

GLOBAL RAILWAY INDUSTRIES LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2006

Dated: March 20, 2007

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ITEM 1: CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

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

The Head Office of the Company is located at 535 West 3rd Street, Berwick, Pennsylvania, 18603. The Registered Office is located at 1200, 700-2nd Street SW, Calgary, Alberta, T2P 4V5.

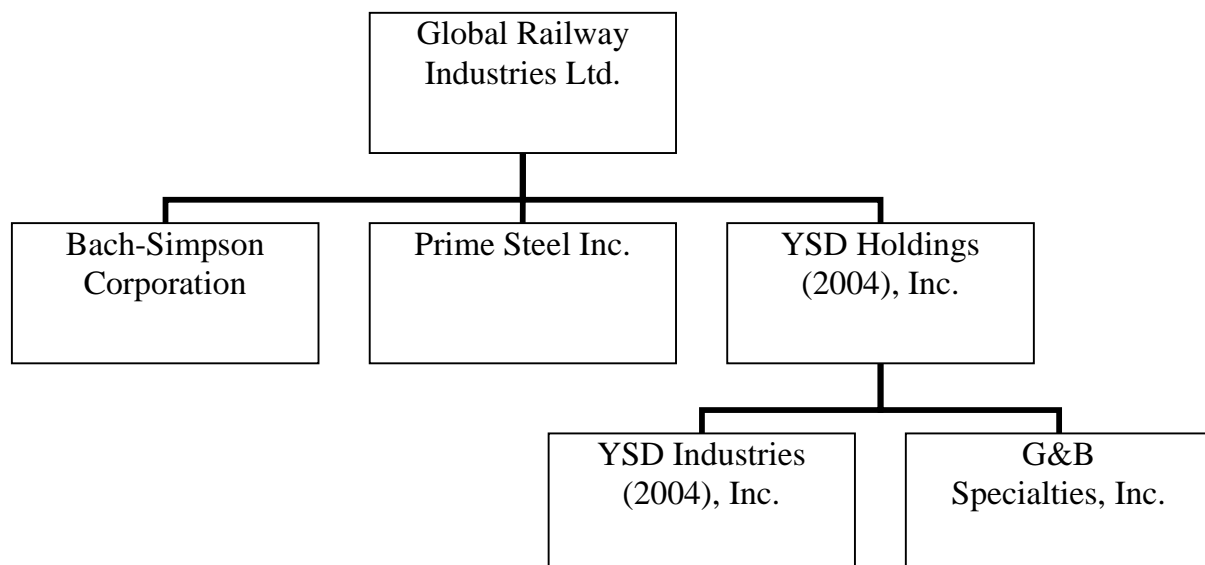
1.2 Inter-Corporate Relationships

Subsidiaries

As at December 31, 2006, the Company had three wholly owned subsidiaries: Bach-Simpson Corporation (“Bach”); Prime Steel Inc. (“Prime”); and YSD Holdings (2004), Inc. (“YSDH”). YSDH has two wholly owned subsidiaries; G&B Specialties, Inc. (“G&B”) and YSD Industries (2004), Inc. (“YSD”)

Chart of Subsidiaries

The following chart outlines the corporate structure of the Company as at December 31, 2006:



YSD Holdings (2004), Inc.

The Company is the sole shareholder of YSDH, a private Nevada company incorporated on April 5, 2004. YSDH is the sole shareholder of YSD. YSD is incorporated under the laws of the State of Nevada in the United States and registered in the State of Ohio to carry on business. YSDH is the sole shareholder of G&B Specialties, Inc. G&B is incorporated under the laws of the State of Pennsylvania in the United States.

Bach-Simpson Corporation

The Company is the sole shareholder of Bach. Bach is incorporated pursuant to the *Canada Business Corporations Act* and is registered to carry on business in the Province of Ontario.

Prime Steel Inc.

The Company is the sole shareholder of Prime. Prime is incorporated pursuant to the *Business Corporations Act* (Ontario).

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History / Significant Acquisitions

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

- i) YSD: In April 2004, the Company completed the acquisition of the manufacturing assets of YSD located in Youngstown Ohio for USD \$5 million. The asset purchase was funded with the Company's existing cash reserves; and
- ii) YSD: In October 2005, the Company announced the closure of YSD. Despite the best efforts of Global and YSD management, losses at YSD continued to accumulate with little prospect of future profits.

There were no significant acquisitions completed by the Company during its most recently completed financial year.

2.2 Trends

The freight railway industry and commuter rail services are experiencing a period of increased capital and operating spending to renew their plant infrastructure, improve service reliability and increase their capacity. This increased spending should bode well for Global's sales growth. The Company is not aware of any trends in the industry that are expected to have a material negative impact on its business. Risks associated with the business are discussed further in Section 3.5 - Risk Factors.

ITEM 3: DESCRIPTION OF THE BUSINESS

3.1 General

The Company, through its subsidiaries, is in the business of designing, manufacturing, marketing, and installing railway maintenance products, equipment and services to the railway industry. Specifically, the Company was formed with the intent to consolidate railway maintenance and supply companies. North American rail carriers outsource most of their maintenance work and equipment costs in order to maintain efficiencies, reduce costs and concentrate on their core business of shipping goods and transporting passengers. Most of the railway supply companies that exist today are too small, undercapitalized and/or under managed to handle the purchasing needs of the major railroads on a time and cost effective basis. Thus, many consolidation opportunities exist within the railway supply chain. The Company's goal is to capitalize on those consolidation opportunities.

3.2 Corporate Strategy

The Company's strategy is to consolidate railway maintenance and supply companies to fill a market need created by the reorganization of the major North American rail freight and transit carriers. The Company's strategy for growth is to realize sales growth potential within the existing operations and to achieve further sales growth by entering additional railway maintenance market niches through acquisition. These additional niches must meet the criteria outlined below.

The objective of the Company is to consolidate businesses or companies in the railway industry meeting the following criteria:

- i) high quality, well designed and manufactured products;
- ii) profitable niche products;
- iii) focused on underserved markets with few competitors;
- iv) significant growth prospects;
- v) low cost producers in their industry; and
- vi) attractive valuations.

By strictly following these criteria, the Company's strategy is to realize profitable growth and shareholder value from both growth of existing operations and growth through accretive acquisitions purchased at attractive valuations.

3.3 Banking

The Company currently has no debt or bank credit facilities. When the bank loans were repaid in 2006, the Company cancelled its credit facilities with the TD Bank. If required for an acquisition, the Company will negotiate new banking facilities at the appropriate time.

3.4 Description of the Businesses of Bach, Prime, and G&B

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

Bach

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

Bach's primary products include Event Recorder and Speed Indicator Systems produced for rail transit and freight original equipment manufacturers ("OEM's") such as Bombardier, Alstom, Kawasaki, GE, Sumitomo, Siemens and EMD. In addition, Bach supplies products directly to most transit authorities and freight railroads in North America.

Wabtec and Quantum are Bach's main Event Recorder competitors in the North American market.

Bach's competitive advantages in Event Recorders are as follows:

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

Although Bach's primary market share is commuter transit, it is anticipating significant opportunities in the freight railroad sector. Bach's business is neither seasonal nor cyclical. Bach's business is largely dependent upon winning long term contracts as they are tendered by the OEM's and the various North American transit authorities. The contracts tendered are largely a function of government funding made available for transit system expansion and refurbishment. With rising oil prices as well as public concern with the environment, government funding for transit is greatly increasing. As of the date, Bach employs 26 full time people.

Prime

Prime designs and manufactures rail car doors and replacement parts in Courtice, Ontario, for sale mainly to freight and transit carriers in North America. Prime sells its products through employed sales people and commissioned sales agents.

Prime's main competitors are Chief Transportation Products Inc. and Stanrail Corporation, both of which are US based manufacturers of rail car doors.

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

- i) Prime is a low cost producer; and
- ii) Prime is the only Canadian based manufacturer of rail car doors and replacement parts. This allows Prime to provide timely, low cost delivery of orders and service in Canada.

Prime's business is cyclical and is subject to the repair activities of railroads, the physical location of railroad boxcar repair shops and the utilization of the rail carriers' existing car fleet. These factors are tied to North American macro economic conditions. As of the date, Prime employs 18 people.

G&B

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

G&B recently added a new railgear unit to its product line. This unit was purchased from Essco and is a heavy unit for vehicles with 33,000 lbs Gross Vehicle Weight and above. This product gives G&B the ability to increase its heavy duty railgear market share.

G&B has three main competitors in regard to track and signal products; Union Switch and Signal, Alstom and Safetran. G&B has two main competitors in regard to railgear units; Harsco Track Technologies ("Harsco") and Diversified Metal Fabricators ("DMF"). Harsco is mainly a light railgear competitor and DMF is primarily a heavy railgear competitor.

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

- i) G&B is the only company that has forging, fabricating, and machining capabilities. This allows G&B to control costs and scheduling. Accordingly, G&B is a low cost producer with timely delivery and service;

- ii) G&B has an industry reputation for excellent customer service, high quality products and on time delivery;
- iii) G&B's railgear design incorporates fewer moving parts than its competitors' products. Fewer moving parts result in lower ongoing maintenance and therefore a cost which is ultimately lower than competitive products over the life of the railgear; and
- iv) G&B's railgear utilizes hydraulic technology and is user friendly.

In 2006, G&B acquired two acres of land and 45,000 square feet of buildings for future growth opportunities. The land and buildings adjoin G&B's plant in Berwick, PA.

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

G&B's business is cyclical with the general economy and the overall movement of goods and passengers by rail carriers. As of this date, G&B employs 135 people.

3.5 Risk Factors

Dependence on Key Personnel

Global is dependent on the services of certain key personnel. The Company does not maintain "key man" insurance for any of its key personnel. The loss of their services could have a material adverse affect on the business of the Company. The success of the Company and its business strategy depends, to a degree, upon the skill and efforts of its management and on its ability to attract and retain qualified management personnel. Future expansion plans will also be dependent upon its ability to hire and retain suitably qualified and capable operations and sales personnel to act on its behalf with respect to the securing of new accounts and maximizing the return on potential acquisitions.

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 competition.

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.

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.

Dependence on Customers

Demand for the Company's products depends primarily on the level of spending by the major railways. Success is directly related to the strength of its 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.

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.

Risks Associated With Product Returns

Consistent with industry practice, the Company allows customers to return products for warranty repair or replacement or credit. Although the Company provides allowances for anticipated returns, and believes that 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, will not 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 the 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.

Fluctuating Exchange Rates

A significant 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.

ITEM 4: DIVIDENDS

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

ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE

5.1 Authorized and Issued Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred redeemable shares. As at December 31, 2006, 14,931,744 common shares are issued and outstanding. None of the preferred shares have been issued.

5.2 Common Shares

The holders of the common shares are entitled to dividends, to one vote per share at meetings of common shareholders and, upon liquidation, to receive assets as are distributable to the holders of the common shares.

5.3 Preferred Shares

Preferred shares may be issued in one or more series, each consisting of a number of preferred shares, as determined by the Board of Directors who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up or any other distribution of the assets, rank on a parity with the preferred shares of every other series and shall be entitled to preference over the common shares and the shares of any other class ranking junior to the preferred shares.

ITEM 6: MARKET FOR SECURITIES

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

6.1 Price Range and Trading Volume

The following table sets forth the reported high and low share prices and the trading volumes for the each month in 2006:

Month	Price Range		Trading Volume
	High (\$)	Low (\$)	
January	2.48	1.87	1,000,029
February	2.08	1.76	340,807
March	2.30	1.91	1,063,318
April	2.38	2.17	244,520
May	3.22	2.20	4,203,273
June	3.00	2.66	257,511
July	3.28	3.00	156,248
August	3.30	3.08	1,045,563
September	3.35	2.70	300,463
October	3.00	2.78	112,630
November	3.00	2.75	175,934
December	3.40	2.88	148,718

ITEM 7: DIRECTORS AND OFFICERS

7.1 Name, Address, Occupation and Security Holding

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

Name, Municipality, Position, Classification, Date of Appointment	Principal Occupation And Positions During Last Five Years
Garry Zurowski, CA ¹ Alberta, Canada Director since December 2005	Mr. Zurowski was a partner at Collins Barrow LLP, Calgary, Alberta, a national accounting firm, for 33 years. Mr. Zurowski retired in 2003 and continues to do consulting with the firm.
James Renner, P.Eng. ^{1,3} Ontario, Canada Director since December 2005	Mr. Renner is with Management2go where he has been a principal since 2001. Mr. Renner was a senior executive for Input Technologies Inc. from 1999 to 2001.
John Hagg ^{1,2} Alberta, Canada Director since December 2005	Mr. Hagg is an independent businessman. He was principal and director of Tristone Capital Inc. from 2001 to 2004. Previously, Mr. Hagg was the CEO of Northstar Energy Corp from 1985 to 1999 and Chairman until 2001. Mr. Hagg is currently a director of the TSX Group Inc. and chairman of Strad Energy Services Ltd.
Dave Horbay, P.Eng. ³ Alberta, Canada Director since December 2002	Prior to his retirement from Canadian National Railway in 1998, Mr. Horbay held the position of Assistant Chief Engineer with Canadian National Railway.
Phillip Ogden ² Georgia, USA Director since December, 2002	Prior to his retirement from Norfolk Southern Railway in 2000, Mr. Ogden held the position of Senior Vice President of Engineering. Mr. Ogden currently serves as a director for the Bankhead Railway Engineering and Maintenance Co., and for the R.J. Corman Railroad Group, LLC.
Tim Sanderson ² British Columbia, Canada	Mr. Sanderson is President of MegaWorks Structures Inc. Previously, he was the President of Rafna Industries Ltd. and a

Name, Municipality, Position, Classification, Date of Appointment	Principal Occupation And Positions During Last Five Years
Director since February 1999	Vice-President of the Company from January 1997 to February 2003.
Terry McManaman, CA ³ Florida, USA President and CEO since October 2005 Director since June 2005	Prior to his retirement from Canadian National Railway (“CNR”) in 2003, Mr. McManaman was Vice President of Cargoflo and Transload of CNR. Mr. McManaman was employed at CNR for 25 years.
Bill Sturtz New York, USA Chief Operating Officer since July 1, 2006	Mr. Sturtz has been an officer of the Company since July of 2006. Previously, Mr. Sturtz worked from February 2001 to June 2006 with Alstom Signaling Inc., most recently as Director of Business Excellence and Vice President of Sourcing.
Michael Feschak Jr., CPA Pennsylvania, USA Chief Financial Officer since December 2005	Mr. Feschak has been an officer of the Company since December 2005. Previously, Mr. Feschak was Vice President and Chief Financial Officer with HBD Industries Group of Companies for 10 years.
Greg Peterson, LLB Alberta, Canada Corporate Secretary since July 2000	Greg Peterson is a partner with the law firm of Gowling Lafleur Henderson LLP specializing in securities, corporate, commercial and sports law.

Notes:

- (1) member of the Audit Committee.
- (2) member of the Compensation Committee.
- (3) member of the Corporate Governance Committee.

As at this date, the directors, executive officers and key employees of the Company, as a group, own beneficially, directly or indirectly, or exercise control or direction over 983,882 common shares or 6.6% of the issued and outstanding common shares.

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

7.2 Corporate Cease Trade Orders or Bankruptcies

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

Greg Peterson, the corporate secretary of the Company, is the corporate secretary of Wenzel Downhole Tools Ltd. (Wenzel). Wenzel was issued a temporary cease trade order by the Alberta Securities Commission (ASC) alleging that Wenzel’s 2002 year-end audited financial statements

contained false or misleading statements. Later, the Ontario Securities Commission (OSC) and the British Columbia Securities Commission (BCSC) issued temporary cease trade orders for failure to file the statements, pending completion of the matter. The ASC, OSC, and BCSC have all revoked the cease trade orders and the common shares of Wenzel have since resumed trading on the TSXV.

7.3 Penalties or Sanctions

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

7.4 Personal Bankruptcies

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

7.5 Conflict of Interest

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

ITEM 8: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

ITEM 9: TRANSFER AGENT AND REGISTRAR

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

ITEM 10: AUDIT COMMITTEE

The purpose of the Company's audit committee is to provide assistance to the Board of Directors of the Company in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Company. It is the objective of the audit committee to maintain a free and open means of communications among the Board of Directors, the independent auditors, and the financial and senior management of the Company.

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

10.1 Composition of the Audit Committee

The audit committee is comprised of Garry Zurowski, John Hagg, and James Renner. Each of the members is financially literate as defined under Section 1.5 of Multilateral Instrument 52-110 Audit Committees. Garry Zurowski, John Hagg, and James Renner are independent as such term is defined under Section 1.4 of MI 52-110.

10.2 Relevant Education and Experience

Garry Zurowski is a Chartered Accountant having retired after 33 years as a partner from Collins Barrow Chartered Accountants in 2003. Mr. Zurowski earned a Bachelor of Commerce from University of Saskatchewan in 1965 and the Chartered Accountant designation in 1966. Mr. Zurowski, who has extensive experience in preparing, auditing and analyzing financial statements and reviewing internal controls, is currently a consultant with Collins Barrow.

John Hagg has 28 years experience as a senior executive in the petroleum industry working in the exploration and production, service, and financial sectors in Canada and the United States. Mr. Hagg earned a Bachelor of Arts degree from the University of Alberta in 1968 and an MBA from Stanford University in 1973. Mr. Hagg recently retired from Tristone Capital Inc. where he was a principal and director from 2001 to 2004. Mr. Hagg is currently a director of the TSX Group Inc. and chairman of Strad Energy Services Ltd.

James Renner is an experienced senior entrepreneurial executive with many years of experience in the International and Canadian manufacturing industry. Mr. Renner earned a Bachelor of Engineering (Mechanical) with Honors, McMaster University in 1965 and a Masters of Business Administration, with Distinction, York University in 1980. Mr. Renner, a founder of Devtek Company, held a progression of executive positions with the company from 1981 to 1999 with his last position being President and CEO when the company was sold. During that time, Devtek grew from a private aerospace defence company to a public company with 2,500 employees and sales of \$465 million annually. Since 2001, Mr. Renner is a principal of MANAGEMENT 2 GO, a group of senior executives specializing in interim management in the manufacturing sector.

10.3 Pre-Approval Policies and Procedures

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

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

10.4 Audit Fees

The aggregate fees billed by the Company's external auditor, KPMG LLP, for audit services for the financial years ended December 31, 2006 and 2005 were \$186,000 and \$170,000, respectively.

10.5 Audit-Related Fees

The aggregate fees billed by the Company's external auditor, KPMG LLP, for the last two financial years for assurance and related services that are related to the performance of the audit or review of the Company's financial statements and not reported under the heading "Audit Fees" above were \$45,500 in 2005 with regards to Rafna and YSD special services. There were no audit-related fees in 2006.

10.6 Tax Fees

The aggregate fees billed by the Company's external auditor, KPMG LLP, for professional services respecting tax compliance, tax advice and tax planning in the financial years ended December 31, 2006 and 2005 were \$15,000 and nil, respectively.

ITEM 11: ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

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

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

DECEMBER 14, 2006

PURPOSE

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

COMPOSITION, PROCEDURES AND ORGANIZATION

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

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

DUTIES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall include:
 - a. Establishing and maintaining a direct line of communication with the Company's external auditors and assessing their performance;
 - b. Ensuring that the management of the Company has designed, implemented and is maintaining an effective system of internal controls for the Company;
 - c. Ensure adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures;
 - d. Review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal auditing, insurance, accounting, information

services and systems and financial controls, management reporting and risk management; and

- e. Review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall include:
- a. Recommending to the Board a firm of external auditors to be engaged by the Company;
 - b. Reviewing and approving the fee, scope and timing of the audit and other related services rendered by the external auditors;
 - c. Reviewing the audit plan of the external auditors prior to the commencement of the audit;
 - d. Reviewing with the external auditors, upon completion of their audit:
 - i. Contents of their report;
 - ii. Scope and quality of the audit work performed;
 - iii. Adequacy of the Company's financial and auditing personnel;
 - iv. Cooperation received from the Company's personnel during the audit;
 - v. Internal resources used;
 - vi. Significant transactions outside of the normal business of the Company;
 - vii. Significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;
 - viii. Review the management letter and any recommendations or findings and management's response thereto;
 - ix. Review and resolve disagreements between management of the Company and the external auditor regarding financial reporting;
 - e. Pre-approving all, non-audit services to be provided to the Company by the Company's external auditor in accordance with Applicable Laws; and
 - f. Periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the external auditors have been implemented.
3. The Committee shall hold *in camera* (i.e. without the presence of management of the Company) meetings with the external auditors at least once a year prior to the approval of

the audited annual financial statements of the Company and at such other times as determined necessary or appropriate by the Committee.

4. The Committee is also charged with the responsibility to:
 - a. Review and approve the Company's public disclosure documents including press releases, financial statements (annual and interim) and MD&A (annual and interim);
 - b. Review regulatory filings as they relate to the Company's consolidated financial statements;
 - c. Review the minutes of any audit committee meeting of any associated companies, partnerships or trusts, if applicable;
 - d. Review with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessment that could have a material affect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
 - e. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters consistent with the whistleblower policies; and
 - f. Review and approve the Company's hiring of partners, employees and former partners and employees of the present and former external auditors of the Company.
5. The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.