, in 2008, the Company continued to invest in its future by putting people, processes, procedures and infrastructure in place to capitalize on the opportunities materializing in the locomotive remanufacturing market.

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 transacted in United States dollars. During the first quarter, approximately 73% of the Company's sales were transacted in United States dollars, an increase of 16% compared with 2008. The increase in United States denominated sales is attributable to CADRI's VIA contract, a portion of which is US\$ denominated, Bach-Simpson's US dollar contracts, and G&B's sales growth.

The effect of the fluctuating value of the Canadian dollar against the United States dollar favourably impacted the Company's 2009 first quarter sales growth. Had the exchange rate remained constant year over year, 2009 first quarter year-over-year sales would have actually declined by 19%.

Gross Margins

First quarter 2009 gross margins, prior to amortization of production property, plant and equipment, were 14.2%, compared with 27.7% for the same period in 2008. The reduction in gross margins for the first quarter of 2009 was primarily attributable to CADRI.

CADRI's gross margin on the VIA locomotive refurbishing contract continued to be negatively impacted by production learning curve inefficiencies, upward adjustments in estimated materials cost on the first eight locomotives, and unanticipated engineering costs attributable to VIA's design changes. Additional costs incurred for tank car and railcar painting, production supplies, warranty expense reserves, utilities and overheads also had a negative impact on CADRI's first quarter 2009 gross margins. Management expects CADRI's low gross margins to continue during the second quarter of 2009 as CADRI transitions through the learning curve phase of VIA production. CADRI gross margins should begin to improve in the third and fourth quarters of 2009. Additionally,

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Management has implemented a series of cost cutting measures in areas such as overheads, staffing, consumables, energy consumption and the use of consultants which should help improve future profitability.

The weak market conditions also negatively impacted sales in CADRI's locomotive and component revenues.

Gross margins for G&B in the first quarter of 2009 were slightly lower compared to 2008 due primarily to a larger than normal mix of track and signal sales versus railgear sales. 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 the first quarter of 2009 and Management expects G&B's gross margins in 2009 to be close to 2007 levels.

Gross margin for Bach-Simpson in the first quarter of 2009 was higher compared to the first quarter of 2008 largely due to foreign exchange and to productivity and material gains on event recorder product shipments that were of higher volume and the same configuration.

During the first quarter of 2009, the Company recorded the benefit of anticipated scientific research and experimental development ("SRED") claims which improved first quarter 2009 margins by \$50,000, compared to \$144,000 for the prior year period. 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 March 31, 2009 were 21.7% of sales, compared with 18.4% for the same period in 2008.

Salary expenses for the first quarter of 2009 were \$14,000 higher than for the same period in 2008. Foreign exchange on US dollar denominated salaries and benefits increased first quarter 2009 salaries by approximately \$148,000. First quarter 2009 stock based compensation and severance expenses were lower than the same period in 2008 by \$47,000 and \$50,000, respectively. During 2009, approximately \$125,000 of production engineering salaries were recorded to cost of sales. These costs were included in salary expense in prior periods. Regular merit increases and the addition of personnel were also implemented during the first quarter of 2009.

General and administrative expenses for the first quarter of 2009 were \$326,000 higher than for the same period in 2008. General and administrative expenses increased by approximately \$47,000 due to a stronger US dollar. Professional fees related to auditing,

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reviews, internal control over financial reporting ("ICOFR") assistance, tax, planning, goodwill evaluation, and legal counsel were \$238,000 higher than the first quarter of 2008. Legal fees related to the settlement of the net working capital dispute with the CAD vendors and a trade receivable dispute with the CAD vendors were approximately \$70,000. Property tax and insurance related to the CADRI building increased by approximately \$50,000 compared with the first quarter of 2008. During the first quarter of 2009, the Company recorded an expense for the write-down of impaired receivables in the amount of \$107,000, compared with only \$3,000 in the first quarter of 2008. In the first quarter of 2008, the Company expensed \$175,000 relating to an employment contract dispute. No similar expense was incurred in the first quarter of 2009.

Interest Income/Expense

In the three month period ended March 31, 2009, total net interest expense was \$265,000 compared with net interest expense of \$182,000 in the 2008 first quarter. During the first quarter of 2009, the Company incurred approximately \$174,000 of interest expense on long-term debt compared with \$200,000 in the 2008 first quarter.

For financial statement purposes, amortization of costs incurred to establish the Company's credit facility has been classified as interest expense. During the first quarter of 2009, credit facility cost amortization was \$26,000, compared with \$24,000 for the same period in 2008.

For financial statement purposes, royalty income is 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 was earned during 2008, nor has any further royalty income been earned in 2009.

Foreign Exchange

The Company recorded foreign exchange losses amounting to \$106,000 during the first quarter of 2009, compared with foreign exchange losses of \$39,000 during the same period in 2008. The first quarter foreign exchange losses primarily relate to US dollar denominated intercompany payables.

Income Tax

The following is a reconciliation of the expected and actual tax provisions for the first quarters of 2009 and 2008:

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	Three Months	
	2009	2008
Expected tax provision	<u>\$(611,797)</u>	<u>\$352,334</u>
Non-deductible items	25,999	40,492
US State taxes	35,275	85,085
Other	<u>157,459</u>	<u>(987)</u>
Actual Tax Provision	<u><u>\$(393,064)</u></u>	<u><u>\$476,924</u></u>

Other tax expense is primarily comprised of rate differences on the Company's first quarter non-capital tax losses. The accounting value of these loss carryforwards has been determined using the tax rate expected to be in effect when the benefit of these losses is realized. These future rates are lower than the first quarter 2009 expected tax rate.

Net Loss

The net loss for the first quarter of 2009 was \$1.5 million compared with net earnings of \$642,000 for the same period in 2008. The first quarter 2009 result was below Management's expectations.

Outlook

2009 will be a very challenging year for many businesses, including Global. North American Class 1 Railroads reported double digit percentage declines in Q1 2009 carloads, and the combined North American rail volume was down close to 20% as compared to 2008. For the first quarter of 2009, US carload freight fell 18%, 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 period of 2008. The decline in carloads is expected to continue at least for the first half of 2009.

Both the United States and Canadian governments have implemented 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.

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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 in 2009 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 establishes financial stability to Global in these uncertain economic times.

Financial Results

	Q1 '09	Q4 '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07
Sales	\$14,677	\$16,564	\$15,069	\$14,616	\$15,519	\$10,432	\$7,671	\$9,216
Net Earnings	(1,549)	(2,959)	542	100	642	409	609	1,087
EPS, Basic	(0.10)	(0.19)	0.04	0.01	0.04	0.03	0.04	0.07
EPS, Diluted	(0.10)	(0.19)	0.04	0.01	0.04	0.03	0.04	0.07

Liquidity and Capital Resources

On March 31, 2009, cash and cash equivalents on hand were \$744,000 compared with \$496,000 on December 31, 2008. In the first quarter of 2009, the Company had an operating cash shortfall of \$1.9 million compared with cash generated from operations of \$402,000 in the same period of 2008. The deterioration of operating cash performance during the first quarter of 2009 compared to the same period in 2008 is primarily attributable to a reduction in earnings, and increases in inventory to support existing sales contracts, including VIA. During the first quarter of 2009, the Company utilized \$325,000 of cash for capital investments, compared with \$1.2 million in the first quarter

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of 2008. The Company financed the first quarter capital expenditures with operating cash and bank debt.

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 March 31, 2009, the total drawn under the credit facilities was \$24.3 million, including a \$1.0 million financial guarantee to VIA.

As at March 31, 2009, the Company was not in compliance with the Funded Debt to EBITDA covenant and the Fixed Charge Coverage covenant included in the Credit Agreement. The Company was not in compliance with the Funded Debt to EBITDA covenant at December 31, 2008. As at March 31, 2009, the Company had a Funded Debt to EBITDA ratio of 7.55 while the Credit Agreement required a ratio of no greater than 3.5. As at March 31, 2009, the Company had a Fixed Charge coverage ratio of 0.07 while the Credit Agreement required a ratio of no less than 1.25. The Lenders have not agreed to waive the covenant defaults at March 31, 2009. The Lenders have not altered the terms and conditions of the credit facility. Based on its 2009 projections, the Company expects further breaches of these covenants 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 and the Fixed Charge Coverage 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 \$15,840,000 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 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 by allowing Global to accelerate the billing of certain work performed on the first nine locomotives.

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As at March 31, 2009 the Company did not have any off-balance sheet financial arrangements.

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.

For the quarter ended March 31, 2009, the Company's capital expenditures totalled \$325,000. Capital expenditures included \$244,000 for manufacturing equipment, \$54,000 for computer hardware and software upgrades, \$14,000 for ERP, and \$13,000 for furnishings and office equipment. Funding for capital expenditures was derived from internal cash flow and bank debt. As at March 31, 2009, the Company has no commitments for additional capital expenditures.

Contractual Obligations

The Company has equipment, office and factory lease commitments at Global, G&B, CADRI and Bach-Simpson. These commitments total approximately \$195,000 for the remainder of 2009; \$109,000 in 2010; \$72,000 in 2011; \$27,000 in 2012; and \$10,000 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. The Company has entered into fixed price purchase contracts with remaining commitments amounting to approximately \$32.9 million, primarily to acquire materials required for the VIA contract over the next four 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 \$12.0 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

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warranty applicable to the last delivered production unit expires. CADRI is required to indemnify VIA for all claims, damages, and liabilities. VIA can cancel the contract for non-performance or CADRI bankruptcy. VIA can terminate the contract at any time; a standard clause in government contracts. The ownership of any new processes, patents, etc., developed by CADRI while performing VIA services accrues to VIA. The contract calls for a two year parts and labour warranty on refurbished units and a one year warranty on repairs.

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

Goodwill Impairment

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

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

As at March 31, 2009, Company Management has determined that no additional impairment charges to the Company's goodwill are necessary.

Share Capital

At March 30, 2009, the Company had 15,239,900 common shares outstanding. During the first quarter of 2008, no stock options were exercised, none expired, 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 16,691,744 shares outstanding.

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Related Party Transactions

During the first quarter of 2009, CADRI paid \$83,000 (\$94,000 for same period in 2008) for management services provided by a company owned by the interim President of CADRI. This arrangement can be terminated at the discretion of the Company. In the normal course of business, CADRI purchased approximately US\$396,000 of inventory from a company owned by the interim President of CADRI during the first quarter of 2009 (US\$30,000 during the same period of 2008). These inventory purchases were made under terms and conditions comparable to those of CADRI's other inventory purchases, and will be ongoing.

CADRI Acquisition of Land and Building

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

Subsequent Event

On April 21, 2009, the Company entered into two fixed-for-floating interest rate swap agreements with one of its Lenders to partially manage exposure to interest rate fluctuations on its revolving, reducing term facility. The first fixed-for-floating interest rate swap agreement is for a notional amount of \$5.0 million, with the Company paying a fixed interest rate of 1.05%, and receiving a floating interest rate based on the 90 day Canadian Deposit Offering Rate ("CDOR"), maturing on October 29, 2010. The second fixed-for-floating interest rate swap agreement is for a notional amount of \$5.0 million, with the Company paying a fixed interest rate of 1.30%, and receiving a floating interest rate based on the 90 day CDOR rate, maturing on October 31, 2011.

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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 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 \$20.5 million for the acquisition of CAD, taken on debt, and committed senior management resources to the post acquisition integration. Ultimately, the success of the

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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. At March 31, 2009, the Company is in breach of the Funded Debt to EBITDA covenant and the Fixed Charge Coverage covenant, and therefore, its Lenders could restrict access to funds under the Credit Agreement or terminate the Agreement. There is no assurance that the Company would be able to obtain funding from alternative sources.

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.

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Competition

The Company is subject to competition from companies with a broader range of products, greater financial resources and larger marketing capabilities. There can be no assurance the Company will be able to continue to compete successfully with existing competitors or 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 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.

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Proprietary Rights

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

Insurance

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

Warranty Returns

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

Limited Financial Resources

The financial resources of the Company are 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 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.

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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 second quarter of 2010.

Liquidity of Small Cap Stocks

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

Critical Accounting Policies and Estimates

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

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

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

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Stock-Based Compensation

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

Long-lived Assets

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

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

CAD Acquisition

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

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

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

Long-term Contracts

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

Goodwill

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

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

Adoption of New Accounting Policies

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

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

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

Future Accounting Policies

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

- (a) Section 1582, Business Combinations, provides guidance for the accounting of a business combination which is the Canadian equivalent to International Financial

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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.

- (b) Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests, provide guidance for the preparation of consolidated financial statements and the accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will adopt this new standard in the first quarter of 2011 and is currently assessing the impact of adoption on its consolidated financial statements.
- (c) 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 March 31, 2009, of the Company's disclosure controls and procedures and has concluded that such disclosure controls and procedures are not effective, based on such evaluation.

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

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effectiveness of its internal control over financial reporting as of March 31, 2009 using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. The weaknesses in the Company's internal controls over financial reporting, discussed below, result in more than a remote likelihood that a material misstatement would not be prevented or detected. Management 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.

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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, the primary focus being 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:

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Accounting for Inventories

There is a lack of control over CADRI's inventory processes from the initiation, approval, review, recording and evaluation of inventory related transactions which may have had an impact on the accounting for the cost of goods sold and the revenue recognition based on the percentage of completion method for certain long-term contracts. 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 is a lack of consistency in the validation of vendor invoices against the approved purchase order and the receiving document. There is a lack of formal procedure to determine accrued liabilities at period end. CADRI management will implement formal procedures to validate vendor invoices and identify, in a more timely basis, accrued liabilities at period-end. Some of the manual procedures

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performed to validate vendor invoices may be automated with the implementation of an integrated ERP system.

Accounting for Capital Assets

There is 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 identify and record capital assets on a more timely basis, 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. During the first quarter of 2009, CADRI management established new standards for supporting documentation and strengthen the review and approval process for journal entries. CADRI management will monitor these changes closely to ensure that journal entries are adequately reviewed and approved on a going forward basis.

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. In April 2009, a Controller was hired to strengthen CADRI's accounting department.

Reliance on Spreadsheets

Accounting personnel at CADRI rely heavily on the use of accounting spreadsheets to generate monthly financial reports. Although Management believes this reliance has not resulted in a misstatement of the financial statements, it is a material weakness in CADRI's control environment because of the pervasiveness and

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significance of the 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 of the accounting department of the subsidiary, there were certain control deficiencies relative to segregation of duties, access rights and conflicting roles within applications. CADRI management is currently looking to hire additional accounting resources, such as the recently hired Controller, and will undertake the analysis of conflicting roles before providing access rights to accounting applications in the new 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 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. 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. In April, a Controller was hired to provide assistance to the Director of Finance with these initiatives. CADRI regularly reviews its controls and procedures by engaging independent advisors to assist with the review and testing of the control activities, identify weaknesses and suggest improvements.

In connection with the Canadian Securities Administrators Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Findings", the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness, as at March 31, 2009, of the Company's internal controls over financial reporting and has concluded that such internal controls over financial reporting are not effective, based on such evaluation.

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

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

Based on the work performed to date, Management believes that there are no material inaccuracies or omissions of any material fact in this MD&A. Management, to the best of its knowledge, also believes that the March 31, 2009 interim consolidated financial statements are fairly presented in all material respects.

Forward Looking Information

Certain statements in this report may constitute "forward looking information" which involve known and unknown risks, uncertainties and other factors that may cause the actual combined results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by 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 THREE MONTHS ENDED MARCH 31, 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 Vasilkioti^{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>
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*Phillip Ogden resigned as a Director of Company effective May 6, 2009.

¹ Member of the Corporate Governance Committee

² Member of the Compensation Committee

³ Member of the Audit Committee