



GLOBAL RAILWAY INDUSTRIES LTD.



THIRD QUARTER INTERIM REPORT TO SHAREHOLDERS
Nine months ended September 30, 2005.

Q3

PERFORMANCE DATA

NINE MONTHS ENDED SEPTEMBER 30

	2005	2004
	\$	\$
Sales	34,512,565	24,144,499
Net (loss) earnings	(365,180)	2,520,782
Per share – basic	(0.03)	0.18
Per share – diluted	(0.03)	0.18
EBITDA	2,186,909	4,205,890
Common shares outstanding (#)		
Basic	14,414,565	13,735,096
Diluted	14,792,469	14,323,862

REPORT TO SHAREHOLDERS

Global Railway Industries Ltd. (the Company) is pleased to enclose the consolidated financial statements for the third quarter ending September 30, 2005.

Net income for the nine month period has decreased from the comparative period in the prior year due to the continued losses at YSD, the write off of the YSD deferred development costs, the one time merger costs related to the merger of Rafna and G&B, and a decrease in net income from Prime Steel.

Management had hoped that the end of the second quarter was a turning point for YSD. Unfortunately, YSD continued to generate losses through the third quarter. Subsequent to the end of the third quarter, management decided to complete the YSD car door orders on hand and barring any future profitable orders to cease YSD operations early in 2006.

Management feels the benefits from the Rafna and G&B merger will offset the one time plant closure costs and that Prime will continue to position itself to return to its prior level of profitability. Bach continues to tend towards prior year profitability while G&B has seen an increase in their profitability. The G&B profitability has been partially offset by the change in the foreign exchange rate from the prior year.

The Company's management is focused on optimizing the earnings of its remaining core business, winding up the YSD operations in the most cost effective manner and selling the residual YSD assets and product lines to reduce the company's debt.

Thank you for your continued support of Global Railway Industries Ltd.

Yours truly,



Terry McManaman
President

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements for Global Railway Industries Ltd. have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

The Board of Directors comprised of a majority of non-management directors, acts to ensure that the management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Board of Directors acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management. In reliance on reviews and discussions with management, and in light of its roles and responsibilities, the Board of Directors has approved the financial statements for the period ended September 30, 2005.

These interim financial statements have not been reviewed or audited by the Company's auditors.



Terry McManaman
President

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2005 (unaudited)	DECEMBER 31, 2004 (audited)
Assets		
Current		
Accounts receivable	\$ 7,420,155	\$ 6,810,611
Inventories	11,972,741	10,730,214
Prepays	469,826	352,523
	<u>19,862,722</u>	<u>17,893,348</u>
Deferred development costs (Note 6)	-	1,434,383
Intangibles and other assets	298,853	354,644
Property, plant, and equipment	9,624,537	6,713,586
Future income taxes	357,845	212,000
Goodwill	11,311,297	11,311,297
	<u>\$ 41,455,254</u>	<u>\$ 37,919,258</u>
Liabilities		
Current		
Operating loan	\$ 2,990,472	\$ 52,194
Accounts payable and accrued liabilities	5,329,202	3,473,696
Current portion, long term debt (Note 5)	3,481,668	2,233,689
	<u>11,801,342</u>	<u>5,759,579</u>
Long term debt (Note 5)	-	3,006,300
	<u>11,801,342</u>	<u>8,765,879</u>
Shareholders' Equity		
Share capital (Note 3)	25,048,616	23,084,902
Contributed surplus	646,575	488,383
Cumulative translation adjustment	(2,643,357)	(1,387,164)
Retained earnings	6,602,078	6,967,258
	<u>29,653,912</u>	<u>29,153,379</u>
	<u>\$ 41,455,254</u>	<u>\$ 37,919,258</u>

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

THREE MONTHS ENDED SEPTEMBER 30, NINE MONTHS ENDED SEPTEMBER 30,

	2005	2004	2005	2004
(unaudited)		(Restated)		
Sales	\$ 12,371,094	\$ 7,365,318	\$ 34,512,565	\$ 24,144,499
Cost of sales	<u>(10,431,592)</u>	<u>(4,775,275)</u>	<u>(26,634,762)</u>	<u>(14,983,924)</u>
Gross Margin	1,939,502	2,590,043	7,877,803	9,160,575
Operating Expenses				
Salaries	1,171,883	1,070,837	3,578,364	2,812,079
General and administrative	<u>726,051</u>	<u>688,315</u>	<u>2,112,530</u>	<u>2,142,606</u>
Operating income before the following	41,568	830,891	2,186,909	4,205,890
Depreciation and amortization	309,872	111,089	936,135	501,366
Amortization of YSD deferred development	68,046	-	207,944	-
Write-off of YSD deferred development	1,109,059	-	1,109,059	-
Interest	162,690	85,600	408,821	218,442
Foreign exchange (gain)	(547,846)	(93,002)	(565,345)	(26,982)
Plant closure costs (Note 4)	<u>(1,134)</u>	<u>-</u>	<u>804,030</u>	<u>-</u>
(Loss) Income before taxes	(1,059,119)	727,204	(713,735)	3,513,064
Income tax (recovery) expense	<u>(443,213)</u>	<u>241,600</u>	<u>(348,555)</u>	<u>992,282</u>
Net (loss) earnings	(615,906)	485,604	(365,180)	2,520,782
Retained earnings beginning of period:				
As previously reported	7,217,984	7,051,194	6,967,258	5,205,949
Effect of change in accounting policy for deferred development costs (Note 2)	<u>-</u>	<u>189,933</u>	<u>-</u>	<u>-</u>
	7,217,984	7,241,127	6,967,258	5,205,949
Retained earnings, end of period	6,602,078	7,726,731	6,602,078	7,726,731
(Loss) earnings per share				
Basic	\$ (0.04)	\$ 0.03	\$ (0.03)	\$ 0.18
Diluted	\$ (0.04)	\$ 0.03	\$ (0.03)	\$ 0.18

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
(unaudited)		(Restated)		
CASH FLOWS PROVIDED BY (USED IN):				
OPERATIONS				
Net (loss) earnings for the period	\$ (615,906)	\$ 485,604	\$ (365,180)	\$ 2,520,782
Items not involving cash:				
Future tax	(327,715)	535,217	(145,845)	512,586
Stock based compensation expense	103,991	-	169,906	-
Unrealized foreign exchange gain	(166,029)	-	(149,219)	-
Depreciation and amortization	309,872	111,089	936,135	501,366
Amortization of YSD deferred development	68,046	-	207,944	-
Write-off of YSD deferred development	1,109,059	-	1,109,059	-
Funds from operations	481,318	1,131,910	1,762,800	3,534,734
Change in non-cash working capital balance:				
Accounts receivable	(914,567)	196,993	(609,544)	(1,476,862)
Inventories	995,120	(1,468,496)	(1,242,527)	(2,505,763)
Prepays	(203,070)	(94,533)	(117,303)	(118,192)
Account payable	1,404,254	101,899	1,855,506	2,006,382
Foreign currency gain on working capital balance	(1,051,918)	(391,177)	(1,138,813)	(205,782)
	711,137	(523,404)	510,119	1,234,517
INVESTMENTS				
Purchase of property, plant and equipment	(610,627)	(399,803)	(3,847,086)	(1,366,837)
Deferred development costs	-	(1,319,943)	-	(1,509,876)
Acquisitions, net of cash acquired	-	-	-	(4,990,413)
Other assets	30,603	35,240	55,791	97,731
	(580,024)	(1,684,506)	(3,791,295)	(7,769,395)
FINANCING				
Issuance of share capital	-	-	1,952,000	12,580,002
Share issue costs	-	-	-	(799,806)
Repayment of long term debt	(426,908)	(825,683)	(1,609,102)	(2,822,529)
	(426,908)	(825,683)	342,898	8,957,667
(DECREASE) INCREASE IN CASH	(295,795)	(3,033,593)	(2,938,278)	2,422,789
(Operating loan) CASH beginning of period	(2,694,677)	6,083,308	(52,194)	626,926
(Operating loan) CASH end of period	\$ (2,990,472)	\$ 3,049,715	\$ (2,990,472)	\$ 3,049,715

NOTES TO FINANCIAL STATEMENTS

The interim financial statements of Global Railway Industries Ltd. ("the Company") have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2004. The interim financial statements have been prepared following the same accounting policies and methods of computation as used in the financial statements for the year ended December 31, 2004.

1. Business of the Company

Global Railway Industries Ltd. designs, manufactures, and markets railway maintenance products, equipment and services to the railway industry.

2. Comparative Numbers

In the fourth quarter of 2004 the Company adopted a policy to account for the pre-operating period expenditures incurred by YSD Industries (2004) Inc. Expenditures, net of related revenues, during the pre-operating period had been deferred and were to be amortized on a straight line basis over five years. The comparative numbers have been restated to reflect the adoption of accounting for these development costs from April 5, 2004, the date of acquisition.

3. Share Capital

Authorized
Unlimited number of common voting shares
Unlimited number of preferred redeemable shares

	Issued	Amount
Common Shares, December 31, 2004	14,101,744	\$ 23,084,902
Options Exercised	150,000	452,000
Warrants Exercised	600,000	1,500,000
Reclassification from contributed Surplus on exercise of stock options	-	11,714
Common Shares, September 30, 2005	<u>14,851,744</u>	<u>\$ 25,048,616</u>

4. Plant Closure Costs

The plant closure costs include the one time cost incurred to wind-up the operations at Rafna Industries Ltd. and merge them into the operations at G&B Specialties, Inc. One time costs include severance to employees, outplacement services, advertising, custom broker fees, travel and other related expenses.

5. Long Term Debt

The credit facilities require the company to meet specified debt to cash flow and debt service ratios. At September 30, 2005 the company was not in compliance with these covenants. As a result, all of the debt has been classified as current. However management is engaged in discussions to renegotiate the covenants prior to year end. Management expects TD Bank to continue to be our lender.

6. Subsequent Events

Subsequent to September 30, 2005 the Company announced it will close the operations of its wholly owned subsidiary YSD Industries (2004) Inc. Management decided to complete the YSD car door orders on hand and barring any future profitable orders to cease YSD operations early in 2006. As a result, in the third quarter, \$1,109,059 of deferred development costs have been written off. For the nine months ended September 30, 2005 revenue from YSD is \$11,746,125 and the loss before tax including the write down of deferred development costs is \$3,541,397.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is the Management's Discussion and Analysis of the Corporation's quarterly financial results of operations for the period ended September 30, 2005.

	Three months ended		Nine months ended	
	September 2005	September 2004	September 2005	September 2004
Sales	\$12,371,094	\$7,365,318	\$34,512,565	\$24,144,499
Net (loss) Earnings	(615,906)	485,604	(365,180)	2,520,782
(Loss) earnings per share				
Basic	\$ (0.04)	\$ 0.03	\$ (0.03)	\$ 0.18
Fully diluted	\$ (0.04)	\$ 0.03	\$ (0.03)	\$ 0.18

Subsequent to the end of the third quarter, management has decided to complete the YSD car door orders on hand and barring any future profitable orders to cease YSD operations in 2006. As a result, a \$1,109,059 write-off of deferred development costs negatively impacted the three and nine month periods ended September 30, 2005 versus the comparable periods in the prior year. In addition, the one-time plant closure costs of \$804,030 to merge the Rafna operations into G&B have also attributed to the losses in the nine months ended September 30, 2005.

REVENUE

Revenue for the nine months ended September 30, 2005 includes revenues from Rafna Industries Ltd., Bach-Simpson, Prime Steel Inc., YSD Industries (2004) Inc. and G&B Specialties, Inc. YSD was acquired effective April 5, 2004 however the comparative period does not include revenue from YSD as it was netted against expenditures incurred during the pre-operating period.

The increase in revenues during the first three and nine months ended September 30, 2005 is due primarily to the inclusion of revenue from YSD. G&B revenues measured in US dollars increased in the current year over the comparative period, however this increase was reduced when converted into Canadian dollars as a result of the lower foreign exchange rate in the current quarter versus the comparative period. These increases are offset by a decrease in revenue at Prime.

COST OF SALES/GROSS MARGINS

Overall gross margins for the nine month period ended September 30, 2005 decreased from 38% to 23% compared to the corresponding period. The decrease in gross margins relates primarily to a decrease in margins at Prime Steel and the inclusion of operations from YSD which is generating lower gross margins than the other subsidiaries. The decrease in gross margins for the three months ended September 30, 2005 from 35% to 16% versus the three months ended September 30, 2004 is attributable to these same factors.

OPERATING EXPENSES

The salary increase for the nine months ended September 30, 2005 is due to the inclusion of YSD salaries. The current year contains YSD salaries since the beginning of the year whereas the prior year results only include salaries since the date of acquisition, April 5, 2005. The balance of the increase and the increase in salary for the three months ended September 30, 2005 can be attributed to the stock based compensation expense and a general cost of living increase provided to employees.

General and administrative expenses continue to trend below the prior year amount on a year to date basis. This is due to a reduction in the general and administrative expenses at all subsidiaries. The increase in the general and administrative expenses in the three months ended September 30, 2005 versus the corresponding prior year period is due to the timing of expenditures incurred.

INTEREST EXPENSE

During the three and nine month period ended September 30, 2005 Global utilized its operating line of credit versus surplus cash balances during the same periods ended September 30, 2004. This has resulted in an increase in the interest expense for the three and nine months ended September 30, 2005.

INCOME TAX

The effective tax recovery rate was 49% for the current nine month period versus an effective tax rate of 28% for the comparative period. The recovery rate is high as the income from Bach-Simpson is offset by prior year loss carry-forwards.

NET EARNINGS

Net earnings for the three and nine months ended September 30, 2005 had decreased from the comparative period in 2004 due to the write-off of deferred development costs, losses incurred by YSD, as well a reduction in net income in Prime Steel. The reduction in earnings for the nine months ended September 30, 2005 was also negatively impacted by the costs to close the Rafna facility and merge the operations into G&B.

FINANCIAL RESULTS

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Sales	\$12,371,094	\$11,326,682	\$10,814,789	\$10,602,061	\$7,365,318	\$8,704,559	\$8,074,622	\$5,834,563
Net earnings	(615,906)	(230,240)	480,966	(759,473)	485,604	960,892	1,074,286	233,563
Basic (loss) earnings per share	(0.04)	(0.02)	0.03	(0.05)	0.03	0.07	0.08	0.02
Fully diluted (loss) earnings per share	(0.04)	(0.02)	0.03	(0.06)	0.03	0.07	0.08	0.02

The above table shows the financial performance over the last two years for Global Railway Industries Ltd. As evidenced above the acquisition of YSD on April 5th, 2004 has impacted the quarterly results. Prior to the fourth quarter of 2004 the results from YSD's operations had been deferred and were being amortized over a five year period. The closure of Rafna Industries Ltd. resulted in the net loss in the second quarter of 2005 due to one time charges incurred. The third quarter generated a net loss due to the write-off of deferred development costs and losses incurred by YSD. The third quarter results are favorably impacted by the strengthening Canadian dollar due to gains on the company's US dollar denominated debt and operating line.

Selected annual information is as follows:

	2004	2003	2002
Sales	\$ 34,746,560	\$ 26,014,652	\$ 12,618,326
Income	1,761,309	2,453,659	1,484,457
Basic earnings per share	0.13	0.28	0.23
Fully diluted earnings per share	0.12	0.27	0.23
Total assets	37,919,258	26,316,917	12,247,978
Total liabilities	8,765,879	10,485,437	6,039,747

The Company has not declared or paid any dividends in the fiscal years depicted above.

LIQUIDITY AND CAPITAL RESOURCES

The Company is currently not in compliance with its debt to cash flow and the debt service ratios and as a result all the debt is classified as current. The Company is currently engaged in discussions to renegotiate the covenants prior to year end.

The continued losses at YSD have contributed to the debt covenant violations. Once these operations have ceased and the new covenants have been negotiated, management does not anticipate violating the covenants in the future. As a result, management does not expect the loan repayment terms to be adjusted and anticipates the TD Bank will continue to be our lender. The Company believes the cash flow from the remaining subsidiaries will be sufficient to draw down the operating line and pay down the loan per the regularly scheduled payments.

The Company has a \$5 million operating loan. Subsequent to end of the third quarter, the Company cancelled its \$10 million committed revolving facility. This is consistent with management's focus to reduce expenses and strengthen the company's base business prior to future acquisitions.

Capital Expenditures

During the nine months ended September 30, 2005 approximately \$3.8 million was spent on capital expenditures. The majority of these expenditures have been incurred to ready and install new machinery at YSD and G&B. The incremental spending during the three months ended September 30, 2005 was to replace some machinery and equipment as well as complete the capital additions at YSD. Due to the wind-down of operations at YSD and the merger of the Rafna operations being completed, management does not expect any material capital expenditures for the remainder of the year.

Contractual Obligations

The Company has not entered into any new contractual obligations in the first nine months of 2005.

Share Capital

At September 30, 2005 Global has 14,851,744 common shares outstanding. There have been no share capital transactions in the third quarter. If all of the options were exercised Global would have 15,529,244 shares outstanding.

Measurement Uncertainty

On October 17, 2005 the Company announced the closing of YSD Industries (2004) Inc. YSD should be able to satisfy all trade payable and labour liabilities through the liquidation of inventories and accounts receivable. Remaining assets of YSD will be prepared for sale or transferred to other Global subsidiaries. Management estimates that the market value of YSD assets are equal to or greater than their net asset value. It is anticipated that Global will not have to provide any additional funding to YSD to effect the closing and the proceeds from the sale of assets will be repatriated to Global.

Business Risks

The business and operational risks remain unchanged from December 31, 2004. For additional guidance please review the 2004 annual report.

FORWARD LOOKING INFORMATION

A number of matters discussed in the Management's Discussion and Analysis are not historical or current facts and deal with potential future circumstances and developments and are forward looking statements within the meaning of applicable securities law. Such statements are qualified by inherent risks and uncertainties surrounding future expectations generally, and the Corporation's actual results and experience involving anyone or more of the matters set forth in forward looking statements.

November 4, 2005

CORPORATE INFORMATION

DIRECTORS	CORPORATE OFFICE
<p>Terry McManaman President & Chief Executive Officer Global Railway Industries Ltd.</p> <p>Phil Ogden, Chairman Corporate Director</p> <p>Tim Sanderson Corporate Director</p> <p>Dave Horbay Corporate Director</p> <p>Lew Griffiths Corporate Director</p> <p>OFFICERS</p> <p>Terry McManaman President & Chief Executive Officer</p> <p>Darren Zatwarnitski Vice President of Finance and Chief Financial Officer</p> <p>Greg Peterson Secretary</p>	<p>Global Railway Industries Ltd. Suite #12, 611-10th Avenue SW Calgary, Alberta T2R 0B2 Phone (403) 262-6501 Fax (403) 262-6563 Email info@globalrailway.com www.globalrailway.com</p> <p>BANKERS TD Canada Trust Calgary, Alberta</p> <p>AUDITORS KPMG LLP Calgary, Alberta</p> <p>LEGAL COUNSEL Gowling Lafleur Henderson LLP Calgary, Alberta</p> <p>TRANSFER AGENT Computershare Trust Company of Canada 600, 530 - 8th Avenue S.W. Calgary, Alberta T2P 3S8 Phone 1-800-564-6253</p> <p>STOCK EXCHANGE Toronto Stock Exchange Symbol: GBI</p>



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