Condensed Consolidated Interim Financial Statements of

GLOBAL RAILWAY INDUSTRIES LTD.

(In Canadian dollars)
Nine months ended September 30, 2011 and 2010
(Unaudited)

GLOBAL RAILWAY INDUSTRIES LTD.
Consolidated Interim Statements of Financial Position
(In Canadian dollars)
September 30, 2011, with comparative figures as at December 31, 2010
(Unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 5,774,215	$ 5,357,742
Short-term investments	17,348,946	6,267,780
Trade and other receivables	280,869	4,436,807
Escrow receivables (note 4 and 5)	4,156,257	7,821,000
Inventories	-	6,364,754
Costs and estimated earnings on uncompleted contracts in excess of billings	-	5,353,997
Prepaid expenses	33,136	450,539
	27,593,423	36,052,619
Non-current assets:		
Property, plant and equipment	-	8,919,090
Deferred tax assets	-	6,453,663
	-	15,372,753
Total assets	$ 27,593,423	$ 51,425,372
Liabilities and Equity		
Current liabilities:		
Trade and other payables	$ 581,193	$ 6,259,833
Current portion of provisions (note 7)	373,276	803,722
Current portion of customer deposits	-	1,217,475
Income taxes payable	327,370	156,312
	1,281,839	8,437,342
Non-current liabilities:		
Provisions (note 7)	-	889,376
Customer deposits	-	283,016
Deferred tax liabilities	-	1,539,753
	-	2,712,145
Equity:		
Share capital	26,374,781	26,374,781
Contributed surplus	2,748,462	2,746,742
Retained earnings (deficit)	(2,811,659)	11,154,362
	26,311,584	40,275,885
Economic dependence (note 9)		
Subsequent events (note 14)		
Total liabilities and equity	$ 27,593,423	$ 51,425,372

See accompanying notes to the Consolidated Interim Financial Statements.

On behalf of the Board:

"signed" Thomas Dea
Chairman of the Board

"signed" Laurie Bennett
Chairman of the Audit Committee

GLOBAL RAILWAY INDUSTRIES LTD.

Consolidated Interim Statements of Comprehensive Income (Loss)
(In Canadian dollars)
Three months and nine months ended September 30, 2011, with comparative figures for 2010
(Unaudited)

	Three months		Nine months	
	2011	2010	2011	2010
Sales	$ 8,634,063	$ 10,138,593	$ 30,907,423	$ 33,063,167
Cost of goods sold	8,582,877	10,015,396	28,293,774	$ 30,640,661
Gross profit	51,186	123,197	2,613,649	2,422,506
Other operating expenses:				
Administration expenses	1,287,092	1,956,425	3,703,862	4,398,613
Selling expenses	154,215	205,021	462,412	613,888
	1,441,307	2,161,446	4,166,274	5,012,501
Loss on sale of subsidiary (note 4)	(12,221,113)	-	(12,221,113)	-
Loss from operating activities	(13,611,234)	(2,038,249)	(13,773,738)	(2,589,995)
Finance income (note 11)	135,138	210,941	222,351	24,289
Finance costs (note 11)	(78,369)	(55,638)	(236,182)	(412,279)
Net finance income (costs)	56,769	155,303	(13,831)	(387,990)
Loss from operations before income taxes	(13,554,465)	(1,882,946)	(13,787,569)	(2,977,985)
Income tax expense (recovery) (note 8):				
Current	38,421	347,771	53,384	347,771
Deferred	(5,506)	(740,638)	125,068	(953,473)
	32,915	(392,867)	178,452	(605,702)
Loss from operations	(13,587,380)	(1,490,079)	(13,966,021)	(2,372,283)
Earnings from discontinued operations, net of income taxes (note 5)	-	22,774,614	-	24,297,818
Net earnings (loss)	(13,587,380)	21,284,535	(13,966,021)	21,925,535
Other comprehensive loss, net of income taxes:				
Foreign currency translation differences for foreign operations	-	(383,724)	-	(177,032)
Comprehensive income (loss)	$(13,587,380)	$ 20,900,811	$(13,966,021)	$ 21,748,503
Earnings (loss) per share (note 10):				
Basic	$ (0.89)	$ 1.39	$ (0.92)	$ 1.43
Diluted	$ (0.89)	$ 1.39	$ (0.92)	$ 1.43
Loss per share from operations (note 10):				
Basic	$ (0.89)	$ (0.10)	$ (0.92)	$ (0.16)
Diluted	$ (0.89)	$ (0.10)	$ (0.92)	$ (0.16)
Earnings per share from discontinued operations (note 10):				
Basic	$ -	$ 1.49	$ -	$ 1.59
Diluted	$ -	$ 1.49	$ -	$ 1.59

See accompanying notes to the Consolidated Interim Financial Statements.

GLOBAL RAILWAY INDUSTRIES LTD.

Consolidated Interim Statements of Changes in Equity
(In Canadian dollars)
Nine months ended September 30, 2011, with comparative figures for the nine months ended September 30, 2010
(Unaudited)

	Number of common shares issued	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings (deficit)	Total equity
Balance at January 1, 2010	15,239,900	$ 26,366,433	$ 2,699,847	$ -	$ (1,639,756)	$ 27,426,524
Net earnings	-	-	-	-	21,925,535	21,925,535
Stock-based compensation expense	-	-	37,394	-	-	37,394
Change in accumulated foreign currency translation adjustment	-	-	-	(177,032)	-	-
Realization of cumulative translation adjustment loss on sale of GBIH	-	-	-	177,032	-	177,032
Balance at September 30, 2010	15,239,900	$ 26,366,433	$ 2,737,241	$ -	$ 20,285,779	$ 49,566,485
Balance at January 1, 2011	15,252,399	$ 26,374,781	$ 2,746,742	$ -	$ 11,154,362	$ 40,275,885
Net loss	-	-	-	-	(13,966,021)	(13,966,021)
Stock-based compensation expense	-	-	1,720	-	-	1,720
Balance at September 30, 2011	15,252,399	$ 26,374,781	$ 2,748,462	$ -	$ (2,811,659)	$ 26,311,584

See accompanying notes to the Consolidated Interim Financial Statements.

GLOBAL RAILWAY INDUSTRIES LTD.

Consolidated Interim Statement of Cash Flows
(In Canadian dollars)
Nine months ended September 30, 2011, with comparative figures for 2010
(Unaudited)

	2011	2010
Cash provided by (used in):		
Cash flows from operating activities:		
Loss from operations	$ (13,966,021)	$ (2,372,283)
Adjustments for:		
Loss on sale of subsidiary (note 4)	12,221,113	-
Income tax expense (recovery)	178,452	(605,702)
Stock-based compensation expense	1,720	37,394
Depreciation of plant and equipment	288,272	719,841
Depreciation of intangibles	-	94,500
Variation of depreciation included in inventories	26,363	61,944
Net finance costs	13,831	387,990
	(1,236,270)	(1,676,316)
Change in:		
Trade and other receivables	428,288	(332,176)
Escrow receivables	4,664,743	-
Prepaid expenses	(175,368)	(482,496)
Inventories	362,031	(188,615)
Costs and estimated earnings on uncompleted contracts in excess on billings	(719,238)	751,725
Billings on uncompleted contracts in excess of costs and estimated earnings	336,665	-
Trade and other payables	(1,304,155)	416,952
Provisions	(143,397)	(556,904)
Customer deposits	(783,515)	(300,686)
	2,666,054	(692,200)
Income taxes paid	(1,628)	(347,771)
Net cash from (used in) operating activities	1,428,156	(2,716,287)
Cash flows from investing activities:		
Acquisition of plant and equipment	(218,513)	(179,142)
Net proceeds from sale of subsidiaries (notes 4 and 5)	10,429,376	36,500,276
Proceeds from sale of short-term investments	2,000,000	-
Purchase of short-term investments	(13,000,000)	-
Interest received	24,923	-
Net cash (used in) from investing activities	(764,214)	36,321,134
Cash flows from financing activities:		
Repayment of customer deposits	(283,016)	(887,548)
Repayment of operating loan	-	(6,720,000)
Repayment of long-term debt	-	(17,380,000)
Net cash (used in) financing activities	(283,016)	(24,987,548)
Increase in cash and cash equivalents from operations	380,926	8,617,299
Disposition of bank indebtedness (cash) from sale of subsidiaries	35,547	(967,929)
Increase in cash and cash equivalents from discontinued operations (note 5)	-	2,129,287
Increase in cash and cash equivalents	416,473	9,778,657
Cash and cash equivalents, beginning of period	5,357,742	2,005,824
Cash and cash equivalents, end of period	$ 5,774,215	$ 11,784,481

The components of cash and cash equivalents are the following:

	2011	2010
Cash	$ 1,737,582	$ 10,490,896
Term deposits	4,036,633	1,552,018
Bank indebtedness	-	(258,433)
	$ 5,774,215	$ 11,784,481

See accompanying notes to the Consolidated Interim Financial Statements.

1. Nature of operations:

Global Railway Industries Ltd. ("the Company") is a company domiciled in Canada, with its Registered Office located at 12220 Stony Plain Road, Edmonton, AB, T5N 3Y4. The Company designs, manufactures, remanufactures, and markets railway products, equipment, locomotives, and services to the railway industry prior to the sale of its last operating subsidiary on September 23, 2011. The Company was incorporated in the Province of Alberta and is listed under the symbol "GBI" on the Toronto Stock Exchange (TSX). Subsequent to September 30, 2011, the Company voluntarily delisted from the TSX on November 3, 2011 and listed on the NEX, a separate board of the TSX Venture Exchange, under the symbol "GBI.H" on November 4, 2011. See note 14 for further details.

The consolidated financial statements of the Company as at and for the year ended December 31, 2010, which were prepared under Canadian generally accepted accounting principles ("GAAP"), are available on SEDAR, or at www.globalrailways.com.

2. Basis of preparation:

(a) Statement of compliance:

These Consolidated Interim Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its Consolidated Financial Statements as at and for the year ending December 31, 2011. These accounting policies are disclosed in note 3 of the Company's 2011 first quarter Consolidated Interim Financial Statements. The Consolidated Interim Financial Statements do not include all of the information required for full annual Consolidated Financial Statements.

The Company transitioned to International Financial Reporting Standards ("IFRS") from Canadian generally accepted accounting principles ("GAAP") on January 1, 2010 (the "Transition Date"). IFRS 1, First-time Adoption of IFRS ("IFRS 1") has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 15. This note includes reconciliations of equity and total comprehensive income for comparative periods reported under Canadian GAAP to under IFRS.

These Consolidated Interim Financial Statements should be read in conjunction with the Company's 2010 annual Consolidated Financial Statements prepared in accordance with Canadian GAAP and with the accounting policies, transition disclosures, and selected annual disclosures disclosed in notes 2, 3, and 14 of the Company's 2011 first quarter Consolidated Interim Financial Statements.

These Consolidated Interim Financial Statements are presented in Canadian dollars, and are prepared mainly on the historical cost basis. Other measurement bases used are described in the applicable notes. The Company's financial year corresponds to the calendar year.

Presentation of the Consolidated Interim Statements of Financial Position differentiates between current and non-current assets and liabilities. The Consolidated Interim Statements of Income are presented using the functional classification for expenses.

These Consolidated Interim Financial Statements were approved by the Company's Board of Directors on November 11, 2011.

(b) Basis of consolidation:

The Consolidated Interim Financial Statements include the accounts of Global Railway Industries Ltd. and the wholly-owned subsidiaries which it controls. Control over a subsidiary exists when Global Railway Industries Ltd. has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Interim Financial Statements from the date that control commences until the date that control ceases. The subsidiaries include CAD Railway Industries Ltd. ("CADRI") and its wholly-owned subsidiary, CAD Railway Properties Inc. ("CRP"), which were sold on September 23, 2011 to 2290693 Ontario inc., GBI Industries, Inc. and 1703558 Ontario Inc. ("1703558", formerly Bach-Simpson), which was wound up on September 21, 2011. All intercompany balances, and any unrealized gains and losses or income and expenses arising from intercompany transactions, are eliminated in preparing the Consolidated Interim Financial Statements. The sale of CADRI and the wind up of 1703558 are described in notes 4 and 5.

(c) Use of estimates and judgments:

The preparation of the Consolidated Interim Financial Statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, intangible assets including goodwill; valuation allowances for trade and other receivables, inventories, and deferred income taxes; provisions for restructuring, warranty obligations and environmental remediation costs; revenue under the percentage of completion method; and the calculation of stock-based compensation. These estimates and assumptions are based on Management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which Management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets and declines in customer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the Consolidated Financial Statements in future periods.

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these Consolidated Interim Financial Statements are as follows:

(i) Provision for claims:

Provisions are made for warranty and environmental costs based on past experience and Management's best estimate of the timing of future payments and an appropriate discount rate.

(ii) Provision against accounts receivable for claims:

The Company makes estimates on the recoverability of accounts receivable balances based on specific facts and circumstances as well as past experience of write-offs. Changes in the economic conditions in which customers operate and their underlying financial stability impact Management's estimates in provisions against accounts receivable balances.

(iii) Lease classifications:

The Company enters into leases for production equipment which may be classified as operating or finance leases. Judgment is exercised by Management in determining if substantially all the risks and rewards incidental to ownership have been transferred to the Company.

(iv) Obsolescence provision:

The value of the Company's inventory is evaluated by Management throughout each period. Where appropriate, a provision is recorded against the cost of the inventory to ensure that inventory values reflect the lower of cost and estimated net realizable value. Management identifies slow-moving or obsolete parts inventory and estimates appropriate obsolescence provisions that are then applied to the aging of the inventory.

(v) Impairment tests:

Management exercises judgment to identify its cash generating units ("CGUs") and to calculate the value in use and fair value less costs to sell of the CGUs. The CGUs at the Company are the operating entities that make up the operating segments. Key assumptions used in the calculation of recoverable amounts are discount rates, terminal values, growth rates, sustainable earnings multiples and EBITDA. EBITDA is the sum of earnings before interest, income taxes, depreciation and amortization.

(vi) Tax assets:

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(vii) Stock options:

In calculating the fair value associated with stock options, Management is required to make estimates on among other things, risk-free rates of returns, expected volatility, expected dividends, expected life of options, expected forfeitures and future market conditions.

(In Canadian dollars)

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

(viii) Depreciation rates and residual values:

In calculating the depreciation to be expensed in the Consolidated Statement of Comprehensive Income (Loss) for plant and equipment, Management is required to make estimates of the expected useful life of the assets, the expected residual value and the stream of income to be generated by the asset. These estimates are evaluated periodically and adjusted prospectively, where necessary, to reflect actual experience.

3. Significant accounting policies:

The accounting policies set out in note 3 of the Consolidated Interim Financial Statements for the three months ended March 31, 2011 have been applied consistently to all periods presented in these Consolidated Interim Financial Statements.

4. Sale of CADRI subsidiary:

On July 4, 2011, the Company signed a Share Purchase Agreement to sell the shares of its only remaining operating subsidiary, CADRI and its wholly owned subsidiary, CRP, to 2290693 Ontario Inc., a company controlled by the Company's Acting President and CEO, with participation of a financial partner, as well as members of the CADRI Management team. On September 23, 2011, after obtaining the approval of two thirds of voting shareholders, the TSX and the NEX, the Company completed the sale transaction. The purchase price of CADRI was $12,834,000 including the assumption of debt outstanding of $434,000 for a gross cash purchase price of $12,400,000. The net cash proceeds received from the sale were $10,429,000 after the Company incurred transaction costs of $616,000, purchase price adjustments of $253,000, net working capital adjustments of $102,000 and $1,000,000 held in escrow for potential indemnification claims.

The period of the $1,000,000 escrow extends for a period of one year from the transaction closing date of the sale of CADRI. Under the Share Purchase Agreement, the Company is accountable for 50% of escrow agent fees to be incurred during the holding period of the escrow amount.

Under the Share Purchase Agreement, the Company will remain liable for 50% of late delivery fees for VIA locomotives incurred by CADRI, including reasonable expenses for investigation and reasonable legal fees and expenses in connection with any proceeding against 2290693 Ontario Inc., to a maximum of $500,000. To date, VIA has not indicated that they plan to impose late delivery penalties on CADRI, nor have any amounts have been accrued in the September 30, 2011 Consolidated Interim Financial Statements for such penalties.

Also, under the Share Purchase Agreement, the Company has also provided indemnifications for guaranties and warranties in respect of products sold or services rendered in the ordinary course of business before the completion of the CADRI sale transaction on September 23, 2011. The Company will be responsible for 50% of any warranty liability accrued by CADRI to a maximum of $500,000. See note 7 for further details.

The book value of the net assets sold as well as the accounting loss on sale of CADRI are as follows:

Assets:		
Trade and other receivables	$	3,727,650
Inventories		5,976,360
Prepaid expenses		592,771
Costs and estimated earnings on uncompleted contracts in excess of billings		6,073,235
Property, plant and equipment, net		8,849,331
Deferred tax assets		4,799,570
Total assets		30,018,917
Liabilities:		
Bank indebtedness		35,547
Trade and other payables		4,374,485
Billings on uncompleted contracts in excess of costs and estimated earnings		336,665
Customer deposits		433,960
Provisions		1,176,425
Deferred tax liabilities		11,346
Total liabilities		6,368,428
Book value of net assets sold		23,650,489
Cash purchase price		12,400,000
Transaction costs		(616,461)
Purchase price adjustements		(252,604)
Net working capital adjustments		(101,559)
Total consideration		11,429,376
Loss on sale of subsidiary	$	(12,221,113)

(In Canadian dollars)

5. Discontinued operations:

(a) 1703558 Ontario Inc. wind up:

On September 22, 2011, the remaining assets and liabilities of 1703558 Ontario Inc ("1703558", formerly Bach-Simpson) were transferred to the Company and 1703558 was dissolved to complete the wind up of Bach-Simpson which was sold in August 2010. The stated capital for the common shares of 1703558 was reduced to $1. All of the issued and outstanding shares are currently owned by the Company.

(b) GBIH and Bach-Simpson sale:

The results of the discontinued operations comprising GBIH and it's subsidiary, G&B, that was sold on July 28, 2010, Bach-Simpson which was sold on August 20, 2010, for the three and nine month periods ended September 30, 2010 are as follows:

	2010 Three months	2010 Nine months
Sales	$ 2,842,951	$ 18,602,590
Direct cost of sales, salaries and general and administrative expenses	1,309,627	13,731,113
Earnings before undernoted items	1,533,324	4,871,477
Depreciation	49,234	85,378
Finance costs	68,998	876,898
Foreign exchange loss	46,962	80,991
	165,194	1,043,267
Earnings before income taxes	1,368,130	3,828,210
Gain on disposition of subsidiaries	(25,120,903)	(25,120,903)
Realization of cumulative translation adjustment loss on sale of GBIH	177,032	177,032
Income tax expense	3,537,387	4,474,263
Net earnings from discontinued operations	$ 22,774,614	$ 24,297,818

As at September 30, 2011, there is $3,156,257 (December 31, 2010 - $7,821,000) of the combined sale price for GBIH and Bach-Simpson being held in escrow for potential indemnification claims. The escrow period extends for periods between six months and up to three years from the transaction closing dates, depending upon the nature of the indemnity and circumstances, although Management expects to receive all escrow amounts within the next twelve months. As of September 30, 2011, the Company has not been notified of any indemnification claims.

The Company's Interim Consolidated Statements of Cash Flows for the nine month period ended September 30, 2010 include the following information related to the discontinued operations of GBIH and Bach-Simpson:

Cash flows from operating activities:	
Net earnings	$ 24,297,818
Adjustments for:	
Income tax recovery	3,365,700
Depreciation of plant and equipment	378,217
Variation of depreciation included in inventories	178,195
Net finance costs	178,250
Unrealized foreign exchange gain	(223,804)
Gain on sale of subsidiairies	(25,120,903)
	3,053,473
Change in:	
Trade and other receivables	(304,226)
Inventories	45,226
Costs and estimated earnings on uncompleted contracts in excess of billings	(67,090)
Prepaid expenses	(2,069)
Trade and other payables	(759,274)
Foreign exchange on accumulated foreign currency translation adjustment	54,747
Realization of cumulative translation adjustment loss on sale of GBIH	177,032
	(855,654)
Net cash from operating activities	2,197,819
Cash flows from investing activities:	
Acquisition of plant and equipment	(68,532)
Net cash used in investing activities	(68,532)
Increase in cash and cash equivalents from discontinued operations	$ 2,129,287

(In Canadian dollars)

6. Inventories:

During the three month and nine month periods ended September 30, 2011, as part of operations, the Company expensed $5,084,373 and $15,654,988 of inventory (September 30, 2010 - $4,532,564 and $17,500,202), including a net inventory provision of $2,074 and $243,074. (September 30, 2010 - $228,000 and $369,000) to write-down the value of inventory to net realizable value. There were no inventory write-down reversals during the quarters or nine month periods.

7. Provisions:

The following table presents the Company's provisions:

	Management restructuring *(1)*	Warranties *(2)*	Environmental remediation *(3)*	Total
Balance at January 1, 2010	$ 824,942	$ 374,894	$ 765,514	$ 1,965,350
Charges	285,000	359,219	-	644,219
Utilization	(824,942)	(268,299)	-	(1,093,241)
Accretion	-	58,115	118,655	176,770
Balance at December 31, 2010	285,000	523,929	884,169	1,693,098
Less: short-term provisions	(285,000)	(313,230)	(205,492)	(803,722)
Long-term provisions	$ -	$ 210,699	$ 678,677	$ 889,376
Balance at January 1, 2011	$ 285,000	$ 523,929	$ 884,169	$ 1,693,098
Charges	-	197,176	-	197,176
Utilization	-	(515,975)	-	(515,975)
Accretion	-	58,878	102,787	161,665
Translation and other	13,737		.	13,737
Sale of CADRI subsidiary (note 4)	-	(189,469)	(986,956)	(1,176,425)
Balance at September 30, 2011	298,737	74,539	-	373,276
Less: short-term provisions	(298,737)	(74,539)	-	(373,276)
Long-term provisions	$ -	$ -	$ -	$ -

(1) At the end of 2009, the restructuring of the management team was planned with the expected sale of the two subsidiaries, GBIH and Bach-Simpson. The Chairman, CEO, CFO and Chief Marketing officers resigned and the US office closed with the sale of the two subsidiaries. Management restructuring expenses totaling $824,942 was then paid to the resigned officers and US $285,000 was accrued as severance costs payable to the President of CADRI. The US based officers were replaced by the President of CADRI (CEO) and the VP Finance of CADRI (CFO) to consolidate management in Canada. Amounts were not discounted as the management restructuring provisions are all short-term.

(2) The contract with the Company's largest customer requires the Company to provide two years parts and labour warranty from date of final acceptance of a delivered locomotive as well as a one year warranty on repairs. Prior to July 1, 2010, the warranty reserve was established at 2% of recognized revenue. As more locomotives were delivered, cumulative warranty repair expenses incurred by the Company supported the reduction of the percentage to 1% of recognized revenue. The warranty provision was calculated with a discount rate of 15.5% (December 31, 2010 - 15.5%). Under the Share Purchase Agreement, the Company is responsible for 50% of any warranty claims received by CADRI relating to items sold or services rendered prior to September 23, 2011. The Company has recorded accordingly a provision of $74,539 as at September 30, 2011.

(3) In connection with the acquisition of land and building in prior years, the Company identified an environmental contamination. Since it is probable that CADRI will sustain costs related to environmental assessment and remediation over the next five years, an environmental remediation provision in the amount of $765,514 has been recorded as at January 1, 2010. This provision amount has been calculated using a discount rate of 15.5% (December 31, 2010 - 15.5%).

(In Canadian dollars)

8. Income taxes:

The income tax expense (recovery) differs from the amount which would result from applying the expected income tax rate to earnings (loss) from continuing operations before income taxes. The reasons for the difference for the three and nine month periods ended September 30 are as follows:

	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Loss from operations before income taxes	$ (13,554,465)	$ (1,882,946)	$ (13,787,569)	$ (2,977,985)
Expected income tax rate	28.4%	29.0%	28.4%	29.0%
Computed expected income tax recovery	$ (3,849,468)	$ (546,054)	$ (3,915,670)	$ (863,616)
Difference resulting from:				
Non-deductible items	1,784,843	54,532	1,807,285	83,844
Rate differences on temporary differences	251,990	(109,750)	241,286	(56,314)
Valuation allowance	1,447,182	-	1,447,182	-
Withholding taxes on intercompany dividends	-	347,771	-	347,771
Other	398,368	(139,366)	598,369	(117,387)
	3,882,383	153,187	4,094,122	257,914
Income tax expense (recovery)	$ 32,915	$ (392,867)	$ 178,452	$ (605,702)

The expected income tax rate reflects the combined Federal and Provincial income tax rates for manufacturing and processing companies.

The ultimate realization of future tax assets is dependent upon the generation of future taxable income, against which tax losses and temporary timing differences may be deducted. To the extent that management believes that the realization of future tax assets do not meet the more likely than not criterion, a valuation allowance is provided against the future tax assets. Management currently believes that the Company does not meet the more likely than not criterion and, therefore, future tax assets have not been recognized in the financial statements. Accordingly, a valuation allowance of $1,447,182 has been recorded against the future tax benefit of the tax losses and temporary timing differences.

9. Economic dependence:

For the three months ended September 30, 2011, sales from the Company's largest customer totaled approximately $6,004,000, or 70% (September 30, 2010 - $7,099,000 or 70%) of the Company's total sales from operations for the period. For the nine months ended September 30, 2011, sales from the Company's largest customer totaled approximately $20,592,000, or 67% (September 30, 2010 - $23,491,000 or 71%) of the Company's total sales from operations.

10. Earnings (loss) per share:

The computation for basic and diluted common shares outstanding for the three and nine month periods ended September 30 used in the earnings (loss) per share calculation are as follows:

Net earnings:

	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Weighted average number of common shares outstanding:				
Basic	15,252,399	15,239,900	15,252,399	15,239,900
Effect of stock options	-	35,728	-	22,755
Diluted	15,252,399	15,275,628	15,252,399	15,262,655

Continuing operations:

	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Weighted average number of common shares outstanding:				
Basic	15,252,399	15,239,900	15,252,399	15,239,900
Effect of stock options	-	-	-	-
Diluted	15,252,399	15,239,900	15,252,399	15,239,900

(In Canadian dollars)

10. Earnings (loss) per share (continued):

Discontinued operations:

	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Weighted average number of common shares outstanding:				
Basic	15,252,399	15,239,900	15,252,399	15,239,900
Effect of stock options	-	35,728	-	22,755
Diluted	15,252,399	15,275,628	15,252,399	15,262,655

Stock options to purchase 50,000 (September 30, 2010 - 884,442) common shares are excluded from the weighted average common shares in the calculation of diluted earnings (loss) per share as they are not dilutive. Following the cancellation of 215,834 stock options, of which 210,000 were owned by the President and CEO of the Company following the sale of CADRI, a total of 61,666 stock options were outstanding as at September 30, 2011 (September 30, 2010 - 966,942).

11. Finance income and finance costs:

Net finance costs from continuing operations for the three and nine month periods ended September 30 are as follows:

	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Finance income:				
Interest income on short-term deposits	$ 45,051	$ -	$ 153,456	$ -
Interest income, other	5,314	-	5,323	2,115
Net foreign exchange gains	84,773	186,381	63,572	9,538
Net change in fair value of financial assets at fair value through profit or loss	-	24,560	-	12,636
	135,138	210,941	222,351	24,289
Finance costs:				
Interest expense on long-term debt	-	-	-	-
Interest expense, other	13,205	8,824	44,643	27,225
Accretion expenses	47,404	38,617	161,664	129,052
Bank fees	17,760	8,197	29,875	256,002
	78,369	55,638	236,182	412,279
Net finance income (costs) recognized in net earnings	$ 56,769	$ 155,303	$ (13,831)	$ (387,990)

12. Related party transactions:

(a) During the three and nine month periods ended September 30, 2011, the Company expensed approximately $92,000 and $336,000 (September 30, 2010 - $390,000 and $544,000) for management services provided by a company owned by the Company's Acting President and Chief Executive Officer.

(b) In the normal course of business, CADRI purchases inventory from a company owned by the Company's Acting President and Chief Executive Officer. The amount of inventory purchased for the three and nine month periods ended September 30, 2011 were approximately US $525,000 and US $2,303,000 (2010 - US $799,000 and US $2,920,000) and was made under the terms and conditions comparable to those of CADRI's other inventory purchases.

(c) As described in more details in note 4, the Company signed on July 4, 2011, a Share Purchase Agreement to sell the shares of its only remaining operating subsidiary, CADRI and its wholly owned subsidiary, CRP, to 2290693 Ontario Inc., a company controlled by the Company's Acting President and CEO. On September 23, 2011, after obtaining the approval of two thirds of voting shareholders, the TSX and the NEX, the Company completed the sale transaction. The purchase price of CADRI was $12,834,000 including the assumption of debt outstanding of $434,000 for a gross cash purchase price of $12,400,000.

(In Canadian dollars)

13. Segmented information:

The Company's operations were conducted through one reportable business segment which primarily remanufactured and repaired locomotives and railcars. The following is a summary of the Company's sales operations, by geographic segment:

2011	International	United States	Canada	Total
Sales for the three month period ended September 30	$ 246,401	$ 816,852	$ 7,570,810	$ 8,634,063
Sales for the nine month period ended September 30	$ 597,341	$ 2,967,255	$ 27,342,827	$ 30,907,423

2010	International	United States	Canada	Total
Sales for the three month period ended September 30	$ 149,846	$ 772,339	$ 9,216,408	$ 10,138,593
Sales for the nine month period ended September 30	$ 443,604	$ 3,414,766	$ 29,204,797	$ 33,063,167

14. Subsequent events:

(a) On October 13, 2011, the Company, announced that its Board of Directors had authorized the commencement of the winding-up of Global Railway Industries Ltd. and declared an initial distribution to shareholders of $1.00 per common share, all in accordance with the resolution passed at the special meeting of the Company's shareholders held on August 30, 2011. The initial distribution was made as a return of capital to shareholders of record at the close of business on October 25, 2011. The distribution of $15,264,165 or $1.00 per common share was paid out to shareholders on November 2, 2011. The Company intends to distribute the remainder of its available cash to shareholders in one or more installments as its liabilities and contingent obligations are settled. The amount and timing of these distributions have yet to be determined by Management.

(b) On October 14, 2011, the Company filed a Certificate of Intent to Dissolve Global Railway Industries Ltd., under the *Alberta Business Corporations Act*, with the Alberta Registrar of Corporations and, upon conclusion of the winding up process, the Company intends to apply for a Certificate of Dissolution.

(c) On October 14, 2011, the Company filed a Certificate of Dissolution for a Nevada Profit Corporation for GBI Industries Inc., with the Corporation Service Company (CSC).

(d) On October 27, 2011, the Company announced that its common shares would be delisted from the TSX after the payment of its initial distribution to shareholders and after the close of trading on November 3, 2011 and its listing would be transferred to the NEX effective as of market open on November 4, 2011. As of November 4, 2011, the Company's common shares are traded on the NEX under the ticker symbol "GBI.H". The common shares were delisted from the TSX because the Company was no longer able to meet the TSX's listing requirements following the sale of its only remaining operating subsidiary, CADRI, and the commencement of the winding-up of the Company.

(In Canadian dollars)

15. Explanation of transition to IFRS:

The accounting policies set out in the March 31, 2011 Consolidated Interim Financial Statements have been applied in preparing the Consolidated Interim Financial Statements for the nine months ended September 30, 2011, the comparative information for both the three and nine months ended September 30, 2010 and the year ended December 31, 2010.

In preparing its IFRS Statement of Financial Position and Comparative Statement of Comprehensive Income's information for the three and nine months ended September 30, 2010, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with Canadian GAAP (the Company's previous GAAP).

An explanation of how the transition from Canadian GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows as set out in the following tables and the notes that accompany the tables.

(a) Reconciliation of consolidated equity:

The following is a reconciliation of the Company's consolidated equity as at September 30, 2010:

	Note		Canadian GAAP		September 30, 2010 Effect of transition to IFRS		IFRS
Assets							
Current assets:							
Cash and cash equivalents		$	12,042,914	$	-	$	12,042,914
Trade and other receivables			5,842,900		-		5,842,900
Escrow receivables			7,819,000		-		7,819,000
Inventories			7,183,897		-		7,183,897
Costs and estimated earnings on uncompleted contracts in excess of billings			5,035,405		-		5,035,405
Prepaid expenses			1,389,141		-		1,389,141
Deferred tax assets	A		386,337		(386,337)		-
			39,699,594		(386,337)		39,313,257
Non-current assets:							
Property, plant and equipment			18,250,772		-		18,250,772
Intangible assets			349,075		-		349,075
Deferred tax assets	A		2,936,062		261,566		3,197,628
			21,535,909		261,566		21,797,475
Total assets		$	61,235,503	$	(124,771)	$	61,110,732
Liabilities and Equity							
Current liabilities:							
Bank indebtedness		$	258,433	$	-	$	258,433
Trade and other payables	B		6,151,497		(634,592)		5,516,905
Current portion of provision	B		-		457,224		457,224
Current portion of customer deposits			2,196,674		-		2,196,674
Income taxes payable			372,837		-		372,837
Deferred tax liabilities	A		166,582		(166,582)		-
			9,146,023		(343,950)		8,802,073
Non-current liabilities:							
Provisions	B		-		951,222		951,222
Customer deposits			358,488		-		358,488
Environmental liability	B		1,237,964		(1,237,964)		-
Deferred tax liabilities	A		1,442,914		166,582		1,609,496
			3,039,366		(120,160)		2,919,206
Equity:							
Share capital			26,366,433		-		26,366,433
Contributed surplus	D		2,853,521		(116,280)		2,737,241
Retained earnings	E		19,830,160		455,619		20,285,779
			49,050,114		339,339		49,389,453
Total liabilities and equity		$	61,235,503	$	(124,771)	$	61,110,732

(In Canadian dollars)

15. Explanation of transition to IFRS (continued):

(b) Reconciliation of consolidated comprehensive income (loss):

The following is a reconciliation of the Company's comprehensive income (loss) for the three months ended September 30, 2010:

	Note	Canadian GAAP	September 30, 2010 Effect of transition to IFRS	IFRS
Sales		$ 10,138,593	$ -	$ 10,138,593
Cost of goods sold	G	9,830,769	184,627	10,015,396
Depreciation of production property, plant and equipment	G	220,861	(220,861)	-
Gross profit		86,963	36,234	123,197
Other operating expenses:				
Salaries	F	700,054	(700,054)	-
Administration expenses	F,G	1,381,597	574,828	1,956,425
Selling expenses	I	-	205,021	205,021
		2,081,651	79,795	2,161,446
Loss from operating activities		(1,994,688)	(43,561)	(2,038,249)
Other income (expense):				
Depreciation of non-production property, plant and equipment and intangible assets	G	(91,987)	91,987	-
Interest, net	H	(8,824)	8,824	-
Change in fair value of derivative instruments	H	24,560	(24,560)	-
Foreign exchange gain	H	186,381	(186,381)	-
Finance income	H	-	210,941	210,941
Finance costs	H	-	(55,638)	(55,638)
		110,130	45,173	155,303
Loss from operations before income taxes		(1,884,558)	1,612	(1,882,946)
Income tax expense (recovery):				
Current		347,771	-	347,771
Deferred		(721,409)	(19,229)	(740,638)
		(373,638)	(19,229)	(392,867)
Loss from operations		(1,510,920)	20,841	(1,490,079)
Earnings from discontinued operations, net of income taxes (note 5)		19,556,125	3,218,489	22,774,614
Net earnings		18,045,205	3,239,330	21,284,535
Other comprehensive loss, net of income taxes:				
Unrealized loss on translating financial statements of a self-sustaining foreign operation		(383,724)	-	(383,724)
Comprehensive income		$ 17,661,481	$ 3,239,330	$ 20,900,811

(In Canadian dollars)

15. Explanation of transition to IFRS (continued):

(b) Reconciliation of consolidated comprehensive income (loss):

The following is a reconciliation of the Company's comprehensive income (loss) for the nine months ended September 30, 2010:

	Note	Canadian GAAP	September 30, 2010 Effect of transition to IFRS	IFRS
Sales		$ 33,063,167	$ -	$ 33,063,167
Cost of goods sold	G	30,049,012	591,649	30,640,661
Depreciation of production property, plant and equipment	G	725,044	(725,044)	-
Gross profit		2,289,111	133,395	2,422,506
Other operating expenses:				
Salaries	F	1,820,246	(1,820,246)	-
Administration expenses	F,G	3,281,722	1,116,891	4,398,613
Selling expenses	I	-	613,888	613,888
		5,101,968	(89,467)	5,012,501
Loss from operating activities		(2,812,857)	222,862	(2,589,995)
Other income (expense):				
Depreciation of non-production property, plant and equipment and intangible assets	G	(217,989)	217,989	-
Interest, net	H	(25,109)	25,109	-
Change in fair value of derivative instruments	H	12,636	(12,636)	-
Foreign exchange gain	H	9,537	(9,537)	-
Finance income	H	-	24,289	24,289
Finance costs	H	-	(412,279)	(412,279)
		(220,925)	(167,065)	(387,990)
Loss from operations before income taxes		(3,033,782)	55,797	(2,977,985)
Income tax expense (recovery):				
Current		347,771	-	347,771
Deferred		(934,244)	(19,229)	(953,473)
		(586,473)	(19,229)	(605,702)
Loss from operations		(2,447,309)	75,026	(2,372,283)
Earnings from discontinued operations, net of income taxes (note 5)		21,079,329	3,218,489	24,297,818
Net earnings		18,632,020	3,293,515	21,925,535
Other comprehensive loss, net of income taxes:				
Unrealized loss on translating financial statements of a self-sustaining foreign operation		(177,032)	-	(177,032)
Comprehensive income		$ 18,454,988	$ 3,293,515	$ 21,748,503

15. Explanation of transition to IFRSs (continued):

(c) Principal exemptions elected on transition to IFRS:

IFRS sets out the requirements that the Company must follow when it adopts IFRS for the first time as the basis for preparing its Consolidated Financial Statements. The Company is required to establish its IFRS accounting policies for the year ended December 31, 2011, and apply these retrospectively to determine the IFRS opening consolidated statement of financial position at the date of transition of January 1, 2010. To assist companies in the transition process, the standard permits a number of specified exemptions from the general principal of retrospective application as follows:

(i) Business combinations:

The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, Business Combinations, retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date. As a condition under IFRS 1 of applying this exemption, goodwill related to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

(ii) The Company has elected to set the previously accumulated cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010 and have it absorbed into retained deficit.

(iii) Share-based payments:

The Company has elected not to apply IFRS 2 to equity instruments granted on or before November 7, 2002, or which vested before the Company's date of transition on January 1, 2010.

(d) Notes to the reconciliations:

A Under IFRS, all deferred tax assets and deferred tax liabilities are presented as non-current assets and liabilities.

B The Company had previously recorded an environmental remediation provision and warranty provision under Canadian GAAP as discounted using a risk free rate. Under IFRS, the Company restated the provision using a discount rate specific to the risk of the provision of 15.5% and reclassified the balance as part of Provisions on the Consolidated Interim Statement of Financial Position. This resulted in a reduction of the provisions and a decrease of $535,593 in the retained deficit at the transition date of January 1, 2010. As a result of the change in discount rates used in measuring the provisions at the date of transition, there is an increase in accretion expense, which is included in finance costs in the Consolidated Interim Statement of Comprehensive Income (Loss), of $38,617 and $129,052 respectively for the three and nine month periods ended September 30, 2010. The tax impact of the accretion expense is a deferred tax recovery of $19,229 for both the three and nine month periods ended September 30.

Prior to transition to IFRS, management restructuring and warranties provisions were included as part of Trade and other payables. IFRS requires separate disclosure of these provisions. Moreover, the environmental remediation provision is no longer presented separately but is also presented as part of Provisions. Trade and other payables were consequently reduced to reflect the separate disclosure of the provisions.

C Upon the transition to IFRS, the Company has elected under IFRS 1 to reclassify the cumulative translation losses in accumulated other comprehensive income ("OCI") of $3,218,489 as an increase in retained deficit. This resulted in a corresponding increase in the net gain on sale of GBIH in the third quarter of 2010. Any subsequent translation gains or losses recognized in OCI were eliminated during the third quarter of 2010 when the Company sold GBIH.

D Under IFRS 1, the Company had to recalculate the stock-based compensation using graded vesting for all unvested options that existed at the transition date to IFRS on January 1, 2010. This resulted in a transition adjustment of $11,000 under IFRS, which contributed to an increase of contributed surplus and an increase in retained deficit. This change from the straight-line method under Canadian GAAP resulted in a decrease of stock based compensation in the amount of $29,800 and $127,280 for the three and nine month periods ended September 30, 2011.

(In Canadian dollars)

15. Explanation of transition to IFRSs (continued):

(d) Notes to the reconciliations (continued):

E Adjustments made to retained earnings (deficit) under IFRS can be summarized as follows:

		September 30, 2010
Reduction of environmental remediation provision (note B)	$	472,450
Tax impact of reduction of environmental remediation provision (note B)		(127,000)
Reduction of warranty expense due to discounting (note B)		63,143
Tax impact of reduction of warranty expense due to discounting as of January 1, 2010 (note B)		(17,000)
Elimination of OCI balance as of January 1, 2010 (note C)		(3,218,489)
Increase in the net gain on sale of GBIH (note C)		3,218,489
Accretion expense (note B)		(71,483)
Adjustment for unvested options as of January 1, 2010 (note D)		(11,000)
Decrease of stock based compensation expense (note D)		127,280
Tax impact of accretion expense (note B)		19,229
Total adjustments	$	455,619

F Upon transition to IFRS, the adjustments related to the administration expense include:

		September 30, 2010		
		Three months		Nine months
Salaries are now part of administration and selling expenses	$	700,054	$	1,820,246
Decrease of stock compensation expense (note D)		(29,800)		(127,280)
Depreciation of non-production property, plant and equipment (note G)		91,987		217,989
Bank fees are now part of finance costs (note H)		(8,197)		(256,002)
Selling expenses (note I)		(179,216)		(538,062)
Total adjustments	$	574,828	$	1,116,891

G Depreciation expense of non-production property plant and equipment and intangible assets is now classified as administrative expenses and depreciation on production property, plant and equipment is classified as cost of goods sold.

H IFRS presentation requires the separate disclosure of finance income and finance costs. Therefore, interest income, change in fair value of derivative instruments, and foreign exchange gains, which were disclosed separately under Canadian GAAP are reclassified under finance income for IFRS presentation.

Interest expense, bank fees, and foreign exchange losses are classified as finance costs under IFRS. Details related to the finance income and finance costs for the three and nine month periods ending September 30, 2010 and September 30, 2011, respectively are disclosed in note 11.

I Under IFRS, selling expenses are presented separately from the administration expenses as part of the Company's decision to present the Consolidated Interim Statement of Comprehensive Income (Loss) on a functional basis.

(e) Reconciliation of consolidated cash flows:

Interest paid and income taxes paid have been moved into the body of the unaudited Consolidated Interim Statements of Cash Flows as part of operating activities, whereas they were previously disclosed as supplementary information. There are no other material differences between the unaudited Consolidated Interim Statements of Cash Flows presented under previous Canadian GAAP.