Condensed Consolidated Interim Financial Statements of

GLOBAL RAILWAY INDUSTRIES LTD.

(In Canadian dollars)

Nine months ended September 30, 2012 and 2011
(Unaudited)

GLOBAL RAILWAY INDUSTRIES LTD.

Consolidated Interim Statements of Financial Position
(In Canadian dollars)

September 30, 2012, with comparative figures as at December 31, 2011
(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 566,724	$ 4,285,302
Short-term investments	3,519,250	2,782,201
Trade and other receivables	83,450	208,442
Escrow receivables (note 7)	638,159	4,167,084
Prepaid expenses	31,338	13,500
	4,838,921	11,456,529
Total assets	$ 4,838,921	$ 11,456,529
Liabilities and Equity		
Current liabilities:		
Trade and other payables	$ 44,413	$ 223,569
Income taxes payable	258,985	278,313
Provisions (note 8)	450,000	250,000
	753,398	751,882
Equity:		
Share capital	26,387,766	26,387,766
Contributed surplus	2,744,438	2,744,438
Deficit	(25,046,681)	(18,427,557)
	4,085,523	10,704,647
Subsequent event (note 9)		
Total liabilities and equity	$ 4,838,921	$ 11,456,529

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

On behalf of the Board:

Thomas Dea
Chairman of the Board

Laurie Bennett
Chairman of the Audit Committee

GLOBAL RAILWAY INDUSTRIES LTD.

Consolidated Interim Statements of Comprehensive Loss
(In Canadian dollars)
Three months and nine months ended September 30, 2012, with comparative figures for 2011
(Unaudited)

	Three months		Nine months	
	2012	2011	2012	2011
Sales	$ -	$ 8,634,063	$ -	$ 30,907,423
Cost of goods sold	-	8,582,877	-	28,293,774
Gross profit	-	51,186	-	2,613,649
Other operating expenses:				
Administration expenses	277,517	1,287,092	592,137	3,703,862
Selling expenses	-	154,215	-	462,412
	277,517	1,441,307	592,137	4,166,274
Loss on sale of subsidiary	-	(12,221,113)	-	(12,221,113)
Loss from operating activities	(277,517)	(13,611,234)	(592,137)	(13,773,738)
Finance income	13,263	135,138	64,386	222,351
Finance costs	(552)	(78,369)	(2,686)	(236,182)
Net finance income (costs)	12,711	56,769	61,700	(13,831)
Loss before income taxes	(264,806)	(13,554,465)	(530,437)	(13,787,569)
Income tax expense (recovery):				
Current	(16,939)	38,421	(16,939)	53,384
Deferred	-	(5,506)	-	125,068
	(16,939)	32,915	(16,939)	178,452
Loss and comprehensive loss	$ (247,867)	$ (13,587,380)	$ (513,498)	$ (13,966,021)
Loss per share (note 4):				
Basic and diluted	$ (0.02)	$ (0.89)	$ (0.03)	$ (0.92)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

GLOBAL RAILWAY INDUSTRIES LTD.

Consolidated Interim Statements of Changes in Equity
(In Canadian dollars)
Nine months ended September 30, 2012, with comparative figures for the nine months ended September 30, 2011
(Unaudited)

	Number of common shares issued	Share capital	Contributed surplus	Retained earnings (deficit)	Total equity
Balance at January 1, 2011	15,252,399	$ 26,374,781	$ 2,746,742	$ 11,154,362	$ 40,275,885
Loss	-	-	-	(13,966,021)	(13,966,021)
Share-based payment	-	-	1,720	-	1,720
Balance at September 30, 2011	15,252,399	$ 26,374,781	$ 2,748,462	$ (2,811,659)	$ 26,311,584
Balance at January 1, 2012	15,264,065	$ 26,387,766	$ 2,744,438	$ (18,427,557)	$ 10,704,647
Loss	-	-	-	(513,498)	(513,498)
Dividend paid (note 5)	-	-	-	(6,105,626)	(6,105,626)
Balance at September 30, 2012	15,264,065	$ 26,387,766	$ 2,744,438	$ (25,046,681)	$ 4,085,523

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

GLOBAL RAILWAY INDUSTRIES LTD.

Consolidated Interim Statements of Cash Flows
(In Canadian dollars)
Nine months ended September 30, 2012, with comparative figures for 2011
(Unaudited)

	2012	2011
Cash provided by (used in):		
Cash flows from operating activities:		
Loss	$ (513,498)	$ (13,966,021)
Adjustments for:		
Loss on sale of subsidiary	-	12,221,113
Income tax expense (recovery)	(16,939)	178,452
Share-based payment	-	1,720
Depreciation of plant and equipment	-	288,272
Variation of depreciation included in inventories	-	26,363
Net finance (income) costs	(61,700)	13,831
	(592,137)	(1,236,270)
Change in:		
Trade and other receivables	124,992	428,288
Escrow receivables	3,542,829	4,664,743
Inventories	-	362,031
Costs and estimated earnings on uncompleted contracts in excess of billings	-	(719,238)
Billings on uncompleted contracts in excess of costs and estimated earnings	-	336,665
Prepaid expenses	(17,838)	(175,368)
Trade and other payables	(191,648)	(1,304,155)
Provisions	200,000	(143,397)
Customer deposits	-	(783,515)
	3,658,335	2,666,054
Income taxes paid	(2,389)	(1,628)
Net cash from operating activities	3,063,809	1,428,156
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	-	(218,513)
Net proceeds from sale of subsidiaries	-	10,429,376
Proceeds from sale of short-term investments	1,782,906	2,000,000
Purchase of short-term investments	(2,500,000)	(13,000,000)
Interest received	42,927	24,923
Net cash used in investing activities	(674,167)	(764,214)
Cash flows from financing activities:		
Repayment of customer deposits	-	(283,016)
Payment of bank fees	(2,594)	-
Dividends paid (note 5)	(6,105,626)	-
Net cash used in financing activities	(6,108,220)	(283,016)
Increase (decrease) in cash and cash equivalents from operations	(3,718,578)	380,926
Disposition of bank indebtedness from sale of subsidiaries	-	35,547
Increase (decrease) in cash and cash equivalents	(3,718,578)	416,473
Cash and cash equivalents, beginning of period	4,285,302	5,357,742
Cash and cash equivalents, end of period	$ 566,724	$ 5,774,215

The components of cash and cash equivalents are the following:

Cash	$ 566,724	$ 1,737,582
Term deposits	-	4,036,633
	$ 566,724	$ 5,774,215

See accompanying notes to the Condensed 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 designed, manufactured, remanufactured, and marketed 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 was listed under the symbol "GBI" on the Toronto Stock Exchange ("TSX") until its voluntary delisting from the TSX on November 3, 2011. The delisting from the TSX was made following the initial distribution to shareholders on November 2, 2011. The Company is now listed on the NEX, a separate board of the TSX Venture Exchange, under the ticker symbol "GBI.H" since November 4, 2011 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.

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 once tax clearance is obtained.

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").

The Consolidated Financial Statements of the Company as at and for the year ended December 31, 2011, which were prepared under International Financial Reporting Standards ("IFRS"), are available on SEDAR, or at www.globalrailway.com.

2. Basis of preparation:

(a) Statement of compliance:

These Condensed 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 disclosed in the Company’s December 31, 2011 annual Consolidated Financial Statements. The Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual Consolidated Financial Statements.

These Condensed Consolidated Interim Financial Statements should be read in conjunction with the Company's 2011 annual Consolidated Financial Statements prepared in accordance with IFRS and with the accounting policies and selected annual disclosures disclosed in notes 2 and 3.

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

These Condensed Consolidated Interim Financial Statements were approved by the Company's Board of Directors on October 19, 2012.

(b) Basis of consolidation:

The Condensed 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 Condensed 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. which was wound up on October 14, 2011, 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 Condensed Consolidated Interim Financial Statements.

(c) Basis of measurement:

The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis.

2. Basis of preparation (continued):

(d) Functional and presentation currency:

These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

(e) Use of estimates and judgements:

The preparation of the Condensed Consolidated Interim Financial Statements 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.

Judgement is used mainly in determining whether a balance or transaction should be recognized in the Condensed Consolidated Financial Statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

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

(i) Provision for claims:

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

(ii) Provision against trade receivables for claims:

The Company makes estimates on the recoverability of trade 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 trade receivable balances.

(iii) 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 considered probable that the related tax benefit will be realized.

3. Significant accounting policies:

The accounting policies set out in note 3 of the Consolidated Financial Statements for the year ended December 31, 2011, have been applied consistently to all periods presented in these Condensed Consolidated Interim Financial Statements. In addition, the Company adopted the following accounting pronouncement, IFRS 7, Financial Instruments: Disclosures.

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity’s continuing involvement in derecognized financial assets. This amendment is effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2012. The Company has completed its assessment of this amendment and there is no impact on its unaudited Condensed Consolidated Interim Financial Statements.

(In Canadian dollars)

4. Loss per share:

The computation for basic and diluted common shares outstanding for the three and nine month periods ended September 30 are as follows:

	Three months		Nine months	
	2012	2011	2012	2011
Weighted average number of common shares outstanding:				
Basic	15,264,065	15,252,399	15,264,065	15,252,399
Effect of stock options	-	-	-	-
Diluted	15,264,065	15,252,399	15,264,065	15,252,399

Stock options to purchase nil (September 30, 2011 - 50,000) common shares are excluded from the weighted average common shares in the calculation of diluted earnings (loss) per share as they are not dilutive. There were no share options outstanding as at September 30, 2012 (September 30, 2011 - 61,666).

5. Dividends paid:

On April 25, 2012, the Board of Directors authorized a second dividend to shareholders since the voluntary wind-up of the Company commenced on October 13, 2011 of $0.40 per common share for a total of $6,105,626. The payment was made on May 14, 2012.

6. Related party transactions:

During the three and nine months ended September 30, 2012, $45,000 and $135,000 was paid for management services provided by a company owned by the Company's President and Chief Executive Officer (September 30, 2011 - $92,000 and $336,000).

7. Escrow receivables:

During the three and nine months ended September 30, 2012, escrow proceeds of $363,650 (net of $1,433 interest) and $3,528,925 (net of $13,904 interest) was received of which $3,165,275 was related to the sale of 1703558. The remaining $363,650 received was related to the sale of CADRI. Global received a claim of $638,000 in accordance with the provision of the CADRI Share Purchase Agreement ("CADRI Sale Agreement") following the sale of CADRI. On October 30, 2012 the Company signed a settlement and release agreement ("Agreement") with the Buyer for $450,000 relating to the warranty provision described in note 8.

8. Provisions:

Under the CADRI Sale Agreement, the Company has 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 is responsible for 50% of any warranty liability, late fees or penalties paid or accrued by CADRI relating to sales made prior to the closing pf the CADRI sale transaction to a maximum of $1,000,000. On September 20, 2012, Global received notice from the Buyer of claims for indemnification in respect of warranties or guaranties given by CADRI. On October 30, 2012 the Company signed an Agreement with the Buyer for $450,000. The Company has accordingly recorded a provision of $450,000 as at September 30, 2012. The claims described above are the only claims asserted by the Buyer prior to the first anniversary of the closing of the CADRI sale and, accordingly, Global's liability to the Buyer under the indemnification provision of the Agreement is $450,000.

9. Subsequent Event:

On October 30, 2012 the Company signed an Agreement with the Buyer. The Buyer has made certain claims (collectively, the "Made Claims") against the Company under the CADRI Sale Agreement, as more particularly described in the notice delivered by the Buyer to the Company on September 20, 2012. Under this Agreement the amounts held in escrow pursuant to the Escrow Agreement shall be released (i) as to $450,000, to the Buyer, and (ii) as to the balance of the funds in the escrow account, being $188,158.85 plus any earned interest to the Company. The Buyer has released the Company from all Made Claims and any further claims of any nature against the Company under the CADRI Sale Agreement.