



SECOND QUARTER INTERIM REPORT TO SHAREHOLDERS

Six months ended June 30, 2004

PERFORMANCE DATA

SIX MONTHS ENDED JUNE 30

	2004	2003 (Restated)
	\$	\$
Revenue	18,117,730	11,259,223
Net earnings	1,845,245	1,086,326
Per share - basic	0.14	0.14
Per share - diluted	0.13	0.14
EBITDA	3,185,066	1,813,644
Common shares outstanding (#)		
Basic	13,559,271	7,603,879
Diluted	14,312,907	7,730,101



REPORT TO SHAREHOLDERS

Global Railway Industries Ltd. is please to enclose the consolidated financial statements for the second quarter ending June 30, 2004.

Effective April 5, 2004 the Company purchased the assets of YSD Industries Inc. ("YSD") out of bankruptcy. With the addition of several industry veterans hired by Global to manage the restructuring and the fact that Global is well capitalized, the restructuring is expected to be completed by the end of this year. The new rail car market is getting stronger every month as measured by the new rail car backlog. The improving market is presenting new opportunities to YSD that did not exist prior to the purchase by Global. Global's management believes that post restructuring, YSD will be positioned very well to capitalize on the strong market for new rail cars.

Excluding operations from YSD, Global generated revenues for the three month period ended June 30, 2004 of \$8.7 million, realizing gross and pretax margins of 39% and 18% respectively. Excluding YSD, Global generated earnings per share of \$0.08 during the quarter. Excluding operations from YSD, Global generated revenues for the six month period ended June 30, 2004 of \$16.8 million, realizing gross and pretax margins of 39% and 19% respectively. Excluding YSD, all of Global's subsidiaries are profitable and they each have very good organic growth prospects in their respective markets.

Since the acquisition date, YSD has generated approximately \$1.3 million of revenue and an after tax loss of approximately \$361,000. Earnings per share were reduced during the quarter by \$0.03 as a result of the loss.

Effective January 1, 2004, the Company adopted the revised Canadian accounting standard for stock based compensation. This standard requires the company to restate prior periods to reflect the impact of stock based compensation expense for stock options issued in the period. The net effect of the change in accounting policy has been reflected in the comparative figures and disclosed in the notes to the quarterly financial statements.

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

Yours truly,

"Signed"
Mike Kohut
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 Audit Committee comprised of a majority of non-management directors, acts on behalf of the Board of Directors to ensure that the management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Audit Committee 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 Audit Committee recommended to the Board of Directors, and the Board has approved the financial statements for the period ended June 30, 2004.

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

"Signed"
Mike Kohut
President

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2004 (unaudited)	DECEMBER 31, 2003 (audited) (Restated - note 1)
Assets		
Current		
Cash	\$ 6,083,308	\$ 626,926
Accounts receivable	6,143,084	3,284,198
Inventories	9,829,865	6,812,598
Prepays	261,799	238,140
	22,318,056	10,961,862
Intangibles and other assets	511,795	233,726
Plant and equipment	6,476,326	3,810,032
Goodwill	11,311,297	11,311,297
	\$ 40,617,474	\$ 26,316,917
Liabilities		
Current		
Accounts payable and accrued liabilities	3,968,943	1,459,734
Current portion, long term debt	2,697,922	2,672,238
	6,666,865	4,131,972
Future Income Taxes	111,243	133,874
Long term debt	4,197,061	6,219,591
	10,975,169	10,485,437
Shareholders' Equity		
Share Capital	22,717,455	10,937,259
Contributed surplus (Note 1)	336,203	336,203
Cumulative translation adjustment	(462,547)	(647,931)
Retained earnings	7,051,194	5,205,949
	29,642,305	15,831,480
	\$ 40,617,474	\$ 26,316,917

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
(unaudited)		(Restated - note 1)		(Restated - note 1)
Sales	\$ 10,043,108	\$ 7,058,556	\$ 18,117,730	\$ 11,259,223
Cost of sales	(6,836,033)	(4,281,960)	(11,737,131)	(6,740,644)
Gross Margin	3,207,075	2,776,596	6,380,599	4,518,579
Operating Expenses				
Salaries	977,292	851,493	1,741,242	1,471,048
General and administrative	950,644	753,642	1,454,291	1,233,887
Operating income before the following	1,279,139	1,171,461	3,185,066	1,813,644
Depreciation and amortization	233,730	113,850	390,277	175,968
Interest-net	86,477	107,947	132,842	172,716
Foreign exchange (gain) / loss	(9,648)	(271,975)	66,020	(271,975)
Earnings before income taxes	968,580	1,221,639	2,595,927	1,736,935
Income tax expense	197,621	434,877	750,682	650,609
Net earnings	770,959	786,762	1,845,245	1,086,326
Retained earnings beginning of period:				
As previously reported	6,369,560	3,298,732	5,542,152	2,839,877
Effect of change in accounting for stock based compensation	(89,325)	(246,878)	(336,203)	(87,587)
	6,280,235	3,051,854	5,205,949	2,752,290
Retained earnings, end of period	\$ 7,051,194	\$ 3,838,616	\$ 7,051,194	\$ 3,838,616
Earnings per share				
Basic	\$ 0.06	\$ 0.09	\$ 0.14	\$ 0.14
Fully diluted	\$ 0.05	\$ 0.09	\$ 0.13	\$ 0.14

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED JUNE 30,	2004	2003
(unaudited)		(Restated - note1)
CASH FLOWS PROVIDED BY (USED IN):		
OPERATIONS		
Net earnings for the period	\$ 1,845,245	\$ 1,086,326
Items not involving cash:		
Future tax	(22,361)	148,096
Stock based compensation expense	-	248,616
Unrealized foreign exchange loss	66,020	(268,487)
Depreciation and amortization	390,277	175,968
	2,279,181	1,390,519
Funds from operations		
Change in non-cash working capital balance:		
Accounts receivable	(1,673,855)	(743,964)
Inventories	(1,037,267)	(185,141)
Prepays	(23,659)	(125,977)
Account payable	1,904,482	966,983
	1,448,882	1,302,420
FINANCING		
Issuance of share capital	12,580,002	7,550,000
Share issue costs	(799,806)	(624,317)
Issuance of debt	-	9,602,163
Repayment of long term debt	(1,996,846)	(1,717,784)
	9,783,350	14,810,062
INVESTMENTS		
Purchase of capital assets	(847,928)	(4,008)
Acquisitions, net of cash acquired	(4,990,413)	(15,108,167)
Other assets	62,491	202,727
	(5,775,850)	(14,909,448)
INCREASE IN CASH	5,456,382	1,203,034
CASH (operating loan) beginning of period	626,926	(492,517)
CASH end of period	\$ 6,083,308	\$ 710,517

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, 2003. Except as otherwise disclosed in these notes, 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, 2003.

1. Stock Based Compensation

Effective January 1, 2004, the Company prospectively adopted the revised Canadian accounting standard for stock-based compensation and other stock based payments with restatement of prior periods. Under the fair value method, compensation cost attributable to all stock options granted to employees and directors is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the option, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The effect of the change in accounting policy as outlined above has been recorded retroactively with restatement of prior periods. At January 1, 2004, the effect of the change resulted in an increase to contributed surplus and an offsetting decrease to retained earnings of \$336,203. A reconciliation of contributed surplus resulting from the adoption is provided below:

Balance beginning of period	\$	0
Adoption of change in accounting policy		87,587
Stock based compensation expense		<u>248,616</u>
Balance, end of period	\$	<u>336,203</u>

2. Acquisitions

On April 5, 2004, Global acquired all of the assets of YSD Industries Inc. The results of operations have been included since that time. YSD is a provider of rail car doors, replacement parts and services primarily in the United States.

Total consideration was \$4,990,413 which includes \$388,751 of acquisition costs, satisfied by the payment of cash. The total purchase price of the acquisition was allocated based on fair values as follows:

Inventory	\$	1,980,000
Accounts receivable		1,185,031
Intangibles		340,560
Land		261,194
Building		783,581
Equipment		<u>1,044,775</u>
Total assets acquired		5,595,141
Less: liabilities		<u>604,728</u>
Net assets acquired		<u>4,990,413</u>

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 June 30, 2004.

	June 2004	June 2003
		(Restated)
Sales	\$ 18,117,730	\$11,259,223
Net Earnings	1,845,245	1,086,326
Earnings Per Share		
Basic	\$ 0.14	\$ 0.14
Fully diluted	\$ 0.13	\$ 0.14

REVENUE

Revenue for the quarter ended June 30, 2004 includes revenues from Rafna Industries Ltd., Bach-Simpson, Prime Steel Inc., YSD Industries (2004) Inc. and G&B Specialties, Inc. G&B was acquired effective May 1, 2003 and the comparative period includes revenue from G&B for a two month period. YSD was acquired effective April 5, 2004 and the comparative period does not include revenue from YSD.

The increase in revenues during the first six months of 2004 is due primarily to the inclusion of six months of revenue from G&B, a \$700,000 increase in revenues in Prime over the same period a year ago, the inclusion of \$1.3 million of revenue from YSD, offset by approximately a \$240,000 decrease in revenue over the same period a year ago in Bach.

COST OF SALES/GROSS MARGINS

Overall gross margins for the sixth month period ended June 30, 2004 decreased from 40% to 35% compared to the corresponding period. The decrease in gross margins relates primarily to the inclusion of operations from G&B which is lower gross margin business than the other operations and also to the inclusion of operations from YSD which is not currently operating at efficient levels.

OPERATING EXPENSES

The increase in salaries is the result of the inclusion of salaries from G&B Specialties, Inc. for six months, an increase in salaries of approximately \$124,000 in Prime and the inclusion of salaries from YSD offset by reduction in salaries of approximately \$192,000 and \$159,000 in Rafna and Bach respectively.

The increase in general and administrative expense is the result of the inclusion of expenses from G&B Specialties, Inc. for six months, the inclusion of expenses from YSD and an increase in Prime's expenses of approximately \$91,000 offset by reductions in expenses of approximately \$12,000 and \$10,000 in Rafna and Bach respectively.

INTEREST EXPENSE - NET

Interest expense on long term debt decreased due to repayment of the principle amount owed to Priveq II Limited Partnership during 2003, and also because Global has surplus cash balances during the six month period ended June 30, 2004.

INCOME TAX

The effective tax rate on income earned was 29% versus 37% for the comparative period. The prior periods effective tax rate was higher due to the non deductibility of the stock based compensation expense for tax purposes.

NET EARNINGS

Excluding YSD, Global generated earnings of \$1,132,000 or \$0.08 per share during the second quarter. Since the acquisition date, YSD has generated an after tax loss of approximately \$361,000 or \$0.03 per share.

Net earnings for the sixth month period ended June 30, 2004 had increased over the comparative period mainly due to the inclusion of results from G&B for six months in the current period versus two months in the comparative period offset by a net loss from YSD in the current period.

LIQUIDITY AND CAPITAL RESOURCES

During the sixth month period ended June 30, 2004 the Company completed a \$12 million private placement equity financing. Part of the proceeds from the equity financing was used to purchase the assets of YSD Industries Inc. The remaining proceeds will be used to fund additional acquisitions and organic growth within the Company.

Global has a \$3.5 million operating loan with a senior Canadian bank that is not currently drawn on.

Capital Expenditures

The Corporation has budgeted to spend approximately USD \$1,000,000 on capital expenditures at YSD during the year. These expenditures will be funded from the Company's existing cash flow and cash reserves. Other than expenditures at YSD, the Company does not anticipate any material capital expenditures in the next fiscal year.

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.

CORPORATE INFORMATION

DIRECTORS	CORPORATE OFFICE
<p>Michael Kohut President & Chief Executive Officer Global Railway Industries Ltd.</p> <p>Bradley W. Ashley, Chairman Managing Partner Priveq Capital Funds</p> <p>Dale Owen Partner Owen•Mayer•Kirzinger</p> <p>Tim Tycholis Businessman</p> <p>Tim Sanderson President Rafna Industries Limited</p> <p>Dave Horbay Businessman</p> <p>Phil Ogden Businessman</p> <p>Lew Griffiths Businessman</p> <p>OFFICERS</p> <p>Michael Kohut President & Chief Executive Officer</p> <p>Dale Owen 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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