

## Management's Discussion and Analysis and Financial Review as at May 29, 2013

The following is Management's Discussion and Analysis ("MD&A") of Global Railway Industries Ltd. financial condition and results of operations for the three month period ended March 31, 2013. This MD&A has been prepared as of May 29, 2013. Except where otherwise indicated, all financial information is expressed in Canadian dollars. This discussion is intended to assist the reader in understanding the key factors underlying the Company's financial condition. This analysis should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

In this document, unless the context otherwise requires, the "Company" or "Global" refers to Global Railway Industries Ltd. and its subsidiaries.

### Forward-Looking Statements

Statements in this management discussion and analysis and financial review, to the extent that they are not based on historical events, constitute forward-looking statements. These statements appear in a number of different places in this report and include statements regarding the intent, belief or current expectations of the Company and its directors or officers, primarily with respect to the future market size and future operating performance of the Company and its subsidiaries. Forward-looking statements include, without limitation, statements regarding the outlook for future operations, forecasts of future costs and expenditures, evaluation of market conditions, the outcome of legal proceedings, the adequacy of reserves, or other business plans. Investors are cautioned that any such forward-looking statements are not guarantees and involve risks and uncertainties, and that actual results may differ from those in the forward-looking statements as a result of various factors such as general economic and business conditions, including changes in interest rates, prices and other economic conditions; actions by competitors; natural phenomena; actions by government authorities, including changes in government regulation; uncertainties associated with legal proceedings; technological development; future decisions by management in response to changing conditions; the ability to execute prospective business plans; and misjudgments in the course of preparing forward-looking statements. Investors are advised that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company or persons acting on its behalf contained in this management discussion and analysis and financial review. We note that additional risks not presently known to us or that we may currently deem immaterial may also impair our business and operations. We do not assume any obligation to update any forward-looking statements other than as required by applicable law.

### The Company

Global is incorporated under the Business Corporation Act of British Columbia. The Company's common shares trade on the NEX (<http://www.tmx.com/en/nex/>), which is a separate board of the TSX Venture Exchange, under the trading symbol "GBL.H".

Following the sale of CAD Railway Industries Ltd. ("CADRI") during fiscal 2011, the Company ceased to carry business in the railroad industry and initiated the voluntary winding up of the Company, which was approved by shareholders at a special meeting held on August 30, 2011. The Company paid dividends to shareholders of \$15,264,065 or \$1.00 per common share on November 2, 2011 and \$6,105,626 or \$0.40 per common share on May 14, 2012.

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 January 30, 2013, the Company received a valid notice of dissent from shareholders holding 1,373,100 common shares (the "Dissented Shares") of the Company. Under applicable corporate law, the Company purchased the Dissented Shares for fair value of \$0.23 per common share. Following completion of the purchase and cancellation of Dissented Shares the Company has 13,890,965 common shares issued and outstanding.

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

### Overview

The Company is currently seeking suitable investments and business opportunities and as such is maintaining most of its assets in cash or short-term investments. The Company defines short-term investments as interest-bearing securities with maturities at purchase date of more than three months, but less than one year.

## **Accounting Policies**

### ***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.

### ***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.

## **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.

## **Risks and Uncertainties**

### ***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.

### ***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.

### **Selected Financial Data**

The following selected financial data as reported by the Company for the past eight business quarters have been summarized from the Company's unaudited quarterly financial statements and are qualified in their entirety by reference to, and should be read in conjunction with, such financial statements.

	2013		2012				2011	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,634	\$ 10,094
Earnings (loss)	\$ (152)	\$ (192)	\$ (248)	\$ (135)	\$ (131)	\$ (352)	\$ (13,587)	\$ (581)
Earnings (loss) per share basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.89)	\$ (0.04)

### **Liquidity and Capital Resources**

The Company's principal sources of funds are its available cash resources and public financing. The Company's recurring cash requirements include general and administrative and regulatory and shareholder communication expenses. As at March 31, 2012, the Company's debt consisted of trade and other payables of \$58,310 and income tax payable of \$254,985.

As at March 31, 2013, cash declined to \$20,826 compared to \$7.4 million for the period ended March 31, 2012, due largely to the return of capital distribution to shareholders of \$6,105,626 or \$0.40 per common share paid on May 14, 2012. Additional sources of liquidity at March 31, 2013 included \$3,538,646 in short-term investments, receivables of \$57,175 and prepaid expenses of \$121,425. Prepaid expenses predominantly include director and officer insurance and director fees for current independent directors. Total current assets as at March 31, 2013 declined to \$3.7 million compared to \$4.2 million for the corresponding comparative period due largely to the repurchase and cancellation of 1,373,100 common shares at a cost of \$315,813.

For the reported period ending March 31, 2013, the Company used cash of \$630,143 from operations and financing activities. Cash flow from operations used \$314,330, predominantly from the reported loss for the period of \$151,975 and adjustments for changes in non-cash working capital items of \$150,757. Financing activities for the reported quarter used cash of \$315,813 for the repurchase and cancellation of shares. Cash flows from investing activities did not use or generate cash for the period ending March 31, 2013.

Total equity was \$3.4 million as of March 31, 2013 compared to \$3.9 million for the comparative period. As at March 31, 2013, the Company did not have any off-balance sheet financial arrangements.

### **Operating Results**

For the three months ending March 31, 2013, revenues, which were basically generated from interest income, decreased to \$11,598 compared to \$23,950 for the corresponding comparative period, due largely to the decline in short-term investments between the comparative periods.

Operating expenses increased slightly to \$165,563 for the three months ending March 31, 2013 compared to \$154,893 for the comparative period and included general and administrative costs of \$137,820, regulatory and shareholder communications of \$16,701 and independent directors' fees of \$9,000. General and administrative costs included professional fees of \$95,564, rent and insurance of \$15,223, salaries and benefits of \$15,976 and office and supplies of \$11,057. Professional fees include \$45,000 for management services provided by a company owned by the Company's former acting President and Chief Executive Officer. The management service contract has been cancelled. No management fees, salaries or stock options have been paid or received by the current management since their appointment other than \$14,500 to the Chief Financial Officer for accounting services provided during the reported period.

The comprehensive loss for the three months ending March 31, 2013 was \$151,975 compared to \$130,943 for the corresponding comparative period. Basic and diluted income (loss) per common share was \$(0.01) for the respective periods.

**Contractual Obligations**

As at March 31, 2013, the Company had no lease commitments.

Global continues to have indemnification obligations to Wabtec Corporation pursuant to the Wabtec Sale Agreement in respect of certain tax, environmental and operational matters. Claims under the Wabtec Sale Agreement can be made until the earliest of the third anniversary of the closing of the G&B and Bach-Simpson sales and the completion of the wind up of Global. The maximum liability of Global for indemnification claims is 50% of the purchase price for GBIH and Bach-Simpson.

**Disclosure of Outstanding Share Data**

At March 31, 2013, the Company had 13,890,965 common shares outstanding. During the three months ended March 31, 2013, 1,373,100 common shares were repurchased for \$315,813 and cancelled. There were no share options outstanding as at March 31, 2013.

**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.

**Management Assessment of Internal Controls**

During the most recent interim quarter ending March 31, 2013, there have not been changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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