



GLOBAL RAILWAY INDUSTRIES LTD.



GLOBAL RAILWAY INDUSTRIES LTD.
1ST QUARTER REPORT TO SHAREHOLDERS
FOR THREE MONTHS ENDED MARCH 31, 2006

PERFORMANCE DATA

THREE MONTHS ENDED MARCH 31

	2006	2005
	(unaudited)	(restated)
	\$	\$
Sales	7,822,915	7,099,120
Net earnings		
Continuing Operations	1,085,463	790,166
Discontinued Operations	(416,220)	(309,200)
Net earnings for the period	669,243	480,966
Earnings per share		
Continuing Operations		
Basic	0.07	0.06
Fully diluted	0.07	0.05
Net Earnings		
Basic	0.05	0.03
Fully diluted	0.04	0.03
Common shares outstanding	#	#
Basic	14,856,744	14,161,744
Diluted	15,614,244	14,768,498

GLOBAL RAILWAY INDUSTRIES LTD.

FOR THREE MONTHS ENDED MARCH 31, 2006

REPORT TO SHAREHOLDERS

Global Railway Industries Ltd. (the Company) is pleased to enclose the consolidated financial statements for the first quarter ending March 31, 2006.

During the first quarter of 2006, we continued executing our recovery plan of focusing on the returns from our continuing operations, selling YSD's assets and product lines, and reducing the Company's debt. During the three months ended March 31, 2006, net income from continuing operations increased 37.4% compared with the same period of 2005, we completed the sale of the majority of the YSD assets and product lines, and we repaid the bank operating and term loans. We also relocated our Corporate Office to Berwick, Pennsylvania; contact information is included in the attached Corporate Information Sheet (page 9).

In October 2005, we announced the closure of YSD Industries (2004) Inc. The results of the closure are reported as discontinued operations. Closure operating costs incurred in the first quarter of 2006 were in line with management's expectations. We expect to complete the YSD closure in the second quarter of 2006. Second quarter closure costs are projected to be insignificant.

The company's management looks forward to strong returns and improving cash flows in the second quarter of 2006.

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

Yours truly,

"Signed"
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 Canadian Generally Accepted Accounting Principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

The Board of Directors, which is comprised of a majority of independent 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 March 31, 2006.

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

"Signed"
Terry McManaman
President

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED BALANCE SHEETS

	March 31	December 31
	2006	2005
	(unaudited)	(audited)
Assets		
Current		
Cash	\$ 1,606,541	\$ 564,237
Accounts Receivable	3,863,863	3,835,534
Inventories	7,572,317	7,286,468
Prepays	314,402	95,315
Assets of discontinued operations	1,981,481	9,310,574
Income taxes recoverable	294,072	210,864
	15,632,676	21,302,992
Other assets	82,770	79,799
Plant and Equipment	3,830,658	3,902,982
Future Income Tax Benefit	1,544,695	1,838,258
Goodwill	11,668,378	11,668,378
	\$ 32,759,177	\$ 38,792,409
Liabilities		
Current		
Operating Loan	\$ 0	\$ 1,836,366
Accounts payable and accrued liabilities	3,206,956	2,245,941
Current portion of long term debt (Note 4)	378,357	3,426,342
Liabilities of discontinued operations	1,251,032	3,812,004
	4,836,345	11,320,653
Shareholders' Equity		
Share capital (Note 2)	25,068,800	25,068,800
Contributed surplus	793,702	649,299
Cumulative translation adjustment	(1,857,839)	(1,495,269)
Retained Earnings	3,918,169	3,248,926
	27,922,832	27,471,756
	\$ 32,759,177	\$ 38,792,409

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

THREE MONTHS ENDED MARCH 31,	2006	2005
	(unaudited)	(restated) (Note 3)
Sales	\$ 7,822,915	\$ 7,099,120
Cost of Sales	(4,606,641)	(4,606,689)
Gross Margin	3,216,274	2,492,431
Operating Expenses		
Salaries	866,149	933,173
General and administrative	588,523	452,353
Operating Income before the following	1,761,602	1,106,905
Depreciation and amortization	123,332	132,559
Interest – Net	24,224	50,931
Foreign Exchange (gain) loss	26,502	(67,436)
Earnings before income taxes – continuing operation	1,587,544	990,851
Income tax expense	502,081	200,685
Net earnings – continuing operations	1,085,463	790,166
Discontinued Operations		
Loss from discontinued operations	(131,220)	(309,200)
Adjustment of net realizable value of assets of discontinued operations	(285,000)	0
	(416,220)	(309,200)
Net earnings for the period	669,243	480,966
Retained earnings at the beginning of period	3,248,926	6,967,258
Retained earnings at the end of period	\$ 3,918,169	\$ 7,448,224
Earnings per share – from continuing operations		
Basic	\$ 0.07	\$ 0.06
Fully Diluted	\$ 0.07	\$ 0.05
Earnings per share		
Basic	\$ 0.05	\$ 0.03
Fully Diluted	\$ 0.04	\$ 0.03

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED MARCH 31,	2006	2005
	(unaudited)	(restated) (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 1,085,463	\$ 790,166
Items not involving cash		
Future tax	293,563	94,970
Stock based comp expense	144,403	48,406
Unrealized FX gain	26,502	(39,780)
Depreciation	123,332	150,293
	587,800	253,889
Changes in working capital		
Accounts receivable	(28,329)	(1,034,870)
Inventory	(285,849)	(156,116)
Prepaid expenses	(198,757)	(35,615)
Accounts payable	961,015	203,214
Foreign currency gain on working capital	3,337	2,191
	451,417	(1,021,196)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(51,008)	(597,869)
Other Assets	(2,971)	(421)
	(53,979)	(598,290)
FINANCING		
Issuance of share capital	0	227,000
Repayment of operating loan	(1,836,366)	2,293,867
Repayment of long term debt	(3,047,985)	(588,893)
	(4,884,351)	1,931,974
Change in cash from continuing operations	(2,813,650)	1,356,543
Change in cash from discontinued operations	3,855,954	(2,018,260)
INCREASE (DECREASE) IN CASH	1,042,304	(661,717)
CASH, beginning of period	564,237	661,717
CASH, end of period	\$ 1,606,541	\$ 0

GLOBAL RAILWAY INDUSTRIES LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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, 2005. 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, 2005. The Annual Report and continuous disclosure documents are available through the Sedar website at www.sedar.com.

1. Business of the Company

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

2. Share Capital

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

	Issued		Amount
Common Shares, December 31, 2005	14,856,744	\$	25,068,800
Options Exercised	0		0
Common shares, March 31, 2006	14,856,744	\$	25,068,800

If all of the outstanding options were exercised Global would have 15,614,244 shares outstanding.

3. Discontinued Operation

In October 2005, the Company announced the close of operations of YSD Industries. The comparative 2005 results have been restated to account for YSD as a discontinued operation.

In the first quarter of 2006, the majority of the YSD assets, product lines and related inventories were sold. YSD operating expenses in the first quarter resulted in an after-tax loss of \$ 131,220. Expenses incurred in 2006 were largely for employee wages, utilities and legal fees. In the first quarter of 2006, we also made a \$285,000 adjustment to the net realizable value of assets of discontinued operations. This is a non cash charge against earnings. YSD assets at the end of the quarter were \$ 1,981,481 and liabilities totaled \$ 1,251,032.

4. Long Term Debt

In the first quarter of 2006, the Company repaid all of its outstanding bank debt.

5. Related Party Transactions

The G&B office building is leased from previous owners of G&B; one of which sits on Global's Board of Directors. The lease term expires in 2010 and lease payments are \$79,350 per year. The then existing lease was part of the G&B Purchase and Sale Agreement.

Accounts payable includes \$388,783 payable to previous owners of G&B, one of which sits on Global's Board of Directors. The liability is for consulting services per the G & B Purchase and Sale Agreement.

Accounts receivable includes a \$200,000 USD non-interest bearing promissory note from an officer of the Company. The note was repaid in April 2006.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THREE MONTHS ENDED MARCH 31, 2006

The following is the Management's Discussion and Analysis of the Corporation's quarterly financial results of operations for the period ended March 31, 2006.

REVENUE

In the first three months of 2006, revenues from continuing operations increased 10% compared with the same period of 2005. The revenue growth was mainly driven by increased spending in the freight railway industry and commuter rail systems

Bach Simpson's revenues increased 17% compared with the same period of 2005. G & B's revenues increased by 12% compared to the combined G&B and Rafna revenues for the same period of 2005. Prime Railways' revenues decreased 9% compared with the same period of 2005; mainly due to the closing of several railcar repair shops in the Toronto area in 2005. However, Prime Railways first quarter 2006 revenues increased 6.6% over the fourth quarter of 2005.

COST OF SALES/GROSS MARGINS

Overall gross margins in the first quarter of 2006 increased to 41% compared with 35% in the same period of 2005. The gross margin improvement resulted from G&B lowering its input costs through strategic offshore sourcing of raw materials and synergies resulting from the Rafna consolidation. Increased demand for Global's products and services helped both Prime and Bach Simpson to improve their gross margins compared with 2005.

OPERATING EXPENSES

Salary expense in the first quarter increased by \$ 76,237 when compared with the corresponding period in 2005. This increase was offset by a one time credit of \$ 143,261 resulting from the elimination of a deferred compensation liability. Consequently, the reported salary expense is \$ 67,024 lower than in the first quarter of 2005.

General and administrative costs increased by \$ 136,170 in the first quarter of 2006. The largest increases were on the Corporate level where expenses are expected to be level throughout the year, and at G & B where costs have increased to support the Rafna merger and higher shipping volume.

INTEREST EXPENSE - NET

In the first quarter of 2006, the Company's debt was repaid; largely with proceeds of the YSD asset and product line sales. Net interest was decreased by \$ 26,707 to \$24,224 in 2006.

INCOME TAX

Income taxes for continuing operations were \$502,081, an effective rate of 32% versus tax of \$ 200,685 in 2005 with an effective rate of 20%.

NET EARNINGS

Net earnings from continuing operations were \$1,085,463 in the first quarter 2006 versus \$790,166 in the first quarter of 2005; a 37.4% increase. These improved results are mainly attributable to the improved gross margins realized by G & B Industries/Rafna and Bach Simpson.

GLOBAL RAILWAY INDUSTRIES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THREE MONTHS ENDED MARCH 31, 2006

FINANCIAL RESULTS - CONTINUING OPERATIONS

From this point forward in the MD&A, the financial results of the continuing operations are discussed. That is, YSD results have been removed unless otherwise stated.

	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
Sales	\$7,822,915	\$7,114,866	\$7,397,049	\$8,272,006	\$7,099,120	\$5,810,518	\$6,026,769	\$10,043,108
Net earnings	1,085,463	(1,093,644)	1,416,483	601,599	790,166	227,821	1,025,907	770,959
(Loss) Earnings								
Basic	0.07	(0.08)	0.10	0.04	0.06	0.01	0.07	0.06
Fully Diluted	0.07	(0.08)	0.10	0.04	0.05	0.01	0.07	0.05

The above table shows the financial performance from continuing operations for the last eight quarters for Global Railway Industries Ltd. Results in the first quarter improved by 37.4% from the same period in 2005.

LIQUIDITY AND CAPITAL RESOURCES

In the first quarter of 2006 the Company repaid all of its outstanding bank debt. The Company currently has access to a \$ 2,000,000 operating credit line. No funds have been drawn against this facility,

Capital Expenditures

In the first quarter of 2006, approximately \$ 56,000 was spent on capital additions.

Contractual Obligations

The Company has not entered into any new contractual obligations outside the normal course of business in the first quarter of 2006.

Share Capital

At March 31, 2006, the Company has 15,614,244 common shares outstanding. There were no share capital transactions in the first quarter. If all of the outstanding options were exercised, Global would have 15,614,244 shares outstanding.

Business Risks

The business and operational risks remain unchanged from December 31, 2005. For additional guidance, please review the 2005 Annual Report and continuous disclosure materials available through the Sedar website at www.sedar.com.

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.

**GLOBAL RAILWAY INDUSTRIES LTD.
CORPORATE INFORMATION**

DIRECTORS	CORPORATE OFFICE
<p>Terry McManaman President & Chief Executive Officer Global Railway Industries Ltd.</p> <p>Phil Ogden Chairman of the Board</p> <p>Lew Griffiths Corporate Director</p> <p>John Hagg Corporate Director</p> <p>Dave Horbay Corporate Director</p> <p>James Renner Corporate Director</p> <p>Tim Sanderson Corporate Director</p> <p>Garry Zurowski Corporate Director</p> <p>OFFICERS</p> <p>Terry McManaman President & Chief Executive Officer</p> <p>Mike Feschak Chief Financial Officer</p> <p>Greg Peterson Secretary</p>	<p>Global Railway Industries Ltd. 535 W. 3rd Street Berwick, PA 18603 Phone (570) 802-0366 Fax (570) 802-0369 Email info@globalrailway.com Website: 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>INVESTOR RELATIONS Gerry Wimmer Investorfile.com 416-360-8895 1-888-894-8222 gwimmer@investorfile.com</p> <p>STOCK EXCHANGE Toronto Stock Exchange Symbol: GBI</p>



www.globalrailway.com