

GLOBAL RAILWAY INDUSTRIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2013

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GLOBAL RAILWAY INDUSTRIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013 AND DECEMBER 31, 2012
(Unaudited - Expressed in Canadian Dollars)

	Notes	March 31, 2013	December 31, 2012
ASSETS			
Current assets			
Cash		\$ 20,826	\$ 650,969
Short-term investments		3,538,646	3,527,048
Receivables	3	57,175	28,059
Prepaid expenses		121,425	13,500
		\$ 3,738,072	\$ 4,219,576
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	4	\$ 58,310	\$ 72,026
Income taxes payable		254,985	254,985
		313,295	327,011
Equity			
Share capital	5	26,071,953	26,387,766
Contributed surplus		2,744,438	2,744,438
Deficit		(25,391,614)	(25,239,639)
		3,424,777	3,892,565
		\$ 3,738,072	\$ 4,219,576

The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three Months ended March 31, 2013	Three Months ended March 31, 2012
Revenue			
Interest		\$ 11,598	\$ 23,950
		11,598	23,950
EXPENSES			
Directors' fees		9,000	15,000
General and administrative costs	6	137,820	119,985
Interest		42	-
Regulatory fees and shareholder communication		16,701	19,908
		163,563	154,893
Loss before income taxes		(151,965)	(130,943)
Income tax expense		10	-
Loss and comprehensive loss for the period		\$ (151,975)	\$ (130,943)
Loss per common share, basic and diluted		\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		14,760,595	15,264,065

The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Unaudited - Expressed in Canadian Dollars)

	Number of Common Shares Issued	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2011	15,264,065	\$ 26,387,766	\$ 2,744,438	\$ (18,427,557)	\$ 10,704,647
Loss for the period	-	-	-	(130,943)	(130,943)
Balance at March 31, 2012	15,264,065	\$ 26,387,766	\$ 2,744,438	\$ (18,558,500)	\$ 10,573,704
Loss for the period	-	-	-	(575,513)	(575,513)
Dividends paid	-	-	-	(6,105,626)	(6,105,626)
Balance December 31, 2012	15,264,065	26,387,766	2,744,438	(25,239,639)	3,892,565
Loss for the period	-	-	-	(151,975)	(151,975)
Shares repurchased (note 5)	(1,373,100)	(315,813)	-	-	(315,813)
Balance at March 31, 2013	13,890,965	\$ 26,071,953	\$ 2,744,438	\$ (25,391,614)	\$ 3,424,777

The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Unaudited - Expressed in Canadian Dollars)

	Three Months ended March 31, 2013	Three Months ended March 31, 2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the period	\$ (151,975)	\$ (130,943)
Items not affecting cash:		
Interest income	(11,598)	(23,886)
	(163,573)	(154,829)
Changes in non-cash working capital items		
Trade and other receivables	(29,116)	50,366
Escrow receivables	-	3,165,275
Prepaid expenses	(107,925)	487
Trade and other payables	(13,716)	56,095
	(314,330)	3,117,394
INVESTING ACTIVITIES		
Interest received	-	13,109
	-	13,109
FINANCING ACTIVITIES		
Repurchase and cancellation of share capital	(315,813)	-
	(315,813)	-
Change in cash	(630,143)	3,130,503
Cash, beginning of the period	650,969	4,285,302
Cash, end of the period	\$ 20,826	\$ 7,415,805

The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL RAILWAY INDUSTRIES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2013

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Global Railway Industries Ltd. ("the Company") is a company domiciled in British Columbia, Canada, with its Registered Office located at 1000 - 925 West Georgia Street, Vancouver, BC V6C 3L2.

The Company's primary business operations include investments and merchant banking.

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, CAD Railway Industries Ltd. ("CADRI"), 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 has been listed on the NEX, a separate board of the TSX Venture Exchange, under the ticker symbol "GBI.H" since November 4, 2011. The Company was no longer able to meet the TSX's listing requirements following the sale of CADRI.

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.

On January 31, 2013, at a special meeting of the Company's shareholders, the shareholders passed special resolutions to revoke the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta and to continue the Company from the jurisdiction of Alberta to the jurisdiction of British Columbia.

On April 16, 2013, the Company received a Certificate of Continuance to British Columbia from the jurisdiction of Alberta.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These consolidated interim financial statements do not include all of the information required for annual financial statements.

These consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2012. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual consolidated financial statements for the year ended December 31, 2012.

These consolidated financial statements were approved by the Company's Board of Directors on May 29, 2013.

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for financial instruments which are measured at fair value.

GLOBAL RAILWAY INDUSTRIES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2013
(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (con't...)

Basis of consolidation

The consolidated financial statements include the accounts of Global Railway Industries Ltd. and its wholly-owned subsidiary 1703558 Ontario Inc., which was wound up on September 21, 2011.

Control over a subsidiary exists when the Company 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 financial statements from the date that control commences until the date that control ceases.

All intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. RECEIVABLES

	March 31, 2013	December 31, 2012
GST/HST receivable	\$ 36,043	\$ 19,010
QST receivable	21,012	9,049
Other receivables	120	-
	<u>\$ 57,175</u>	<u>\$ 28,059</u>

4. TRADE AND OTHER PAYABLES

	March 31, 2013	December 31, 2012
Trade and other payables	\$ 800	\$ 3,869
Non-trade payables and accrued expenses	57,510	68,157
	<u>\$ 58,310</u>	<u>\$ 72,026</u>

GLOBAL RAILWAY INDUSTRIES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2013

(Unaudited - Expressed in Canadian Dollars)

5. SHARE CAPITAL

	Number of Shares	Amount
Authorized		
Unlimited number of voting common shares, no par value		
Unlimited number of preferred shares, issuable in one or more series, designations, rights, privileges, restrictions and conditions determined by Board of Directors		
Issued		
Preferred shares, balance March 31, 2013 and December 31, 2012	-	\$ -
Issued		
Common shares		
Balance, December 31, 2012 and January 1, 2012	15,264,065	\$ 26,387,766
Repurchase and cancellation of shares during the three months ended March 31, 2013	(1,373,100)	(315,813)
Balance, March 31, 2013	13,890,965	\$ 26,071,953

During the three months ended March 31, 2013, 1,373,100 common shares were repurchased for \$315,813 and cancelled.

Share Options

There were no share options outstanding as at March 31, 2013 and December 31, 2012.

6. GENERAL AND ADMINISTRATIVE COSTS

	Three Months ended March 31, 2013	Three Months ended March 31, 2012
Office and supplies	\$ 11,057	\$ 21,249
Professional fees	95,564	98,736
Rent and insurance	15,223	-
Salaries, benefits and training	15,976	-
	\$ 137,820	\$ 119,985

7. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2013 and March 31, 2012, the Company entered into the following related party transactions:

- (a) Paid or accrued fees of \$9,000 (2012 - \$15,000) to directors of the Company.
- (b) Paid \$45,000 (2012 - \$45,000) for management services provided by a company owned by the Company's former acting President and former Chief Executive Officer.
- (c) Paid or accrued consulting fees of \$14,500 (2012 - \$Nil) to the Chief Financial Officer of the Company.

8. CAPITAL MANAGEMENT

The Company's capital is comprised of shareholders' equity less liabilities. Cash and short-term deposits are managed for liquidity and operational needs in conjunction with budgeted or expected capital needs. The Company's objective when managing capital is to maintain its ability to retain sufficient liquidity to make investments as opportunities arise and to continue to meet ongoing expenditure and operational needs.

The Company manages the capital structure and makes adjustments to its capital management strategies when economic conditions or risk characteristics of its capital change. To maintain or adjust the capital structure, the Company may consider the issuance of shares, acquire assets or adjust the amount of cash or short-term deposits held.

Currently, the Company's strategy is to monitor economic conditions and capital markets and to allocate operating capital for investment opportunities arising from market conditions.

The Company expects its current and available capital resources will be sufficient to meet operational needs through its 2013 operating period.

9. FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments consist of cash, short-term investments, receivables and trade and other payables. As at March 31, 2013 and December 31, 2012, the fair value of these financial instruments approximates their carrying value due to the relatively short periods to maturity of the instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's credit risk associated with cash and short-term investments is minimized by ensuring these financial assets are invested with highly rated financial institutions.

The Company also has credit risk attributable to its receivables. The amounts disclosed in the Consolidated Statement of Financial Position are net of allowances for impairment, estimated based on prior experience.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2013

(Unaudited - Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (cont'd...)

Currency risk

The Company is exposed to foreign exchange risks arising from fluctuation in exchange rates on its U.S. dollar denominated monetary assets.

As at March 31, 2013, the Company's exposure to foreign currency risk was cash of \$25 (December 31, 2012 - \$2,869).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Company's variable rate financial assets are comprised of short-term investments. The Company has no interest bearing financial liabilities.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet financial obligations as they fall due. The Company manages liquidity risk through management of its capital structure as outlined in Note 8.