



# **GLOBAL RAILWAY INDUSTRIES LTD.**

## **AMENDED AND RESTATED ANNUAL INFORMATION FORM**

**For the year ended December 31, 2008**

**Dated: March 30, 2009**

**Amended and Restated: April 8, 2009\***

*\* This AIF is re-filed solely to include disclosure of a bankruptcy proceeding filed March 5, 2009, in respect of a corporation on which a director of Global Railway Industries Ltd. is a director. See Section 7.2 – Corporate Cease Trade Orders or Bankruptcies.*

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**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 this Annual Information Form for a discussion of risk factors including among others technology, competitive 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](http://www.sedar.com).

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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 Certificate of Incorporation dated January 30, 1997. The name of the Company was changed to RMN Technologies Inc. by 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 Certificate of Amendment dated May 23, 1997. The name of the Company was further changed to Global Railway Industries Ltd. by Certificate of Amendment dated February 3, 1999.

The Head Office of the Company is located at 1255 Brydges Street, London, Ontario, N5W 2C2. The Registered Office is located at 600 West Chambers 12220 Stony Plain Road, Edmonton, AB, T5N 3Y4. The Company's mailing address is 1160-K Pittsford-Victor Road, Pittsford, New York, 14534.

### 1.2 Inter-Corporate Relationships

#### Subsidiaries

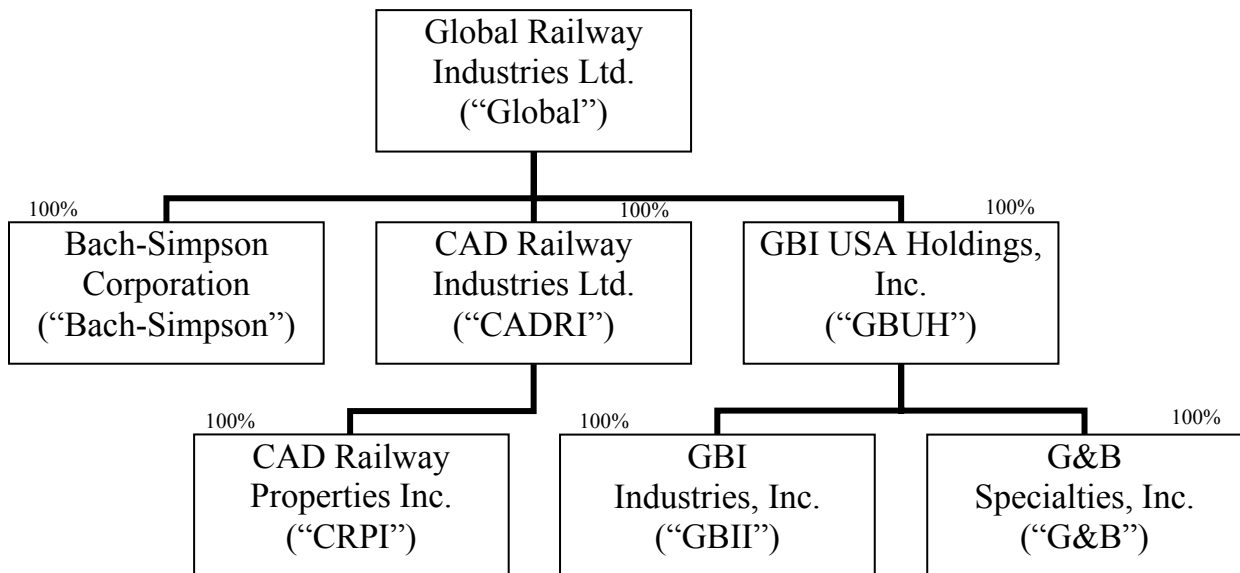
As at December 31, 2008, the Company had three wholly owned subsidiaries: Bach-Simpson Corporation ("Bach-Simpson"); CAD Railway Industries Ltd. ("CADRI"), formally Prime Steel Inc. ("Prime"); and GBI USA Holdings, Inc. ("GBUH"), formally YSD Holdings (2004), Inc. GBUH had two wholly owned subsidiaries: G&B Specialties, Inc. ("G&B") and GBI Industries, Inc. ("GBII"), formally YSD Industries (2004), Inc. ("YSD"). CADRI had one wholly owned subsidiary, CAD Railway Properties Inc. ("CRPI").

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## Chart of Subsidiaries

The following chart outlines the corporate structure of the Company as at December 31, 2008:



## Bach-Simpson Corporation

The Company is the sole shareholder of Bach-Simpson. Bach-Simpson was incorporated pursuant to the *Business Corporations Act (Ontario)* on November 17, 1998 and is registered to carry on business in the Province of Ontario.

## CAD Railway Industries Ltd.

The Company is the sole shareholder of CADRI. CADRI was incorporated pursuant to the *Business Corporations Act (Ontario)* on December 31, 1997. CADRI is the sole shareholder of CRPI. CRPI was incorporated pursuant to the *Business Corporations Act (Ontario)* on September 17, 2007.

## GBI USA Holdings, Inc.

The Company is the sole shareholder of GBUH, a private Nevada company incorporated on April 5, 2004. GBUH is the sole shareholder of GBII. GBII was incorporated under the laws of the State of Nevada on March 22, 2004 and registered in the State of Ohio

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to carry on business. GBUH is the sole shareholder of G&B. G&B was incorporated under the laws of the State of Pennsylvania on August 21, 1978.

### ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

#### 2.1 Three Year History / Significant Acquisitions and Transactions

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

- i) Bach-Simpson: In July 2006, Bach-Simpson was amalgamated with Transportation Technologies Inc. ("TTI") and Rafna Industries Ltd. ("Rafna"). Prior to the amalgamation, TTI was a wholly owned subsidiary of the Company, and Rafna was a wholly owned subsidiary of TTI.
- ii) CADRI: In September 2007, Prime Steel Inc. was renamed CAD Railway Industries Ltd. / CAD Industries Ferroviaires Ltée ("CADRI"). In November 2007, CADRI acquired the business assets and net working capital of Canada Allied Diesel Co. Ltd., CAD Railway Services Inc., and Engine System Development Center Inc. (together "CAD"), based in Lachine, Quebec. Additional information relating to the CAD acquisition may be found in the Company's Business Acquisition Report dated January 28, 2008 and filed on SEDAR at [www.sedar.com](http://www.sedar.com).

In December 2007, CADRI was awarded a \$101.5 million contract to remanufacture VIA Rail Canada's ("VIA") fleet of 53 F40 locomotives. The VIA fleet renewal program will see the full remanufacture of VIA's F40 locomotives, including several technological upgrades, and is expected to be completed by the end of 2012. Revenues generated from this contract, which is predominantly denominated in Canadian dollar currency, provided an improved balance to the Company's overall operations between Canada and the United States.

In June 2008, the Company completed the transfer of CADRI's metal fabrication equipment from Courtice, Ontario to the main CADRI facility in Lachine, Quebec. This change will enable CADRI to achieve material logistics and procurement efficiencies in 2009.

- iii) CRPI: In September 2007, CRPI was incorporated pursuant to the *Business Corporations Act* (Ontario) and is wholly owned by CADRI. In November 2007, CRPI acquired land and a building located in Lachine, Quebec, from Lachine Rail Centre Inc., a corporation related to CAD. The land and building are utilized by CADRI.

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In June 2008, CRPI completed the acquisition of the land and building adjacent to its main facility building. CADRI had previously leased approximately sixty percent of the acquired building for the VIA contract. This acquisition gives CADRI complete control over rail access to the facility and increases its capacity to undertake additional long term re-manufacturing contracts.

- iv) Global: In November 2007, the Company entered into a \$34.1 million credit facility agreement shared between two Canadian chartered banks. In December 2008, the credit facility was amended to reflect changes to the Company's borrowing rates, and changes to the definition and targets for the Funded Debt to EBITDA compliance calculation.

During the second quarter of 2008, the Company received an unsolicited expression of interest from a third party. As a result, the Company's Board of Directors established a Special Committee of the Board to consider and evaluate the Company's strategic options. The Special Committee engaged its financial advisor to assist in the process. The Special Committee determined, and the Board concurred, that the strategic options identified through this process did not merit further action.

In December 2008, the borrowing rates and a certain compliance covenant within the Company's credit agreement were amended.

### 2.2 Trends

North American Class 1 Railroads reported double digit declines in Q4 2008 carloads and in the first nine weeks of 2009 the combined North American rail volume was down 16.1% as compared to 2008. For the first nine weeks of 2009, US carload freight fell 15.8%, intermodal fell 15.5% and volume in ton miles fell 14.6% compared to the same period in 2008. Canadian railroads recorded similar declines with carload freight down 18.4% and intermodal down 11.7% for the same nine week period in 2008; the decline in carloads is expected to continue at least for the first half of 2009. To reduce their costs of operations, freight carriers are implementing aggressive cost cutting plans focused on reducing the assets employed in their operations. As such, about 10% of their locomotive fleets have been put in storage and over 100,000 railcars have been taken out of service. This will have a short term impact on Global's earnings as railways restrict their spending on both operating and capital projects. Risks associated with the business are discussed further in Section 3.5 - Risk Factors.

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### ITEM 3: DESCRIPTION OF THE BUSINESS

#### 3.1 General

The Company, through its subsidiaries, is in the business of designing, manufacturing, marketing, and supplying products, equipment and services to the railway industry. Additionally, the Company remanufactures locomotives and repairs rail cars at its facility in Lachine, Quebec. Strategically, the Company was formed with the intent to consolidate railway maintenance and supply companies. North American rail carriers outsource a significant portion of their maintenance work and capital equipment 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 lack management to meet the needs of the major railroads on a time and cost effective basis. Thus, many consolidation opportunities exist within the railway supply industry. The Company's goal is to capitalize on those consolidation opportunities.

Revenues from the Company's three business categories for the years ended December 31, 2008 and December 31, 2007 were as follows:

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Locomotive and Rail Car	\$34,044,880	55.1	\$6,347,142	17.2
Track and Signal	20,972,943	34.0	24,239,400	65.9
Instrumentation	6,949,443	10.9	6,226,144	16.9
	<u>\$61,767,266</u>	<u>100.0</u>	<u>\$36,812,686</u>	<u>100.0</u>

Revenues in the Locomotive and Rail Car segment in fiscal 2007 reflect approximately six weeks of operations of the businesses acquired from CAD in November, 2007.

#### 3.2 Corporate Strategy

The Company's strategy is to consolidate railway 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 maximize sales growth within the existing operations and to achieve further sales growth through acquisitions. Management is focusing on acquisitions of companies in the railway industry meeting the following criteria:

- i) high quality, well designed and manufactured products;
- ii) profitable product lines;

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- iii) focused on underserved markets with few competitors;
- iv) significant growth prospects;
- v) low cost producers in their industry sector; and
- vi) attractively priced.

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

### **3.3 Banking**

In November 2007, the Company entered into a credit agreement shared between two Canadian chartered banks (the "Lenders"). The aggregate maximum amount of the credit facilities is \$34.1 million and is comprised of: (i) a demand revolving operating facility in the principal amount of \$10.0 million, subject to borrowing base requirements, the proceeds of which are to be used to finance ongoing operating and working capital requirements; (ii) a five year revolving, reducing, term loan in the principal amount of \$22.0 million (\$19.7 million as at December 31, 2008) to finance the CAD acquisition, working capital, capital expenditures and other acquisitions; (iii) a hedge facility in the maximum aggregate amount of \$2.0 million to enable the Company to hedge interest rate related risk and foreign exchange related risk under hedge contracts between the Company and the Lenders; and (iv) a credit card facility in the aggregate maximum amount of \$100,000. Under certain conditions, the Company is able to increase the amount of the term facility by up to \$8.0 million. The amount of the term facility is reduced by \$770,000 on the first day of each calendar quarter commencing on April 1, 2008 and continuing thereafter until November 13, 2012. The outstanding principal balance of the term facility at December 31, 2008 was \$18.5 million. Each quarter, the Company must repay any amount of outstanding principal which exceeds the adjusted available amount on the term facility. The bank credit facilities bear interest at a floating rate of interest plus an applicable margin. The credit facilities are guaranteed by the Company and each of its wholly owned subsidiaries and are secured by general security over substantially all of the assets of the Company and its wholly owned subsidiaries. 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.

As at December 31, 2008, the Company was not in compliance with the Funded Debt to EBITDA covenant included in the Credit Agreement. As at December 31, 2008, the Company had a Funded Debt to EBITDA ratio of 3.52 while the Credit Agreement required a ratio of no greater than 3.5. On March 30, 2009, the Lenders agreed to waive the covenant default at December 31, 2008 and forbear from exercising its rights

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with respect to this breach under the Credit Agreement. The Lenders have not altered the terms and conditions of the credit facility. Based on its 2009 projections, the Company expects further breaches of this covenant during 2009 that may result in the termination of the term facility by the Lenders. Company management is in discussions with the Lenders to amend the Funded Debt to EBITDA covenant; however these discussions, and any resulting amendments to the covenant, will not likely be completed until the second quarter of 2009. 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.

### **3.4 Description of the Businesses of CADRI, G&B, and Bach-Simpson**

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

#### **CADRI (Locomotive and rail car segments)**

CADRI offers its customers turnkey rail supply services primarily to the North American north-east railway industry, and secondarily to the rest of the Canadian market and overseas. CADRI sells parts, services and technical expertise in the maintenance, remanufacture and testing of diesel engines for locomotives, marine engines and power plants worldwide. CADRI services, repairs, and remanufactures all categories of freight cars, tank cars, locomotives and passenger cars, and provides locomotive emission testing and engine diagnostic services. CADRI sells its products and services through employed sales people and commissioned sales agents.

CADRI's most significant customers include: Via Rail Canada, Canadian National Railway, Canadian Pacific Railway, Procor, Ontario Northland Railway, Port of Montreal, Rail America, Athabasca Northern, EMD and General Electric.

It is difficult to estimate CADRI's market share since the market for CADRI's products and services is so wide and fragmented.

CADRI's main competitors include: Wabtec Corporation, and American Motive Power.

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

- i) CADRI is the only major locomotive remanufacturing shop within a 1,000 kilometer radius of Montreal;

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- ii) CADRI's facilities are located in an excellent geographical location, close to several major customers, with access to both CP and CN lines; and
- iii) CADRI is the only company in Canada that offers full-scale applied research and development, as well as testing, for diesel engines used in rail, marine and stationary applications.

Business at CADRI's is non-cyclical and, with the exception of major contracts, is based upon repeat short term contracts with the major railroads. CADRI employs 267 people.

**G&B (Track and Signal segment)**

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 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"). Railgear is manufactured in three categories dependent upon the gross vehicle weight of the highway vehicle. Harsco is mainly a light railgear competitor and DMF is primarily a heavy railgear competitor.

In general, G&B has approximately 75% market share in switch machine layouts and accessories. G&B has about a 20% to 25% share of the railgear market.

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

- i) G&B is one of the few companies in the North American market 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 supplies safety sensitive components to the railway industry. These components have a history of being safe and reliable;

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- iii) G&B has an industry reputation for excellent customer service, high quality products and on time delivery;
- iv) 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
- v) G&B's railgear utilizes hydraulic technology and is user friendly.

Cost advantages at G&B are realized through its excellent workforce, lean manufacturing, strategic sourcing of parts, 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. G&B employs 98 people.

**Bach-Simpson (Instrumentation segment)**

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

Bach-Simpson'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-Simpson supplies products directly to most transit authorities and freight railroads in North America.

Wabtec Corporation and Quantum Engineering, Inc. are Bach-Simpson's main Event Recorder competitors in the North American market. Bach-Simpson holds about 25% of the Event Recorder market, while Wabtec and Quantum hold approximately 40% and 25%, respectively.

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

- i) Bach-Simpson's Event Recorder incorporates an IEEE/FRA compliant Crash Hardened Memory Module that is the most compact in the industry;
- ii) Bach-Simpson'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

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- iii) Bach-Simpson's Event Recorder is the standard platform specified by most Commuter Rail Transit Authorities and OEM's.

Although Bach-Simpson's primary market share is commuter transit, it continues to pursue new opportunities in the freight railroad sector. Bach-Simpson's business is neither seasonal nor cyclical. Bach-Simpson'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 generally increasing. Bach-Simpson employs 27 full time people.

### **3.5 Risk Factors**

#### **Dependence on 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 would 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-compete agreements in place with each member of its senior management team.

#### **Business Strategy**

The Company's business strategy includes the potential 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, 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

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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 approximately \$22.0 million for the acquisition of CAD, taken on debt, and committed senior management resources to the post acquisition integration. Ultimately, the success of the CAD acquisition will depend on Management's ability to effectively manage the acquisition risks and generate increased long term returns for Global.

### **Credit Facilities**

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

### **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

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negative impact to the Company, notwithstanding that Global has taken steps to mitigate the impact through its contracts with suppliers.

### **Performance Bonds**

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

### **Competition**

The Company is subject to competition from companies with a broader range of products, greater financial resources and larger marketing capabilities. There can be no assurance the Company will be able to continue to compete successfully with existing competitors or will be able to compete successfully with new competitors. Management is aware of the competitors in its market and sees minimal new threats to the current customer base. While the Company's customers are cost conscious and have access to competitive products and services; Management's continued focus on safety, lean manufacturing, product quality and superior customer service has enabled the Company to successfully retain and grow its customer base.

### **Dependence on 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.

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**Product Supply**

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

**Proprietary Rights**

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

**Insurance**

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

**Warranty Returns**

Consistent with industry practice, the Company allows customers to return products for warranty repair or replacement. Although the Company provides allowances for anticipated returns, and believes that 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

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risk as most of these contracts require large amount of initial investments in working capital. Management is concerned that limited financial resources may restrict the Company's acquisition strategy in the short to medium terms.

### **Fluctuating Exchange Rates**

A portion of the Company's revenues and expenses are denominated in U.S. dollars, and are subject to exchange rate fluctuations. Exchange rates are determined by market factors beyond the control of the Company and may vary substantially and have a material adverse impact on the financial results of operations.

### **Implementation of Enterprise Resource Planning ("ERP") system at CADRI**

The implementation of a new ERP system at CADRI will commence in 2009 to address weaknesses of the existing system management and controls. This implementation will require time and manpower resources, thereby introducing some inherent risk in CADRI operations until such time that the ERP system is fully implemented. The ERP system is expected to be completely implemented by the end of the first quarter of 2010.

### **Liquidity of Small Cap Stocks**

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

## **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.

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### **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, 2008, 15,239,900 common shares are issued and outstanding. No preferred shares have been issued.

#### **5.2 Common Shares**

The holders of the common shares are entitled to dividends as and when declared, 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 after distributions to holders of preferred shares, if any.

#### **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 each month in 2008:

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Month	Price Range		Trading Volume
	High (\$)	Low (\$)	
January	4.79	3.78	178,703
February	4.85	4.06	176,904
March	4.70	3.90	77,564
April	4.43	3.57	219,925
May	4.38	3.50	304,050
June	4.00	3.50	218,089
July	3.72	3.12	145,438
August	3.46	2.80	207,784
September	3.00	1.60	319,979
October	2.00	1.12	541,929
November	1.74	0.95	333,659
December	1.69	0.60	958,859

**ITEM 7: DIRECTORS AND OFFICERS**

**7.1 Name, Address, Occupation and Security Holding**

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

<b>Name, Municipality, Position, Classification, Date of Appointment</b>	<b>Principal Occupation And Positions During Last Five Years</b>
Terry McManaman, CA Florida, USA Chairman since May 2007 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 Canadian National Railway Ltd. ("CNR"). Mr. McManaman was employed at CNR for 25 years. Mr. McManaman has been an officer of the Company since October 2005.
Phillip Ogden <sup>2</sup> Georgia, USA Lead Director 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.
Jean Clerk, QC <sup>1</sup> Quebec, Canada Director since May 2008	Mr. Clerk is a lawyer at Heenan Blaikie, specializing in railway law and railway related transactions. Mr. Clerk was employed at CNR for 25 years, managing the Eastern law department for ten years.
James Renner, P.Eng., MBA <sup>3</sup> 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, prior to which he was

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Name, Municipality, Position, Classification, Date of Appointment	Principal Occupation And Positions During Last Five Years
	President and CEO of Devtek Corporation.
Tim Sanderson <sup>1,2</sup> British Columbia, Canada Director since February 1999	Mr. Sanderson is President of MegaWorks Structures Inc. Previously, he was the President of Rafna Industries Ltd. and a Vice-President of the Company from January 1997 to February 2003.
Thomas Schmidt <sup>1</sup> Florida, USA Director since May 2008	Prior to his retirement this year, Mr. Schmidt held various positions with TranSystems and is a career railroader with 37 years of experience in operating and executive departments of U.S. freight railroads and Amtrak. Prior to joining TranSystems, Mr. Schmidt was the top transportation officer with Amtrak.
Frank Vasilkioti <sup>2,3</sup> Ontario, Canada Director since May 2008	Mr. Vasilkioti is a principal of Aegis Corporate Financial Services Limited, a boutique investment banking firm.
Garry Zurowski, CA <sup>3</sup> 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.
Bill Sturtz, MBA New York, USA Chief Operating Officer since July, 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.
Brian K. McMullan, CA Ontario, Canada Chief Financial Officer since April 2007	Mr. McMullan has been an officer of the Company since April 2007. Previously, Mr. McMullan was Vice President, Finance and Accounting with Canon Canada Inc.
Peter Spence, LLB Ontario, Canada Corporate Secretary since November 2008	Mr. Spence has been a partner with the law firm of Harrison Pensa LLP since January 2005 and was previously a partner with the law firm Lockyer Spence LLP, in each case specializing in securities, corporate, and commercial law.

**Notes:**

- (1) Member of the Corporate Governance Committee
- (2) Member of the Compensation Committee
- (3) Member of the Audit 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 730,671 common shares or 4.8% 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

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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:

- (a) Frank Vasilkioti is a director of Magna Entertainment Corp., which filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on March 5, 2009. Shares of Magna Entertainment Corp. had traded on the TSX and NASDAQ, but were delisted effective April 1, 2009 and March 16, 2009, respectively.

### **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).

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**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: MATERIAL CONTRACTS**

In November 2007, the Company acquired the business assets and net working capital of Canada Allied Diesel Co. Ltd., CAD Railway Services Inc. and Engine System Development Center Inc., and certain land and buildings used in the business and owned by Lachine Rail Centre Inc. (collectively "CAD"), based in Lachine, Quebec. The Company subsequently assigned its rights under the asset purchase agreement ("APA") to CAD Railway Industries Ltd. ("CADRI"), formerly Prime Steel Inc., a wholly owned subsidiary of the Company. The Company paid \$22.0 million for substantially all of the business assets, net working capital, and the land and building of CAD. 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 \$1.8 million. 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 the arbitration process specified in the asset purchase agreement. As part of its fair value assessment of the CAD acquisition, the Company has adjusted the amount due from vendor to \$1.6 million, representing the amount estimated to be recovered through the arbitration process. The purchase price was paid in cash, funded with \$8.0 million of cash on hand, with the remainder financed through the Company's \$34.1 million credit facility. The acquisition has been accounted for using the purchase method, whereby the net assets acquired are recorded at fair value.

On March 23, 2009, the Company settled the dispute with the vendors over the net working capital shortfall realized on the acquisition of CAD. Under the settlement arrangement, the Company will receive \$1.5 million plus interest of \$36,000, and the

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Escrow Agreement has been terminated. This settlement results in a reduction of the cash consideration paid to acquire CAD to \$20.5 million.

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

In June 2008, CADRI completed the acquisition of the land and building adjacent to its main facility building. The acquisition price was \$3.5 million, plus transaction costs. CADRI had previously leased approximately sixty percent of the acquired building for the VIA contract. This acquisition gives CADRI complete control over rail access to the facility and increases its capacity to undertake additional long term re-manufacturing contracts.

### **ITEM 11: 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.

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### **11.1 Composition of the Audit Committee**

The Audit Committee is comprised of Garry Zurowski (Chairman), James Renner, and Frank Vasilkioti. Each of the members is financially literate as defined under Section 1.5 of Multilateral Instrument 52-110 "Audit Committees" ("MI52-110"). Garry Zurowski, James Renner, and Frank Vasilkioti are independent as such term is defined under Section 1.4 of MI52-110.

### **11.2 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 degree from the 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.

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) degree with Honors, from McMaster University in 1965 and a Masters of Business Administration, with Distinction, from York University in 1980. Mr. Renner, a founder of Devtek Corporation, 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.

Frank Vasilkioti is the founder and President of Aegis Corporate Financial Services Limited, an independent investment banking firm established in 1979 which specializes in mergers, acquisitions, divestures and financings. Prior to 1979, Mr. Vasilkioti worked as a financial/investment analyst for Triarch Corporation (Brascan) from 1972 to 1979 and Harris & Partners Limited from 1965 to 1972. Mr. Vasilkioti has served on various charitable boards and committees.

### **11.3 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.

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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 Chairman.

**11.4 Audit Fees**

The aggregate fees billed, excluding out-of-pocket expenses, by the Company's external auditor, KPMG LLP, for audit services for the financial years ended December 31, 2008 and 2007 were \$230,000 and \$270,000 respectively.

The aggregate fees billed, excluding out-of-pocket expenses, by the Company's external auditor, KPMG LLP, for the last two financial years for quarterly reviews of Company's interim financial statements were \$124,000 in 2008 and \$72,000 in 2007.

**11.5 Audit-Related Fees**

The aggregate fees billed, excluding out-of-pocket expenses, 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 \$81,000 in 2008 and \$74,000 in 2007, and relate to assistance with documentation of the Company's internal controls over financial reporting, and providing an overview of International Financial Reporting Standards.

**11.6 Tax Fees**

The aggregate fees billed, excluding out-of-pocket expenses, 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, 2008 and 2007 were approximately \$91,000 and \$24,000, respectively.

**ITEM 12: ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://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.

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**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.

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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 being 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;

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- 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;

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- 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 effect 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;

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- 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.