GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2010

Global Railway Industries Ltd's (the "Company" or "Global") is the holding company of CAD Railway Industries Ltd. ("CADRI"), which provides sales and services, including parts, maintenance and remanufacture of freight and passenger cars, locomotives, diesel engines and other locomotive components, to the domestic and international railway industries. The Company's shares trade on the Toronto Stock Exchange under the symbol GBI.

The following is Management's Discussion and Analysis ("MD&A") of Global's financial results of operations for the year ended December 31, 2010. This MD&A has been prepared as of March 30, 2011. Except where otherwise indicated, all financial information is expressed in Canadian dollars. This discussion is intended to assist the reader in understanding the dynamics of the Company's business and the key factors underlying its financial results. This discussion should be read in conjunction with the Company's annual consolidated financial statements, which are available on SEDAR at www.sedar.com. Additional information regarding Global is contained in its Annual Information Form, also available on SEDAR.

This document contains forward-looking statements, which are qualified by reference to, and should be read together with the "Forward-Looking Statements" cautionary notice, which can be found on page 32 of this MD&A.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management prepared the financial statements for the Company and is responsible for the integrity and fairness of the data presented therein. The accounting policies followed in the preparation of the financial statements conform to Canadian generally accepted accounting principles ("GAAP"). Where GAAP provided alternative accounting methods, Management chose those it deemed most appropriate in the circumstances. This MD&A has been prepared in accordance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations - of the Canadian Securities Administrators.

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting. The Board of Directors, of which a majority is comprised of independent directors, acts to ensure that Management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Board of Directors acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's Management. With reliance on reviews and discussions with Management and in light of its roles and responsibilities, the Board of Directors has approved the Company's annual consolidated financial statements.

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Non-GAAP Measures

The Company reports its financial results in accordance with Canadian GAAP. However, the Company has included certain non-GAAP financial measures and ratios in this analysis that Management believes will provide useful insight into the financial performance and condition of the Company. These measures do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

Performance Data

The following represents data for the unaudited three month and audited twelve month periods ended December 31.

Global Revenues

	Three months			Twelve months		
	2010	2009	2008	2010	2009	2008
Sales	$ 12,201,081	$ 10,794,632	$ 9,944,021	$ 45,264,248	$ 36,006,287	$ 34,044,881
Loss from continuing operations	$ (1,817,795)	$ (4,277,478)	$ (4,201,550)	$ (4,265,104)	$ (10,863,024)	$ (5,636,927)
Earnings (loss) from discontinued operations	$ (158,649)	$ 397,415	$ 1,242,387	$ 20,920,680	$ 4,027,731	$ 3,961,020
Net earnings (loss)	$ (1,976,444)	$ (3,880,063)	$ (2,959,163)	$ 16,655,576	$ (6,835,293)	$ (1,675,907)
Continuing operations loss per share						
Basic	$ (0.12)	$ (0.28)	$ (0.28)	$ (0.28)	$ (0.71)	$ (0.37)
Diluted	$ (0.12)	$ (0.28)	$ (0.28)	$ (0.28)	$ (0.71)	$ (0.37)
Discontinued operations earnings (loss) per share						
Basic	$ (0.01)	$ 0.03	$ 0.08	$ 1.37	$ 0.26	$ 0.26
Diluted	$ (0.01)	$ 0.03	$ 0.08	$ 1.37	$ 0.26	$ 0.26
Net earnings (loss) per share						
Basic	$ (0.13)	$ (0.25)	$ (0.19)	$ 1.09	$ (0.45)	$ (0.11)
Diluted	$ (0.13)	$ (0.25)	$ (0.19)	$ 1.09	$ (0.45)	$ (0.11)
Weighted average number of common shares outstanding						
Basic	15,241,133	15,239,900	15,239,900	15,241,133	15,239,900	15,239,900
Diluted	15,241,133	15,239,900	15,239,900	15,241,133	15,239,900	15,239,900
Total Assets	$ 58,630,768	$ 70,194,723	$ 72,393,483	$ 58,630,768	$ 70,194,723	$ 72,393,483
Total Long-Term Liabilities	$ 3,018,819	$ 5,441,957	$ 5,417,853	$ 3,018,819	$ 5,441,957	$ 5,417,853

* Excludes long-term debt classified as current liability as at 2009 ($15,070,000) and 2008 (nil.)

The quarterly and twelve month sales results are linear with improving industry fundamentals favoring business growth. Profitability is less linear as accounting adjustments for non-recurring items and financial leverage affecting financial results of one year versus another. In particular 2008 yearly and fourth quarter results were due primarily from reduced market activity and high leverage. The 2009 annual and quarterly results reflecting write-off of goodwill and continuing high leverage. The 2010 fourth quarter and yearly result reflect SRED and year-end inventory adjustments.

Strategy

In May 2009, the Board of Directors established a Special Committee to conduct a strategic review of all available options to maximize the value of Global. The options included the sale of the Company in whole or in parts. The mandate of the Special Committee was expanded in the third quarter of 2009 to address issues related to the Company's liquidity and possible financing alternatives as they were closely interrelated with the strategic review process underway. During the third quarter of 2010, GBI USA Holdings, Inc. ("GBIH"), parent company of G&B Specialties, Inc. ("G&B"), and the assets of Bach-Simpson Corporation ("Bach-Simpson") were sold to Wabtec Corporation ("Wabtec") (NYSE: WAB).

During the fourth quarter of 2010, the Company's Special Committee was merged with the Board of Directors and is continuing to consider strategic alternatives for the Company and its remaining operating business, CADRI.

Significant Events in the Fourth Quarter of 2010

During the fourth quarter of 2010, CADRI successfully delivered four locomotives to VIA Rail Canada ("VIA"), in accordance with the agreed upon delivery schedule. This represents a total of 15 locomotives delivered during 2010. These 2010 deliveries are in addition to the initial eight locomotives delivered during 2009. CADRI has now delivered a total of 23 of the 53 locomotives to be remanufactured under the VIA contract. A total of 16 locomotives have received Final Acceptance and seven additional locomotives have received Provisional Acceptance from VIA as at December 31, 2010. Additionally, during the quarter CADRI repaid more than $1 million of customer deposits for a total repayment of $2.2 million during 2010.

Management previously reported that CADRI's 2008 Scientific Research and Experimental Development ("SRED") receivable in the amount of $450,000 based on claims filed of $665,000 was being audited by the Canada Revenue Agency ("CRA"). On March 3, 2011 CRA officially advised CADRI that its 2008 SRED claim was going to be disallowed based on presented documentation and explanations provided to CRA in support of CADRI's SRED efforts. The 2009 amounts were claimed on a similar basis as those of 2008 and due to the

uncertainty of collection, the recognition standard under GAAP is no longer met and accordingly, as required, CADRI has reversed all its 2009 SRED receivable in addition to the 2008 SRED receivable reversal and amounts previously received for a total reversal amount of $0.877 million ("SRED adjustment") against cost of goods sold pending finalization of the CRA audit. CADRI Management and its advisors still believe these amounts qualify as eligible SRED expenditures and will continue to provide substantive support for the 2008 and 2009 SRED claims to demonstrate to CRA that the claims are fully supportable.

Despite the $4.3 million loss from continuing operations incurred during 2010, which was partially attributable to non-recurring items such as the SRED receivable reversal as described above, the Company managed to generate positive cash flow from continuing operations, including operating, investing and financial activities, in the amount of $8.5 million. Additional discussion about this favorable result can be found below in the Liquidity and Capital Resources section of this MD&A.

As at December 31, 2010 the Company maintained consolidated cash and near cash balances, including funds held in escrow of $19.4 million versus $2 million as at December 31, 2009. This compares to $19.6 million as at September 30, 2010. Additionally, subsequent to year end, the Company's liquidity was further strengthened by the receipt of the first scheduled repayments of escrow funds from the sales of GBIH and Bach, in the amount of $2.45 million.

CADRI is currently bidding on a major contract for the refurbishment of transit cars. The Company was short listed and if successful in its bid, the work would span up to six years. In view of the strong experience executing and meeting contractual requirements for large scale projects, CADRI remains well positioned to bid for major refurbishment contracts.

On October 28, 2010, the Company received a notice from Wabtec pursuant to the Asset and Share Purchase Agreement dated July 14, 2010 detailing Wabtec's calculated differences between the estimated and delivered Net Working Capital related to their purchase of GBIH. Wabtec's calculation indicated that the delivered Net Working Capital was lower than the estimated Net Working Capital used to finalize the closing purchase price of GBIH by a total amount of approximately US$673,000. Management made a settlement offer totaling US$319,000 to resolve the Net Working Capital dispute. The impact of this offer has been reflected in these Consolidated Financial Statements. If this Net Working Capital dispute cannot be resolved between the parties it will be resolved through an independent arbitrator. Any further change to the Net Working Capital agreed to by the parties will result in an offsetting reduction to the gain recorded by the Company on the sale of GBIH.

Sales – Continuing Operations

Through its remaining operating subsidiary, the Company generates revenue primarily from the remanufacture of locomotives, the repair of rail cars, the sale of rail car parts, and the remanufacture of diesel engines including both locomotive and marine engines – the Locomotive segment.

Total Company sales, from continuing operations, for the three month period ended December 31, 2010 were $12.2 million, representing an increase of 13.0% compared with the same quarter of 2009. Total Company sales, from continuing operations, for the year ended December 31, 2010 were $45.3 million, representing an increase of 25.7% compared with the same period of 2009.

Currently more than 67% (2009 - 44%) of Company's revenues from continuing operations are generated from transit customers. Total sales originate predominantly in the United States and Canada, with less than 2% (2009 - 6%) of revenue from continuing operations being generated from sales in other countries during 2010. A majority of sales to other countries are insured under export insurance provided by Export Development Canada.

Although the Company conducts its business and reports its earnings in Canadian dollars, a portion of revenues and expenses are denominated in US dollars. As such, the Company's results are affected by exchange rate fluctuations. The average CDN$/US$ exchange rate for the year ended December 31, 2010 was 1.03 compared to 1.14 for 2009. The effect of the fluctuating value of the Canadian dollar against the United States dollar unfavorably impacted the Company's 2010 and fourth quarter sales growth. Had the exchange rate remained constant year over year, 2010 fourth quarter year-over-year sales would have grown by approximately an additional $430,000 or 3.5%. The effect of the fluctuating value of the Canadian dollar against the United States dollar unfavorably impacted the Company's 2010 sales growth. Had the exchange rate remained constant year over year, 2010 year-over-year sales would have grown by approximately an additional $1.5 million or 3.4%.

Fluctuations in the value of the Canadian dollar against the United States dollar affect the Company's results when the United States dollar denominated sales and expenses are translated into Canadian dollars. A strengthening United States dollar has the effect of increasing the Canadian dollar equivalent of the Company's United States dollar denominated sales and expenses. It also increases overall net income because there are more sales than expenses denominated in United States dollars. During the fourth quarter of 2010, approximately 26.6% of the Company's sales from continuing operations were transacted in United States dollars. During 2010, approximately 31.4% of the Company's sales from continuing operations were transacted in United States dollars. The 2010 percentage of United States dollar denominated sales were lower than 2009 due primarily to a sizable increase in CADRI's Canadian dollar denominated sales originating from the

VIA contract. For the year ended December 31, 2009, approximately 37.5% of sales from continuing operations were transacted in United States dollars compared to 26.9% for the fourth quarter of 2009.

Gross Margins – Continuing Operations

Gross margin for the year ended December 31, 2010 was 3.2% (or 5.2% excluding SRED adjustment), compared with (8.5%) for the same period in 2009 reflecting a net improvement of 11.7% (or 13.7% excluding SRED adjustment). Fourth quarter 2010 gross margin was (6.8%) (or 0.4% excluding SRED adjustment) compared with (2.4%) for the same period in 2009 for a net difference of (4.4%) (or 2.8% excluding SRED adjustment). Key items impacting the 2010 fourth quarter gross margins in addition to the SRED adjustment were increased inventory obsolescence provisions in the amount of $495,000 (excluding the Prime division) for slow moving inventory in accordance with Company policy. Excluding these additional adjustments the gross margin would have been 6.3% for the year ended December 31, 2010 and 4.4% for the fourth quarter.

During the fourth quarter of 2010, CADRI's gross margin, excluding SRED adjustment and inventory adjustment, improved versus the comparable period in 2009 from 18% to 21% for a 3% improvement and dropped 0.6% versus third quarter 2010. During the fourth quarter improvements were recorded through increased volume, operational improvements and partial resolution of technical issues encountered during the prior quarter. CADRI is continuing to make cost recovery claims to its vendors for the unanticipated additional production labour hours required during the third and fourth quarter to resolve product quality issues. Additionally, CADRI Management has implemented a series of measures directed at reducing the VIA contract bill of materials input costs, increasing labor productivity, decreasing consumables and improving the final delivery acceptance process, all in an effort to improve margins, profitability and cash flow.

During the twelve months ended December 31, 2010, the Company recorded the benefit of SRED claims in the amount of $60,000. This represents a $90,000 reduction from the third quarter of 2010. The value of future SRED claims fluctuates depending on the SRED activities undertaken in any given period. As a result of the aforementioned CRA audit, CADRI management has re-evaluated the eligibility of its 2010 SRED projects and has taken a more conservative approach with respect to accruing potential refund claims. The Company's SRED claims are subject to regular review and acceptance by both Federal and Provincial income tax authorities.

As detailed with Significant Events for 2010, referenced on page #3, management previously reported that CADRI's 2008 SRED was going to be disallowed.

Operating Expenses – Continuing Operations

Salaries and General and Administrative expenses for the three months ended December 31, 2010 were 12.9% of sales, compared with 22.5% for the same period in 2009. Salaries and General and Administrative expenses for the twelve months ended December 30, 2010 were 14.7% of sales, compared with 23.5% for the same period in 2009 as the Company continued to reduce costs. Salary expenses for the fourth quarter of 2010 were $987,000 less than for the same period in 2009 due to continued cost saving initiatives including the closure of Global's US office for $900,000 for severance payment and reduction of headcount for $87,000. Corporate salary expenses for the fourth quarter of 2010 were $744,000 lower than the same period in 2009 as a result of the planned reductions of executive management combined with other salary savings.

Salary expenses for the twelve months ended December 31, 2010 were $2.0 million lower than for the same period in 2009 as a result of restructuring initiatives. Corporate salary expenses for the twelve months ended December 31, 2010 were $1.6 million lower than the same period in 2009 given planned reductions inclusive of restructuring payments paid to released executives following the sales of GBIH and Bach as well as closure of the US office and various salary reductions at subsidiaries.

During the fourth quarter, General and Administration expenses increased $126,000 over the comparable 2009 period. Professional fees related to auditing, reviews, tax planning, IFRS conversion, legal counsel and other advisory services for the fourth quarter of 2010 increased by $137,000 versus the fourth quarter of 2009. The Company accrued $285,000 for 2010 severance costs during Q4 related to the planned restructuring of Global's executive management team following the sale of its subsidiaries. There were reduced costs of $425,000 in the fourth quarter of 2010 that were related to travel, public company expenditures and recurring Board of Director fees compared to the prior year period due to the reduced number of Board members and to a reduction to annual stipends and meeting fees.

During the twelve months ended December 31, 2010, General and Administrative expenses were $208,000 higher than for the same period in 2009. Professional fees related to auditing, reviews, tax planning, IFRS conversion, legal counsel and other advisory services for 2010 were $354,000 higher than for 2009. Restructuring costs of $570,000 were incurred in 2010 for expenses related to the planned restructuring of Global's US based executive management team following the sale of GBIH and Bach. Also during 2010, Credit Facility amendment fees in the amount of $210,000 were charged by the Company's Lenders. For the twelve months ended December 31, 2010, cost reductions totaling approximately $125,000 were achieved at the corporate office, in areas such as travel, office, and public company expenses compared to 2009. Additionally, there were reduced costs at CADRI of $988,000 relating to salaries, bad debts and professional fees.

Interest Income/Expense – Continuing Operations

During the three month period ended December 31, 2010, interest income was $54,000 higher compared to the same period in 2009 for continuing operations as a result of the proceeds from the sale of GBIH and Bach, net of the repayment of outstanding debt, being invested in term deposits.

During the twelve months ended December 31, 2010, net interest income was $35,000 compared with net interest expense of $77,000 in the prior year period. Approximately $875,000 of interest expense related to the Company's credit facilities has been allocated to discontinued operations, compared to $1,319,000 for the same period in 2009. Net interest income relates to earned interest on deposits following full repayment of bank debt during the third quarter of 2010 after the sale of GBIH and Bach to Wabtec.

Foreign Exchange – Continuing Operations

The Company recorded a foreign exchange loss of $44,000 from continuing operations during the fourth quarter of 2010, compared with a foreign exchange gain of $3,000 during the same period in 2009. This is due to a strengthening of the Canadian dollar versus US dollar and repayment of US$ intercompany payables following the sale of GBIH to Wabtec. During the twelve months ended December 31, 2010 the Company recorded a foreign exchange loss of $34,000 from continuing operations, compared with a foreign exchange gain of $121,000 during the same period in 2009 due to strengthening Canadian dollar relative to the US dollar over 2010.

Income Tax – Continuing Operations

The following is a reconciliation of the expected and actual tax provisions for the fourth quarter and year ended December 31, 2010 compared to the same period of 2009:

	Three months		Twelve months	
	2010	2009	2010	2009
Loss from continuing operations before income taxes	$ (2,449,795)	$ (5,332,482)	$ (5,483,577)	$ (14,369,825)
Expected income tax rate	29.0%	31.0%	29.0%	31.0%
Computed expected income tax revovery	$ (710,441)	$ (1,653,069)	(1,590,237)	(4,454,646)
Difference resulting from:				
Other non-taxable items	$ (85,480)	$ (137,917)	(1,636)	126,089
Rate differences on temporary differences	$ 48,516	$ 399,165	(7,798)	730,306
Withholding taxes on intercompany dividends	$ -	$ 175,957	347,771	175,957
Other	$ 115,404	$ (24,222)	33,427	(84,507)
Provision for income tax recovery	$ (632,001)	$ (1,240,086)	$ (1,218,473)	$ (3,506,801)

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

The Company's expected tax recovery is adjusted for non-taxable items, rate differences on temporary differences, withholding taxes on intercompany dividends and other differences. The accounting values of the temporary differences have been determined using the tax rate in effect when these temporary differences are expected to be realized or settled. These future rates are lower than the 2010 expected tax rate.

Net Earnings (Loss) – Continuing Operations and Discontinued Operations

Net earnings for the fiscal year ended December 31, 2010 were $16.7 million compared to a net loss of $6.8 million during 2009. The net loss from continuing operations for the year ended December 31, 2010 was $4.3 million (or a loss of $2.9 million excluding SRED and inventory adjustments), compared with a net loss of $10.9 million during the same period in 2009. The net loss in 2009 included a non-cash write-down of goodwill for $2.6 million which ($2.1 million net of a future tax benefit) was acquired as part of the acquisition of CADRI. Net earnings from discontinuing operations for the twelve months of 2010 was $20.9 million including the gain on the sale of $24.9 million excluding the cumulative translation adjustment loss for GBIH and Bach compared with net earnings from discontinued operations of $4.0 million during the same period in 2009.

Net loss from continuing operations for the fourth quarter of 2010 was $2.0 million compared to a net loss of $3.9 million for the same period in 2009. The improved net loss from continuing operations for the fourth quarter of 2010 was $1.9 million. Excluding

SRED and inventory adjustments, the 2010 net loss is $428,000, compared with a net loss of $4.1 million for the fourth quarter of 2009. This adjusted 2010 fourth quarter loss decreases further to $143,000 after adjustment for restructuring payments of $285,000. Net loss from discontinued operations for the fourth quarter of 2010 was $159,000 compared with net earnings of $212,000 for the same period in 2009. The 2010 fourth quarter loss is due primarily to post closing wind down costs and final corporate income tax adjustments.

For the year ended December 31, 2010, all of the Company's facility loan interest was allocated to discontinued operations in the amounts of approximately $875,000 compared to $1,319,000 for 2009 as the debt was required to be repaid as a result of the disposition of GBIH and Bach. For the twelve months ended December 31, 2010, a $3.4 million foreign exchange loss resulting from the reduction of the Company's accumulated comprehensive loss was recorded in the earnings from discontinued operations. There was no similar amount in 2009.

Outlook

Along with other industries in Canada and the United States, railroads have suffered during the economic downturn. Freight traffic is a "derived demand" industry; demand for the rail service is linked to the demand for the products that the railroads haul. Rail traffic, therefore, acts as a solid barometer of the overall health of the economy. The US Federal Reserve earlier this year said that the economy "continued to expand at a modest to moderate pace." A number of factors have led to an increase in freight volume in the United States including rising fuel costs leading to an increased demand for rail, since railroads are on an average four times more fuel-efficient than trucks; a surge in United States imports and record United States agricultural exports boosting rail shipments to and from ports; a rise in natural gas prices causing power plants to burn more coal to generate electricity, and most coal is shipped by rail and lastly railroad investments in capacity, innovations and use of technology led to service improvements and enhanced reliability.

With the continuing growth in the 2011 economy year to date, the finances of the railroad industry are also on the mend. The overall sentiment, based on latest available weekly data and positive comments from railroad executives, is that the business is clearly improving. The Association of American Railroads reported in December 2010 that carloads were up 10.2% for the year and intermodal loads up 14.1%, compared to 2009. Weekly average carloads for December 2010 numbered 286,391 carloads which continues the 2010 trend, although off the all-time high of 297,502 carloads and is the highest weekly average since 2008. The intermodal units also recorded strong December 2010 weekly averages which were the second highest since October 2008.

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Management anticipates that railroads will commence expanding their networks by adding more network capacity as the economy continues to recover, shippers continue to migrate their products from trucks to rail, and as commuters increasingly rely on rail transit systems in response to government incentives, rising gas prices and traffic congestion. Railroads continue to maintain tight control over expenditures to deal with reduced freight volumes/revenues and market softness in the near-term. However, in the mid-term, railroads will continue to seek solutions to decrease fuel consumption and increase core network efficiencies.

The business volumes continue to grow steadily due to a pick-up in end market demand. Moreover, structural cost cuts during the downturn are forecasted to help railroads generate higher margins with leaner business models.

As the United States economy recovers, manufacturing production picks up and consumers begin spending again, industry revenue should return to historical growth patterns.

Financial Results ('000's)

	Q4 '10	Q3 '10	Q2 '10	Q1 '10	Q4 '09	Q3 '09	Q2 '09	Q1 '09
Sales from continuing operations	$ 12,201	$ 10,139	$ 11,927	$ 10,998	$ 10,794	$ 9,454	$ 9,011	$ 6,747
Loss from continuing operations	$ (1,818)	$ (1,511)	$ (353)	$ (583)	$ (4,278)	$ (1,511)	$ (2,077)	$ (2,997)
Earnings (loss) from discontinued operations	$ (158)	$ 19,556	$ 851	$ 672	$ 399	$ 979	$ 1,202	$ 1,448
Continuing operations loss per share								
Basic	$ (0.12)	$ (0.10)	$ (0.02)	$ (0.04)	$ (0.27)	$ (0.10)	$ (0.14)	$ (0.20)
Diluted	$ (0.12)	$ (0.10)	$ (0.02)	$ (0.04)	$ (0.27)	$ (0.10)	$ (0.14)	$ (0.20)
Discontinued operations earnings (loss) per share								
Basic	$ (0.01)	$ 1.28	$ 0.06	$ 0.04	$ 0.02	$ 0.06	$ 0.08	$ 0.10
Diluted	$ (0.01)	$ 1.28	$ 0.06	$ 0.04	$ 0.02	$ 0.06	$ 0.08	$ 0.10
Net Earnings (loss) per share								
Basic	$ (0.13)	$ 1.18	$ 0.03	$ 0.01	$ (0.25)	$ (0.04)	$ (0.06)	$ (0.10)
Diluted	$ (0.13)	$ 1.18	$ 0.03	$ 0.01	$ (0.25)	$ (0.04)	$ (0.06)	$ (0.10)

Note: 2010 Results have been restated to reflect impact of reclassification adjustments between continuing and discontinued operations in order to refine split between continuing and discontinued operations.

The quarterly sales results are linear with improving industry fundamentals favoring business growth. Profitability is less linear as accounting adjustments for non-recurring items and financial leverage affecting financial results of one year versus another. In particular the 2009 annual and quarterly results reflecting write-off of goodwill and continuing high leverage and the 2010 fourth quarter and yearly result reflect SRED and year-end inventory adjustments.

Liquidity and Capital Resources – Continuing Operations

On September 24, 2010 the Company negotiated a new Credit Agreement, with one of its existing Lenders and established a $1.2 million demand loan revolving facility as well as ancillary facilities for corporate credit cards and electronic funds transfers' in the aggregate maximum amount of $550,000. Loan documentation for the new facility includes a Credit Agreement, subsidiary guarantees and a cash collateral pledge in the amount of $1.3 million. Interest rates for loans and overdrafts are Canadian bank prime plus 0.25%.

As at December 31, 2010, cash on hand was $11.6 million compared to $11.8 million as at September 30, 2010 and $2.0 million at December 31, 2009. Additionally, $7.8 million of escrow funds were outstanding as at December 31, 2010 for total cash and near cash of $19.4 million. Subsequent to year end, the Company received the first scheduled payment of escrow funds, in the amount of $2.45 million.

During the fourth quarter of 2010, the Company had a net cash inflow of $517,000 from its operating activities compared to a inflow of $1.0 million in the same period in 2009. Cash used in operating activities, before changes in non cash working capital, was approximately $2.1 million compared to $1.5 million used in the fourth quarter of 2009. The Company's 2010 fourth quarter cash flow was also positively impacted by the conversion of costs and estimated earning on uncompleted contracts to accounts receivable, collection of many of these amounts prior to yearend and an increase in outstanding supplier amounts.

For the twelve months ended December 31, 2010, the Company used approximately $2.2 million of cash to fund continuing operations compared to the use of $7.4 million for the same period in 2009. The fourth quarter 2010 loss from continuing operations included items amounting to approximately $740,000 for SRED adjustment, $495,000 (excluding the Prime division) for inventory adjustment and $285,000 for restructuring payments. The fourth quarter operating activities were financed from reductions of accounts receivable and prepaid expenses and increases in accounts payable as well as $1.3 million of short-term customer deposits. During 2010 approximately $2.2 million in cash was utilized for the scheduled repayment of customer deposits. Additionally, prior to the sale of GBIH, the Company was required to pay cash taxes of approximately $700,000 related to tax arrears and withholding taxes. The operating cash flow shortfall was fully funded by

cash generated by the Company's discontinued operations. The significant improvement in the Company's 2010 year-to-date cash flow result compared to the same period in 2009 is primarily related to reduced operating losses at CADRI.

The Company's Credit Agreement with its Lenders originally provided for a maximum amount of $34.1 million and was comprised of: (i) a demand revolving operating facility in the principal amount of $10 million, subject to borrowing base requirements, the proceeds of which were to be used to finance ongoing operating and working capital requirements; (ii) a five year revolving, reducing, term loan in the principal amount of $22 million to finance the CAD acquisition (note 20), working capital, capital expenditures and other acquisitions; (iii) a hedge facility in the maximum aggregate amount of $2,000,000 to enable the Company to incur interest rate related risk and foreign exchange related risk under hedge contracts between the Company and the Lenders; and (iv) a credit card facility in the aggregate maximum amount of $100,000.

On November 12, 2009, Management and the Lenders agreed to terms for the Second Amending Agreement to the Company's Credit Agreement. The Term Facility was changed from a revolving, reducing facility to a reducing facility. The principal repayments of long-term debt scheduled for October 1, 2009 and January 1, 2010 totaling $1,540,000 were postponed until the expiry date of the term credit facility in 2012. The Company's Operating Facility was renewed to the next annual review scheduled for April, 2010 and remained at $10 million. However, the borrowing base related to the Company's inventory was expanded from $5 million to $6.5 million, effective February 28th 2010. The Company's Hedge Facility was capped at the then current exposure level. A new Earnings before interest, taxes and amortization ("EBITDA") covenant was introduced, requiring the Company to meet minimum quarterly EBITDA targets, with a 15% tolerance, through to the end of 2010. The Lenders agreed to provide the Company with tolerance for missing its Funded Debt to EBITDA and Fixed Charge Coverage covenants through to the end of the first quarter of 2010. The amendments to the Company's Credit Agreement required the Company to undertake to proceed with the sale of one or more subsidiaries before January 31, 2010, with a transaction close date of no later than February 28, 2010; or alternatively obtain a commitment by January 31, 2010 for a new facility of not less than $5 million for a combination of equity and subordinated debt, which was to include a minimum equity injection of $2.5 million, to be completed by March 31, 2010. Under the amended terms of the Credit Agreement, the Company was required to provide the Lenders with specified monthly financial information, provide regular updates on the divestiture process, and implement monthly financial monitoring by an independent accounting firm.

On January 28, 2010, Management and the Lenders agreed to terms for the Third Amending Agreement to the Company's Credit Agreement. The amendments required a final offer of purchase for one or more subsidiaries before March 1, 2010, with a transaction close date of no later than March 31, 2010; or, alternatively, a commitment by

March 1, 2010 for a new facility of not less than $5 million, for a combination of equity and subordinated debt, which was to include a minimum equity injection of $2.5 million, to be completed by March 31, 2010. Under the amended terms of the Credit Agreement, the Company was required to continue to provide the Lenders with specified monthly financial information and provide regular updates on the divestiture process.

On March 31, 2010, the Company and its Lenders agreed to terms for the Fourth Amending Agreement to the Company's Credit Agreement. The amendments required the Company to complete the sale of one or more of its subsidiaries with a transaction closing date of no later than June 30, 2010; or a debt or equity financing of not less than $5 million, including a minimum equity injection of $2.5 million, to be completed by June 30, 2010. The Company was required to provide regular updates to the Lenders regarding the progress towards completion of these requirements. The Company was also required to provide the Lenders with enhanced financial reporting.

On June 30, 2010, Management and the Lenders agreed to terms for the Fifth Amendment to the Company's Credit Agreement. In accordance with this Amendment, the Company undertook to proceed with the sale of GBIH before July 31, 2010, and the sale of Bach-Simpson before October 31, 2010 with the net proceeds on the sale of each to be used to retire the Company's various credit facilities. On July 28, 2010, the sale of GBIH was completed and in accordance with the Fifth Amending Agreement to the Credit Agreement, the Company made payments to its Lenders in the amounts of $15.8 million, to fully retire the Company's term facility, and $3.4 million, to reduce the outstanding principal of the Company's operating facility, including guarantees, to an available balance $5 million. Under this Amendment, the Company's hedge facility was cancelled and the interest rate swap contracts were terminated. On August 24, 2010, the Company repaid the remaining $2.4 million principal balance of its operating facility using partial net proceeds from the sale of the assets of Bach-Simpson.

On August 17, 2010, the Company and its Lenders agreed to terms for the Sixth Amending Agreement to the Company's Credit Agreement. In accordance with this Amendment, the Lenders undertook, following completion of the sale of the assets of Bach-Simpson, to maintain an operating facility of up to a maximum of $1.2 million solely for the purposes of issuing letters of credit, as well as ancillary facilities for electronic funds transfers and company credit cards. At December 31, 2010, the undrawn portion of the Company's original operating facility was $126,892 (December 31,2009 - $2.2 million).

The balances outstanding at December 31 under the Company's amended/retired credit facilities are as follows:

	2010	2009
Operating facility	$ -	$ 6,720,000
Term facility	-	17,380,000
Letters of credit issued	1,073,108	1,059,535
Total amount drawn upon credit facilities	1,073,108	25,159,535
Total amount of available facilities	1,200,000	27,380,000
Total undrawn portion of credit facilities	$ 126,892	$ 2,220,465

Prior to retirement, the demand revolving operating facility bore interest at a floating rate of 2.25% (2009 - between 0.75% and 2.25%) over the Canadian bank prime lending rate, or 3.5% (2009 - between 2.0% and 3.5%) over the applicable bankers acceptance rate.

Prior to retirement, the five year reducing term loan facility bore interest at a floating rate of 2.75% (2009 - between 1.0% and 2.75%) over the Canadian bank prime lending rate, or 4.0% (2009 - between 2.25% and 4.0%) over the applicable bankers acceptance rate. The principal amount available under the term facility was reduced by an amount equal to $.8 million on the first day of each calendar quarter commencing on April 1, 2008 and continuing thereafter until November 13, 2012. Each quarter, the Company was required to repay any amount of outstanding principal which exceeded the adjusted available amount on the term facility. The principal repayments due on October 1, 2009 and January 1, 2010 totaling $1.5 million had been postponed until the expiry date of the term credit facility in 2012.

The Company had not been in compliance with all of the covenants under its Credit Agreement since the fourth quarter of 2008. As a result of these covenant breaches, the Lenders were in a position to take enforcement action against the Company that could have resulted in the curtailment or termination of all or a portion of the credit facilities, demand for payment and/or realization on security. Since there was a risk that the term facility could have been terminated within one year, the Company had classified all of its long-term debt as a current liability on the Consolidated Balance Sheets.

On September 24, 2010, the Company negotiated a new Credit Agreement with one of its Lenders, establishing a $1.2 million demand loan revolving facility; as well as ancillary facilities for corporate credit cards and electronic funds transfers' in the aggregate maximum amount of $ .6 million. Security for the new facilities includes guarantees and a cash collateral pledge in the amount of $1.3 million. The facility bears interest at Canadian bank prime rate plus 0.25%. As at December 31, 2010 no amounts were drawn against these new facilities.

As at December 31, 2010 the Company did not have any off-balance sheet financial arrangements.

Capital Expenditures – Continuing Operations

Management continues to approve only core capital expenditures with rapid payback periods or safety related projects. During the fourth quarter of 2010, CADRI deployed the new accounting system on a standalone basis upon conclusion of the parallel testing and assessments. On February 1, 2011 CADRI further deployed the new accounting software to manage purchases, inventory receipts and sales orders for the engine and services divisions. The new system will enable Management to more proactively address various system and control weaknesses; improve alignment of corporate strategies and operations; reduce risk; improve productivity and insight into daily activities as well as improve financial management and reporting processes.

For the twelve months ended December 31, 2010, the Company's capital expenditures totaled $478,000 and included computer software, manufacturing equipment, plant improvements, as well as furnishings and office equipment.

For the three months ended December 31, 2010, the Company's capital expenditures totaled $299,000 and included computer software, manufacturing equipment, plant improvements, as well as furnishings and office equipment.

As at December 31, 2010, the Company had no outstanding commitments for additional capital expenditures.

Contractual Obligations – Continuing Operations

The Company has the following lease commitments at CADRI:

	2011	2012	2013	2014	Thereafter
Lease commitments	$ 77,000	$ 58,000	$ 58,000	$ 43,000	$ 24,000

The Company has entered into fixed price purchase contracts with remaining commitments amounting to approximately $15.0 million, primarily to acquire materials required to complete the VIA contract. These purchase contracts generally contain clauses that allow the Company to renegotiate the purchase commitments if the VIA contract is materially changed or cancelled. Included in the above are purchase contracts totaling $3.3 million with a company owned by the President and Chief Executive Officer of Global. The inventory purchases are for components acquired under an exclusive distributorship for a major contract and as requested by the customer. – see Related Party Transactions.

In December 2007, CADRI was awarded a $101.5 million contract, that has since been increased to $113.3 million, to remanufacture VIA Rail Canada's fleet of 53 F40

locomotives and additional work over a five year period. This contract award positioned the Company as the largest re-manufacturer of locomotives in Canada and as a major competitor in North America. The VIA fleet renewal program will see the full remanufacturing of their F40 locomotives, including several technological upgrades, and is expected to be completed by the end of 2012. The contract has a progress billing structure – with a 10% holdback on provisional acceptance of the remanufactured unit, which reduces to a 5% holdback on final acceptance of the unit. CADRI must provide annual performance guarantees equal to the greater of i) $15.0 million or, ii) 50% of VIA's annual spending under this contract. The requirement to provide annual performance guarantees terminates when the warranty applicable to the last delivered production unit expires. CADRI is required to indemnify VIA for all claims, damages, late deliveries and liabilities. VIA can cancel the contract for non-performance or CADRI bankruptcy. VIA can terminate the contract at any time; a standard clause in government contracts. The ownership of any new processes, patents, etc., developed by CADRI while performing VIA services accrues to VIA. The contract calls for a two year parts and labour warranty on refurbished units and a one year warranty on repairs.

Under the VIA contract, there are penalty provisions for late delivery. Delivery delays were experienced during the initial stages of the contract, and a revised delivery schedule was negotiated with VIA, which for the most part, is being adhered to. To date, in formal meetings with Company, VIA has indicated that they do not plan to impose late delivery penalties on CADRI and they are not in the business of charging penalties and have proposed an amendment to the agreement to this effect. Accordingly, no amounts have been accrued in the December 31, 2010 consolidated financial statements for such penalties.

The Company maintains a liability on its consolidated balance sheet in the amount of approximately $1.5 million, which represents advance payments received in respect of the remanufacture of locomotives. As explained above, during 2010 the Company repaid $2.2 million of the amounts owing for the prepayments of customer deposits and another $1.2 million is expected to be drawn down during the next twelve months. The entire balance will be drawn down by the end of 2012. The Company has secured the prepayments with a $1.0 million financial guarantee issued by a Canadian Bank, which is renewable annually.

Share Capital

At December 31, 2010, the Company had 15,247,400 common shares outstanding which represents an additional 7,500 common shares compared to December 31, 2009. During the year ended December 31, 2010, 7,500 stock options were exercised, 836,942 options expired or were cancelled, and no additional options were granted in accordance with the Company's Stock Option Plan. If all of the outstanding options were exercised, the Company would have 15,524,900 shares outstanding.

Related Party Transactions

During the fourth quarter of 2010, the Company paid $74,000 for management services provided by a company owned by the President and CEO of Global, compared with $75,000 paid during the same period in 2009. For the twelve months ended December 31, 2010, the Company expensed $903,000 for management and retention payments provided during 2010 of which $618,000 has been paid at year end, compared with $340,000 paid during the same period in 2009. The increase represents paid and accrued severance and retention payments following the sale of GBIH and Bach. In the normal course of business, CADRI purchased approximately US$3.9 million of inventory from a company owned by the President and CEO of Global during the twelve months ended December 31, 2010, compared with US$2.3 million during the same period of 2009. The inventory purchases are for components acquired under an exclusive distributorship for a major contract and as requested by the customer. Increased purchases are directly proportional to increased inventory purchases based on business volume. These inventory purchases were made under normal commercial terms and conditions comparable to those of CADRI's other suppliers, and will be ongoing to the end of the Via project. As at December 31, 2010, the Company has committed to future purchases amounting to approximately $3.3 million from a company owned by the President and CEO of Global.

Environmental Liability

In June of 2008, CADRI exercised an option to purchase the land and building it had previously been leasing. It was known that costs would be incurred to remediate environmental contaminates carried over from the property's prior use as a foundry. A third party evaluator initially determined that this environmental liability approximated $1,312,000. These future environmental remediation costs were factored into the purchase price. Since it is likely that the CADRI will sustain these environmental remediation costs, an initial environmental liability reserve in the amount of $1,312,000 has been recorded with an offsetting increase to the carrying value of the land and building. As environmental remediation costs are incurred, they are charged against the environmental liability reserve. In 2010, the Company has charged $nil against the environmental reserve (year ended December 31, 2009 - $2,040). Cumulatively, the Company has charged $74,036 against the environmental reserve (year ended December 31, 2009 - $74,036). The carrying value of the land and building value has been increased by $107,625, representing the unamortized intangible asset value relating to the option to purchase as at the date of the acquisition, and by $93,106 of transaction costs.

Subsequent Events

On January 31, 2011, the Company recovered the first installment of escrowed sale proceeds from the sale of GBIH. The amount of this installment was $1.8 million.

On February 22, 2011, the Company recovered the first installment of escrowed sale proceeds from the sale of Bach-Simpson. The amount of this installment was $650,000

On March 3, 2011 CRA officially advised CADRI that its 2008 SRED claim was disallowed based on presented documentation and explanations provided to CRA in support of CADRI's SRED efforts. See page #3 for more detailed discussion.

Business Risks

The Company's primary business risks are listed below:

Key Personnel

The Company's senior management team is comprised of its President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). The success of the Company and its business strategy depends, to a degree, upon the skill and efforts of its senior management team and upon its ability to attract and retain qualified personnel. The unanticipated loss of the services of one or all members of the senior management team could have a material adverse effect on the Company's business, financial condition, results of operations or implementation of the Strategic Review recommendations. It could be difficult to replace the Company's senior management without adversely impacting the Company's operations. The Company does not maintain "key man" insurance for any of its senior management team. Additionally, the Company has an employment and non-competition agreement in place with the CEO.

Multi-Year Contracts

CADRI has entered into a multi-year contract for the remanufacture of 53 VIA F40 locomotives. Multi-year contracts are complicated and create additional contract related risks for the Company. Under the multi-year contract, the Company is required to meet specific obligations throughout the course of the contract. Failure to meet these obligations subjects the Company to financial penalties. Financial risk can also result if the Company is unable to effectively manage production and material costs during the term of the contract. Management is continuously improving the Company's cost control measures to minimize the risk of unplanned production costs. Certain long-term contracts with government controlled entities, such as VIA; provide such entities with the right to terminate without cause. Such termination could result in significant negative impact to the Company, notwithstanding that Global has taken steps to mitigate the impact through its contracts with suppliers.

Performance Bonds

In the normal course of business, the Company provides indemnification commitments to customers in the form of annual performance bonds. These indemnification commitments generally require the Company to compensate the customers, upon demand, for costs or losses resulting from the Company's failure to fulfill its contractual obligations. The terms of these indemnification agreements vary based on the contract and generally do not exceed one year. There is a risk that the bonding companies may choose not to renew the performance bonds.

Competition

The Company is subject to competition from companies with a broader range of products, greater financial resources and larger marketing capabilities. There can be no assurance the Company will be able to continue to compete successfully with existing competitors or with new competitors. Management is aware of the competitors in its market and sees minimal new threats to the current customer base. While the Company's customers are cost conscious and have access to competitive products and services, Management's continued focus on safety, lean manufacturing, product quality and superior customer service has enabled the Company to successfully retain and grow its customer base.

Dependence upon Customers

Demand for the Company's products depends primarily on the level of spending by the North American Class 1 freight railroads, passenger railroads and commuter systems. Success is directly related to the strength of the Company's relationships with, and the economic success of, a small number of its larger customers. Should the Company's relationships with any of its major customers become strained, or the profitability of those customers becomes negatively affected, profitability may be impacted. On the other hand, passenger railroads and commuter systems are favorably impacted by the current market conditions because of increased government investment in rail passenger transit.

Following the sale transactions, revenue from the company's largest locomotive customer was approximately 67% of the Company's twelve month 2010 revenues from continuing operations. This compares to approximately 44% for the Company's twelve months 2009 revenues from continuing operations. CADRI is scheduled to deliver the last locomotive to the company's largest locomotive customer under the refurbishment contract Q4 2012.

Accounts receivable from the Company's largest customer were approximately 55% of accounts receivable as at December 31, 2010 versus 25% of accounts receivable as at December 31, 2009.

Product Supply

The Company has been, and may continue to remain, reliant upon third party contractors to provide products and services. The Company is therefore exposed to risks associated with the skills, abilities, timeliness, and quality assurance standards utilized by these third parties. In the event that unsatisfactory services are rendered, the recourse available to the Company may be limited. CADRI enters into contracts for the purchase of materials with selected suppliers to ensure a stable supply of raw materials. Management is not aware of any events that could result in material supply deficiencies in the near future.

Proprietary Rights

The Company has limited registered proprietary rights pertaining to its products. The ability to protect its services or operations from replication by third parties is therefore limited.

Insurance

A defect in the products manufactured by the Company could result in serious personal injury or property damage. Although the Company carries a limited amount of liability insurance, it is not fully insured against such risks, nor are all such risks fully insurable.

Warranty Returns

Consistent with industry practice, the Company allows customers to return products for warranty repair or replacement. Although the Company provides allowances for anticipated returns, and believes that its policies have resulted in the establishment of allowances that are adequate, there is no assurance that such product returns will not exceed such allowances in the future, and as a result, may have a material adverse effect on future operating results. Should any of the distributed products prove to be defective, the Company may be required to refund the price of or replace those specific products or all such products previously distributed. Replacement or recall of such products may cause significant expense and adversely affect the reputation of the Company and its products.

Limited Financial Resources

The financial resources of the Company are more limited in relation to its competitors. The Company's ability to fully exploit available opportunities may be dependent upon its ability to obtain additional financing either by debt, equity or other means. There is no guarantee that additional funding would be available although the Company currently has significant available liquidity following sale of subsidiaries. Given the existing conditions of the banking and credit markets, the Company's future plans regarding new bids for

large contracts may be at risk as most of these contracts require large initial investments in working capital.

Fluctuating Exchange Rates

A portion of the Company's revenues and expenses are transacted in U.S. dollars and are subject to exchange rate fluctuations. Exchange rates are determined by market factors beyond the control of the Company and may vary substantially and have a material adverse impact on the financial results of operations.

Implementation of new accounting system at CADRI

The implementation of a new accounting system at CADRI originally commenced during the quarter ended June 30, 2010. The modules deployed include general ledger, accounts receivable and accounts payable. The inventory module is currently being deployed for various divisions in a staged rollout. It is anticipated that many of the inventory controls issues discussed below will be addressed once the rollout is completed. The Company will continue with the implementation of a fully integrated accounting and ERP system. Management expects that this will take approximately 18 months to implement. The project team has been mobilized, recommendations and schedule are being developed to implement the ERP within 18 months.

The implementation of the new accounting system requires time and manpower resources, thereby introducing some inherent risk in CADRI operations until such time that the accounting system implementation has been fully completed. The general ledger module of the new accounting system was used in parallel during the third quarter of 2010. Final and stand alone deployment of the general ledger modules occurred October 1, 2010 after the parallel testing and assessments were completed.

Liquidity of Small Cap Stocks

The current economic uncertainty and financial market volatility make it challenging at times for investors to liquidate their investment in small cap companies. Generally, Global investors trade a minimal number of shares daily representing less than 2% of the total shares outstanding.

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements in accordance with Canadian GAAP. An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 in the 2010 year

end audited financial statements for additional information regarding the Company's significant accounting policies.

Financial statements prepared in accordance with Canadian GAAP require Management to make estimates and assumptions relating to reported amounts of revenue and expenses, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Management regularly evaluates the assumptions and estimates that are used in the preparation of the Company's consolidated financial statements.

Estimates and assumptions used by Management are based on past experience and other factors deemed reasonable in the circumstances. 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 financial statements in future periods. Critical estimates include the following:

Goodwill Impairment

CICA Handbook section 3064 requires goodwill to be tested for impairment on an annual basis or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. At December 31, 2009, Management completed its annual impairment test whereby the estimated fair value of each reporting segment was compared to the segment's book value. The estimated fair value for CADRI was lower than its carrying value, indicating a potential impairment, which required the Company to perform an additional analysis.

At December 31, 2009, based on additional analysis, it was determined that a non-cash write-down of $2.6 million ($2.1 million net of a future tax benefit) was required for goodwill recorded as part of the acquisition of CADRI. The contributing factor to the impairment of goodwill was CADRI's continuing operating losses.

During the third quarter of 2010, the Company's remaining goodwill in the amount of $9.0 million was disposed of with the sale of GBIH and Bach-Simpson. The disposed goodwill related to the Company's original acquisitions of G&B and Bach-Simpson.

Long-lived Assets

Estimates are also made related to the useful life of long-lived assets. These estimates are used to determine amortization expense. Estimates of an asset's useful life are based on past experience with similar assets taking into account technology or other changes. If these estimates prove inaccurate, Management may have to shorten the anticipated useful life of the asset recorded in the financial statements. This could result in higher amortization expense in future periods or possibly an impairment charge to reflect the write-down in value of the asset.

Impairment of Long-Lived Assets

CICA Handbook section 3063 requires long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances related to long-lived assets include; i) a significant decrease in its market price, ii) a significant adverse change in the extent or manner in which it is being used, iii) a significant adverse change in legal factors or in the business climate, iv) an accumulation of costs significantly in excess of the amount originally expected for its acquisition or construction, v) a current-period operating or cash-flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with its use, or vi) a current expectation that, more likely than not, it will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Management has determined at December 31, 2010 that a "triggering event" required the testing of long-lived assets for recoverability previously not determinable.

At December 31, 2010, based on an impairment analysis completed on an undiscounted cash flow basis under GAAP, it was determined that no write-down was required.

Long-term Contracts

Revenues for engineering service contracts, production contracts, and longer term remanufacturing contracts are recognized under the percentage of completion ("POC") method. Under the POC method, revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs or estimated labour hours for each unit of production. If circumstances change the original estimates of revenues, costs, or extent of progress toward completion, then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that give rise to the revision become known to Management. The Company also provides for the estimated cost of product warranties at the time of revenue recognition.

Other than the normal estimates required in the application of Canadian GAAP, there are no other critical estimates included in the audited consolidated financial statements.

Transition to International Financial Reporting Standards ("IFRS")

For fiscal years beginning on or after January 1, 2011, Canadian public companies are required to prepare their financial statements in accordance with IFRS with comparative figures for 2010. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be evaluated. IFRS will also require more disclosures than Canadian GAAP. The Company will issue its financial statements in the first quarter of 2011 in accordance with IFRS including comparative data for 2010.

The Company's IFRS conversion project plan is comprised of three main phases:

- initial diagnostic assessment
- design
- implementation

The Company has completed the initial diagnostic assessment phase of the plan and has identified and documented the key accounting and disclosure differences between Canadian GAAP and IFRS. The detailed assessment of the differences is complete and the design and development of business process changes and accounting policy selections to meet the requirements of IFRS will culminate in the production of the Company's first set of IFRS financial statements for the quarter ended March 31, 2011.

Based on this assessment, greater financial statement note disclosure will be required in general upon conforming to IFRS, and specifically for property plant & equipment, provisions, and intangible assets which will require continuity schedules to be disclosed illustrating the opening balances, the current period adjustments, and the ending balances.

Management will continue to assess the impact of implementing IFRS and will continue to monitor changes to IFRS. Future amendments to IFRS may have a significant impact on the Company's financial statements, as any new or amended standards could have retroactive application to January 1, 2010. Management's assessments are preliminary and subject to review by the Company's auditors. Accordingly, the final impact of implementing IFRS could be materially different from that which is disclosed here (see Forward-Looking Statements).

The Company has reviewed accounting policy alternatives under IFRS, including certain exemptions and elections available on transition under IFRS 1 (First-Time Adoption of IFRS). Management expects the following IFRS standards to have the most pronounced impact on the financial statements of the Company:

IFRS 1 – First-Time Adoption of International Financial Reporting Standards

Area of IFRS	Summary of Exemption Available
Business Combinations	Choices: Global Railway may elect, on transition to IFRS, to either restate all past business combinations in accordance with IFRS 3 "Business Combinations" or to apply an elective exemption from applying IFRS 3 to business combinations entered into prior to, January 1, 2010, the Company's date of transition to IFRS. Policy Selection: If the elective exemption is chosen, specific requirements must be met, such as: maintaining the classification of the acquirer and the acquire, recognizing or derecognizing certain acquired assets or liabilities as required under IFRS and re-measuring certain assets and liabilities at fair value. The Company will elect, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated. Expected transition impact: None Expected future impact: None
Share-Based Payments	Choices: Global Railway may elect not to apply IFRS 2, "Share-Based Payments", to equity instruments granted on or before November 7, 2002 or which vested before the company's date of transition to IFRS (January 1, 2010). The Company may also elect not to apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS. Policy Selection: The Company will elect 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 to IFRS. Nor, will the Company apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS. Expected transition impact: None Expected future impact: None
Foreign Exchange	Choices: On transition to IFRS, cumulative translation gains or losses in accumulated other comprehensive income ("OCI") can be reclassified to retained earnings at the company's election. If not elected, all cumulative translation differences must be recalculated under IFRS from inception. If elected, Global Railway would write the cumulative translation gains or losses to zero, offset to retained earnings. Policy Selection: The Company has elected not to reclassify cumulative translation losses to retained earnings. The Company has recalculated the cumulative foreign exchange translation gains or

	losses in OCI under IFRS retrospectively (which is aligned with Canadian GAAP). To set OCI to zero, would have required the write down to retained earnings of approximately $3.2 million. Expected transition impact: None Expected future impact: None
The use of fair value or revaluation as deemed cost	Choices: IFRS 1 allows an entity to elect to treat the fair value of Property, Plant & Equipment ("PP&E") at the date of transition as the deemed cost for IFRS. Alternatively, a company may also elect to use a previous valuation of an item of PP&E at or before the transition date as the deemed cost for IFRS, as long as the company appropriately depreciates the item of PP&E in accordance with IAS 16 from that measurement date forward. This election also may be applied to investment property and certain intangible assets. A first-time adopter may not use this election for other assets or for liabilities. Policy Selection: Global Railway will not elect to revalue property, plant and equipment for the transition to IFRS. Expected transition impact: None Expected future impact: None

IFRS 2 – Share Based Compensation

Global Railway will have to split the stock-options which vest over multiple years into tranches for each of the vesting years (i.e. stock options which vest over three years, will have three tranches at the valuation date, a one-year vesting period tranche, a two-year vesting period tranche, and a three-year vesting period tranche) per IFRS requirements. This was not required under Canadian GAAP. The valuation of the new tranches causes the stock option expense in 2010 to decrease by approximately $130,000 as compared to the stock option expense under Canadian GAAP.

IAS-36 – Impairment of Assets

Under IAS-36, testing for impairment is required to be carried out on the entire group of assets of each cash-generating unit ("CGU"). Testing must be carried out the earlier of once per year (for goodwill and indefinite life intangibles) or when there is an indication of possible impairment. The entire group of assets is comprised of tangible and intangible assets including goodwill. A CGU is defined to be the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups.

Canadian GAAP requires impairment testing for individual assets whenever possible, or at an asset group level based on separately identifiable cash flows as compared to cash inflows under IFRS. Furthermore, and notwithstanding special rules for goodwill

impairment testing, impairment testing for assets is not required to be performed unless circumstances exist that indicate that an impairment in the carrying value of an asset has occurred. Goodwill is, however, is required to be tested for impairment annually unless strict criteria are met in which case impairment testing may be postponed. In addition, Canadian GAAP requires impairment testing of goodwill to be carried out on reporting units. A reporting unit consists of a group of independent operating entities (similar to CGU's under IFRS) that have similar economic characteristics.

Asset impairment for long-lived assets under current Canadian GAAP is tested for and measured by comparing the asset's carrying value to the undiscounted cash flows for individual assets or asset groups. Under IFRS, asset impairment is determined by comparing the asset's carrying value with the higher of its fair value less the cost to sell using either an active market or when not available discounted cash flows on a cash generating unit level. This may result in more frequent write-downs in the carrying amounts of assets under IFRS. Also under IFRS prior impairment losses can be reversed where circumstances dictate, while under Canadian GAAP impairment write downs cannot be reversed.

Any adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the transition date of January 1, 2010, the first comparative balance sheet presented based on standards applicable at that time. As at December 31, 2010, there was no impairment under Canadian GAAP, but there is the potential for impairment upon transition to IFRS that could require a write-down of assets based on revised valuation methods. Management continues to work through the required impairment calculations to determine appropriate reporting under IFRS, including the impact, if any, on the opening balance sheet as at January 1, 2010.

Impact of IFRS on Disclosure Controls and Procedures

Business processes, including controls, are being assessed and redesigned, as needed, as the project progresses. Management does not yet foresee any material changes coming from this transition. In regards to internal controls over financial reporting ("ICOFR"), the Company will be determining what additional changes to ICOFR will be required to deal with the accounting policies adopted for IFRS. This process will be ongoing through the first quarter of 2011 to ensure that appropriate additional controls and procedures for future IFRS reporting requirements are implemented based on the actual accounting policies adopted by the Company.

The effectiveness of the Company's disclosure controls and procedures rests essentially upon Management's ability to remain informed of the activities of the various accounting standard-setting bodies and market regulators. Management stays informed in many ways including attending educational seminars and webinars, reading relevant literature and through consultation with the Company's advisors.

Global Railway's Audit Committee and Board of Directors have been briefed on IFRS by the Company's external auditors. Management has also kept the Audit Committee and Board of Directors informed of alternative accounting policies available under IFRS, changes necessitated by the adoption of IFRS and their potential impacts. In addition, Management has been reporting to the Audit Committee and the Board of Directors on its progress in preparing for reporting under IFRS.

Based on investigations and discussions undertaken to date, as well as on feedback received from analysts, Management believes that its contiguous disclosure documents will adequately communicate the impact of adopting IFRS on the Company to all interested parties.

Impact of IFRS on Business Activities

Management does not expect that the implementation of IFRS will significantly impact its business or operations. There will not be a material impact on the Company's business activities or on its debt covenants as a result of this transition.

First Set of IFRS Financial Statements

Management has drafted IFRS-based consolidated financial statements and has populated the balance sheet prepared as at January 1, 2010 based upon accounting policies that it has recommended to the Board of Directors. This work is currently being reviewed by the Company's auditors. Once the 2010 fiscal year's reporting obligations have been fulfilled, Management will commence the next phase of this project consisting of populating IFRS-based financial statements and notes thereto for the period ended and as at December 31, 2010.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company, including its consolidated subsidiaries, is accumulated and communicated to Management as appropriate to allow timely decisions regarding required disclosure. In connection with the Canadian Securities Administrators National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Findings", the Company's Management, with the participation of the CEO and CFO, has evaluated the effectiveness, as at December 31, 2010, of the Company's disclosure controls and procedures and has concluded that such disclosure controls and procedures are not effective, based on such evaluation. Management has carried out procedures which it believes has enabled it to mitigate the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Internal Controls over Financial Reporting

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company's Management, with the participation of the CEO and CFO, has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2010 using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. This review identified weaknesses in the Company's internal controls over financial reporting, discussed below, that suggest a more than a remote likelihood that a material misstatement would not be prevented or detected. Management has since carried out procedures which it believes has enabled it to mitigate the risk of a material misstatement in financial reporting.

Management has identified areas of concern in:

1. Segregation of duties

   Segregation of duties and user access control deficiencies have been identified within the Company's accounting and finance departments and its financial information systems. Specifically, certain duties within the accounting and finance departments were not properly segregated due to the limited number of individuals employed in these areas. These deficiencies may be considered a material weakness resulting in a more than remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected.

   Management continues to review accounting processes with a view to improve/expand segregation of duties and reduce access control deficiencies. However, future mitigation is limited by the relatively small number of personnel within the Company's accounting and finance departments.

2. Reliance on spreadsheets

   Accounting personnel rely heavily on the use of accounting spreadsheets to generate the Company's quarterly and annual financial reporting, including the segregation between continuing and discontinued operations. This deficiency may be considered a material weakness resulting in a more than remote likelihood that a material

misstatement of the Company's annual or interim financial statements would not be prevented or detected.

Management will review the extent accounting spreadsheets are used to generate the Company's quarterly and annual financial reporting; however, due to the complexity of the Company's financial reporting; reliance on these spreadsheets will likely be required in the future.

3. Complex and non-routine transactions

As required, the Company records complex and non-routine transactions. Sometimes, these transactions are extremely technical in nature and require an in-depth understanding of Canadian GAAP and Canadian tax regulations. The Company's Chief Financial Officer does not have extensive experience and background in Canadian GAAP and Canadian tax regulations. Accordingly, due to the complexity of Canadian GAAP, it remains possible that transactions may not have been recorded correctly, potentially resulting in material misstatement of the financial statements of the Company. To mitigate this risk, the Company's CFO consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, quarterly reviews of the financial statements are completed by the Company's auditors, and an annual audit is completed. The financial statements are also presented to the Audit Committee for its review and approval. On July 28, 2010, a new CFO succeeded the incumbent who agreed to stay on with the Company on an interim basis during the transition. The incumbent left the Company in March 2011.

4. Corporate Governance

Mr. Fausto Levy succeeded Mr. Terry McManaman, as the Company's Acting President and CEO in July 2010. Concurrently, Mr. Thomas Dea was appointed to the position of Chairman of the Board of Directors. Accordingly, a potential conflict of interest associated with the previous organization structure has been eliminated.

Due to a change in Company's legal counsel and relocation of the Administrative Head Office, the Company's Board has recently appointed Ross Corcoran, Vice President and Chief Financial Officer as the Company's Secretary replacing Brian McMullan who was the Company's Secretary on a temporary basis.

5. CADRI

On November 14, 2007, Global acquired the business assets and net working capital of CADRI. During the fiscal year ended December 31, 2008, Company Management reviewed the design and the operating effectiveness of internal control over financial

reporting of CADRI's significant processes. As a result, a number of process-level controls including information technology and general computer controls were assessed to be ineffective as of December 31, 2008 and this assessment remained the same for 2009 and 2010.

To date, some key internal controls are still under evaluation and implementation as this is a continuous improvement process. CADRI management continues to enhance internal control over financial reporting structure; however, the primary focus continues to be the implementation of a new accounting system and ERP system. This will allow the following:

i) The automation of processes and implementation of some automated controls that are currently manually intensive;

ii) The integration of end user computing ("EUC") applications, for example spreadsheets and databases (such as CADRI's inventory data base); and

iii) The implementation of controls relating to information technology, also referred to as General Computer Controls ("GCC"), such as program changes, access to programs, and data and computer operations.

Management had previously identified the following internal control deficiencies at CADRI:

Accounting for Inventories

Although continuous improvement has been made, there continues to be dissatisfaction with system control over CADRI's inventory processes which may have an impact on the quality of the accounting for the cost of goods sold and the revenue recognition based on the percentage of completion method for certain long-term contracts. CADRI's inventory processes have been under continuous review to enhance efficiency and effectiveness, and strengthen controls to improve the accuracy, completeness, validity, valuation and timely recording of inventory transactions in the following areas:

a) Tracking of inventory movements including the receipt, transfer, storing and shipping of goods, the issuance of parts and materials to the production to capture all costs relating to a work order and the identification of inventory on consignment;

b) Purchasing level of authority and purchase order completion and approval;

c) Physical access security to inventory;

d) Periodic physical inventory count procedures and review and approval of inventory adjustments;

e) Data entry and maintenance of the accuracy and integrity of the inventory databases, including access restriction to personnel;

f) Creation, changes and maintenance of master parts numbers in the inventory databases;

g) Allocation of time and attendance to work orders and recording of labor costs;

h) Creation and closing of work orders; and

i) Evaluation of inventory net realizable value and determination of allowance for obsolete items.

Although progress has been made, Management is of the opinion that controls over accounting for inventories will only become more reliable with the full implementation of additional process controls together within the new accounting system, which is currently underway.

Accounting for Accounts Payable and Accrued Liabilities

During 2010, there continued to be improvements in the validation of vendor invoices against the approved purchase order and the receiving documents. There has also been an improvement in the procedures to determine accrued liabilities at period end. Some of the manual procedures performed to validate vendor invoices are in the process of being automated with the implementation of the purchasing model of the new accounting system.

Accounting for Capital Assets

Procedures and controls to capture and record capital assets accurately, completely, timely and maintain adequately the fixed assets register have continued to be improved at CADRI during 2010. CADRI management has implemented procedures to identify and record capital assets on a timelier basis, and follow up on capital expenditure projects. The implementation of the accounting system allows automation of the process and the integration of end user computer applications reducing the risk of errors due to manual data entry.

Period End Financial Reporting Procedures

The period end financial reporting procedures include account reconciliations over balance sheet accounts and various account analyses. CADRI's account reconciliation procedures

have been formalized, and most account reconciliations are being performed on a timely basis and supported by adequate documentation. CADRI management now utilizes a month-end schedule to manage the general ledger close process.

Reliance on Spreadsheets

Accounting personnel at CADRI no longer rely heavily on the use of accounting spreadsheets to generate monthly financial reports since the implementation of the new accounting software. Management believes use of spreadsheets for supplementary analysis has not resulted in a misstatement of the financial statements. It is no longer a material weakness in CADRI's control environment given reduced reliance on spreadsheets.

Journal Entries

During the first quarter of 2009, CADRI Management established new standards for supporting documentation and strengthen the review and approval process for journal entries. Beginning in the third quarter of 2010, CADRI's journal entries were required to be accompanied by supporting documentation and are reviewed and approved for validity, completeness and accuracy. CADRI Management continues to monitor these changes closely to ensure that journal entries are adequately reviewed and approved.

Segregation of Duties and Access Rights

Given the small scale of the accounting department of the subsidiary, there were certain control deficiencies relative to segregation of duties, access rights and conflicting roles within applications. CADRI Management hired a new Controller during the first quarter of 2010, and with addition of the CFO on location is undertaking the analysis of conflicting roles before providing access rights to accounting applications in the new accounting system.

End User Computing Applications (for example, spreadsheets and databases)

CADRI utilizes various EUC applications to support the accounting of transactions such as: inventory management, inventory month-end adjustment, depreciation expense, accrued liabilities, percentage of completion and fixed assets additions. Those EUC applications are not supported by the same control environment as purchased computing applications. CADRI management will establish a corporate procedure to implement access and change controls over EUC applications. Some of those EUC applications may be developed and integrated into the new accounting system.

Inherent Limitations on Effectiveness of Controls

There were continual improvements to, but no material changes in, the design of CADRI's disclosure control systems and internal control over financial reporting during fiscal 2008, 2009, and 2010, as the potential improvements to these controls is largely dependent upon the implementation of additional modules of the new accounting system and the related processes and controls. In November 2009, a VP Finance, who became the CFO in July 2010, was hired to provide increased focus to these required improvements, including implementation of the new accounting system. CADRI regularly reviews its controls and procedures and engaged an independent advisor to examine the new accounting system implementation and provide recommendations for a Control and Risk Matrix. The process involved accounting staff to review controls, provide training and increase awareness of testing control activities, examination of weaknesses and suggesting improvements.

It should be noted that a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that Management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances, or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on the work performed to date, Management believes that there are no material inaccuracies or omissions of any material fact in this MD&A. Management, to the best of its knowledge, also believes that the December 31, 2010 consolidated financial statements are fairly presented in all material respects.

Forward Looking Statements

This MD&A contains certain forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of Global. Statements that are not historical facts are forward-looking and are subject to important risks, uncertainties and assumptions. These statements are based on the Company's current expectations about its business and the markets in which it operates, and upon various estimates and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events if known or unknown risks, trends or uncertainties affect the Company's business, or if its estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that the circumstances described in any forward-looking statement will materialize. Significant and reasonably foreseeable factors

that could cause the Company's results to differ materially from its current expectations are discussed in the section entitled "Business Risks" contained in the Company's Management's Discussion and Analysis for the year ended December 31, 2009 filed by Global with the Canadian securities commissions (available on SEDAR at www.sedar.com), as updated under the heading "Business Risks" beginning at page 15 of this MD&A.

The Company disclaims any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2010

For additional guidance, please review the Company's annual consolidated financial statements and Annual Information Form, which are available on SEDAR at www.sedar.com.

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Thomas Dea [1]
Chairman of the Board

Laurie Bennett, CA [1]
Chair, Audit Committee

Jacques Cote [1]

Alan Sellery

OFFICERS

Fausto Levy
President & Chief Executive Officer

Ross Corcoran, MBA [2]
Vice President Finance, Chief Financial Officer & Secretary

Brian McMullan, CA[3]
Vice President & Secretary

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Toronto Stock Exchange
Symbol: GBI

[1] Member of Audit Committee
[2] Ross Corcoran was appointed Secretary March 2011
[3] Brian McMullan resigned as Vice President & Secretary March 2011